



AUSTRALASIA
PROPERTY ADVISORY
ASSOCIATION

Welcome to APAA's Seminar

Analysing the 2024 State and Federal Budgets



COLIN
BIGGERS
& PAISLEY
LAWYERS

We will start from **6:00 pm**

Acknowledgement

APAA would like to acknowledge the Wurundjeri people who are the Traditional Custodians of this Land. APAA would also like to pay our respects to Elders past, present and emerging.



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LAWYERS





AUSTRALASIA
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APAA Workshop

Analysing the 2024 State and Federal Budget

*Impacts and Opportunities for the
Property Sector*

Thursday **30th May 2024**, (6:00pm - 8:30pm)

Colin Biggers Paisley, Level 23, 181 Williams Street, Melbourne VIC 3000

Event Partners



Guests of Honour



Simon Aitken

Director of Tax Services Division |
RSM



Richard Temlett

National Executive Director of Research |
Charter Keck Cramer



Amy Liu

Special Counsel (Corporate & Commercial Team) |
Colin Biggers Paisley Lawyers

Our Partners 2020-2024



We are a not-for-profit organisation creating a community for property developers and multidisciplinary leaders that operate across the entire development lifecycle.

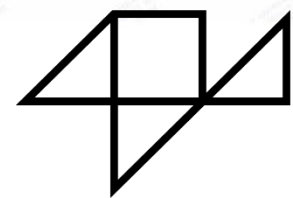
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APAA PARTNER



Our Team



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lifecycle.



MAX LAM
Chairman



SHAUN CHENG
President



TREVOR DU
Vice President



KEVIN LI
Vice President



RAY WANG
Stakeholder Advisor



HUI LI
Executive Committee



SHARON LI
Executive Committee



TZE CHIANG GOH
Executive Committee



FANNY LU
Executive Committee



YING LEE
Marketing Coordinator



ENYA LOO
Operations Coordinator

Our Panellist

Simon Aitken

Director of Tax Services Division

Topic:
Analysing the Federal and State Budgets 2024

Analysing the Federal and State Budgets 2024



PRIVATE AND CONFIDENTIAL



APAA Presentation

By Simon Aitken

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Today's discussion



1. Economic Outlook
2. Housing Supply & Demand
3. Federal Government Initiatives and tax changes
4. Victorian tax changes

Economic Outlook

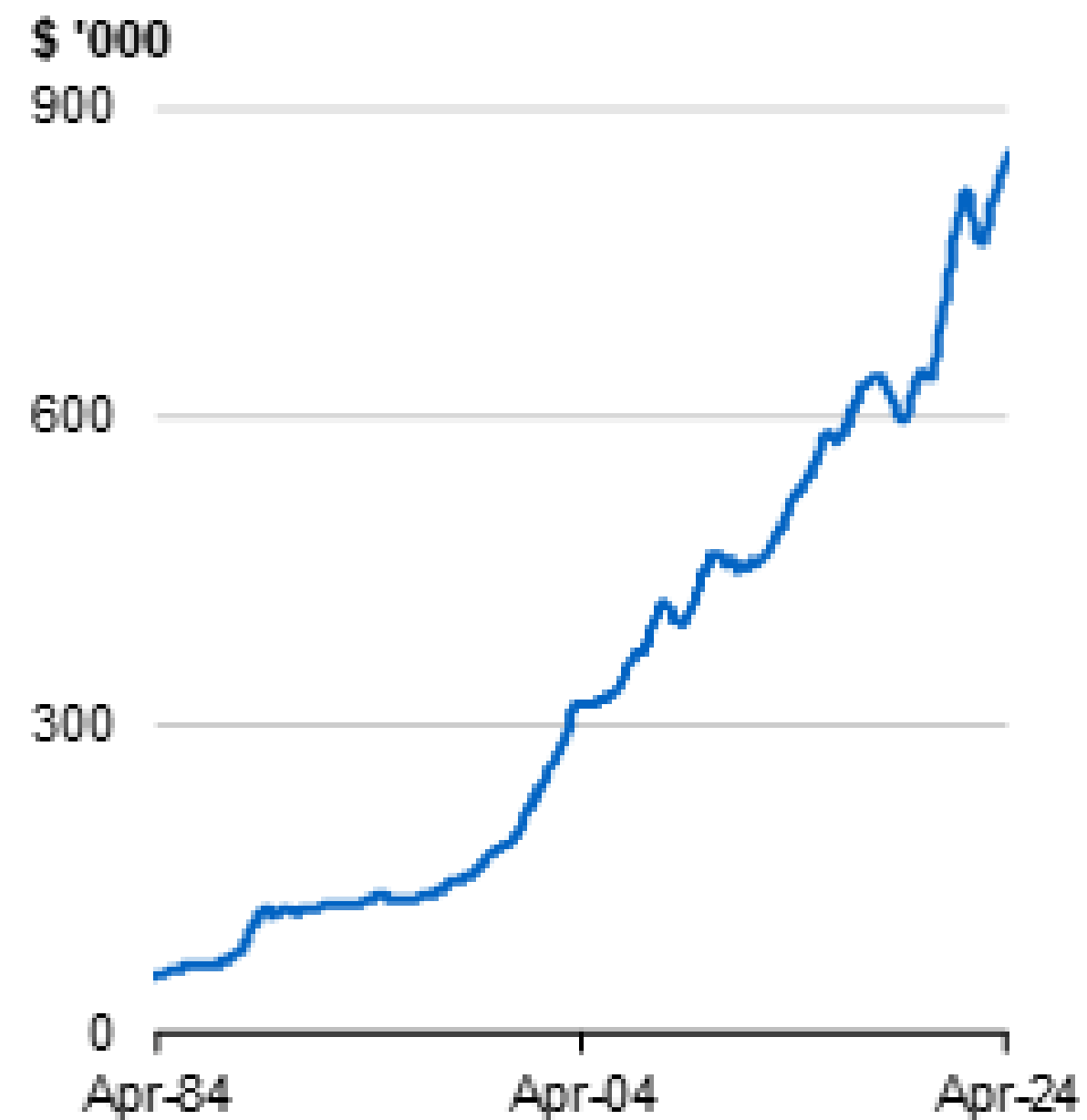
Victorian and Australian – Economic indicators

	Victoria		Federal		
	2023-24	2024-25	2023-24	2024-25	Trend
GSP / GDP	2%	2.5%	2%	2.25%	↑
Employment	3.25%	1%	0.75%	1.25%	↓
Wage Price Index	3.75%	3.75%	3.25%	3.25%	↔
CPI	4%	2.75%	2.75%	2.75%	↓
Population % / Net migration	2.3%	1.8%	260,000	255,000	↓
Net operating balance (\$ m)	(2,191)	1,500	(28.3)	(42.8)	↑
Net debt (\$ b)	136	156	552	615	↑
Land transfer duty (\$ m)	8,278	8,526			↑
Land tax (\$ m)	6,523	6,825			↑
COVID Debt Levy – land (\$ m)	1,258	1,309			↑
Growth Area Infrastructure Contribution	336	344			↑
Windfall Gains Tax (\$ m)	109	112			↑

Housing Supply & Demand

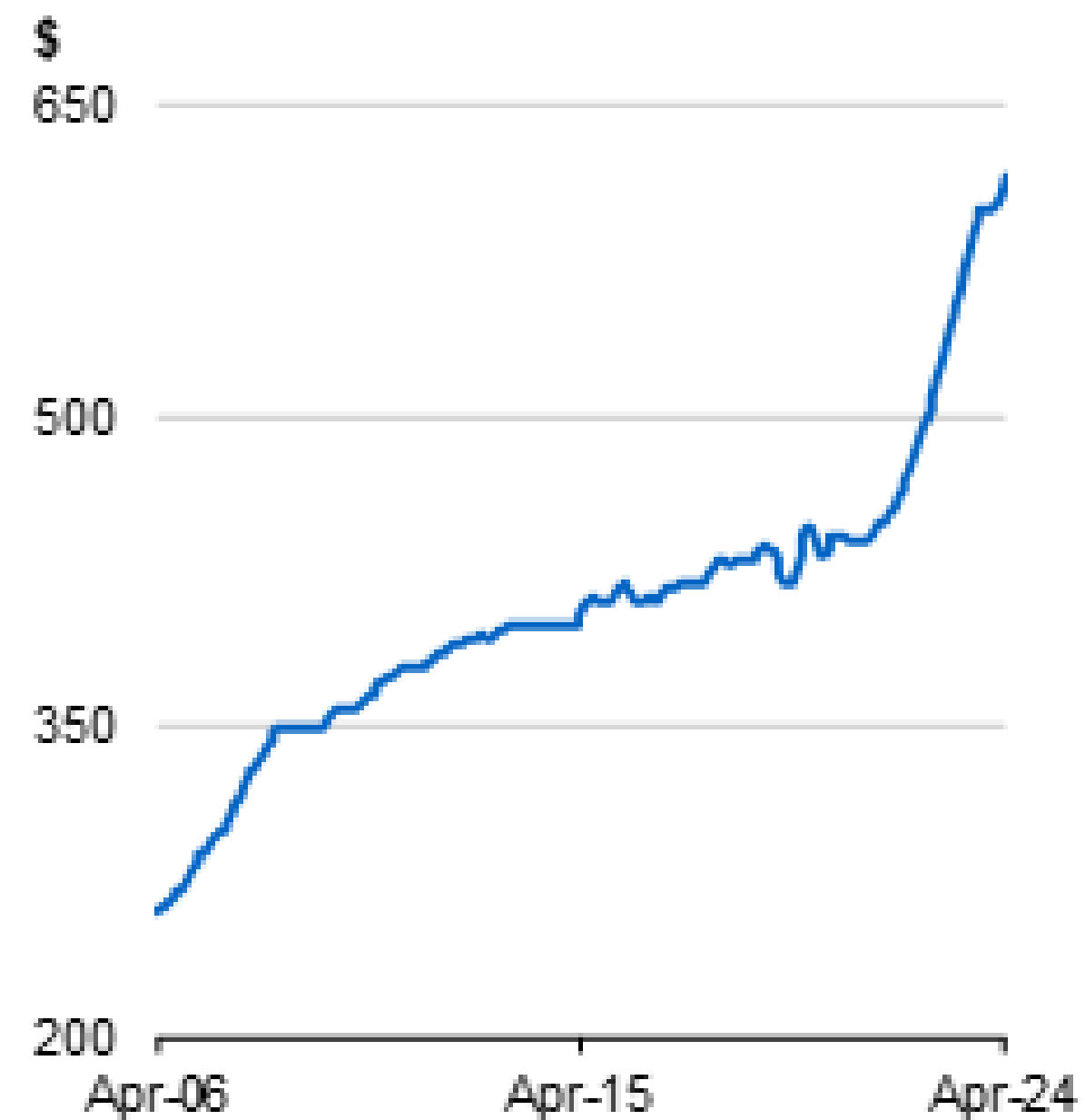
Increased cost of housing and rents

Chart 4.9: Median nominal dwelling values

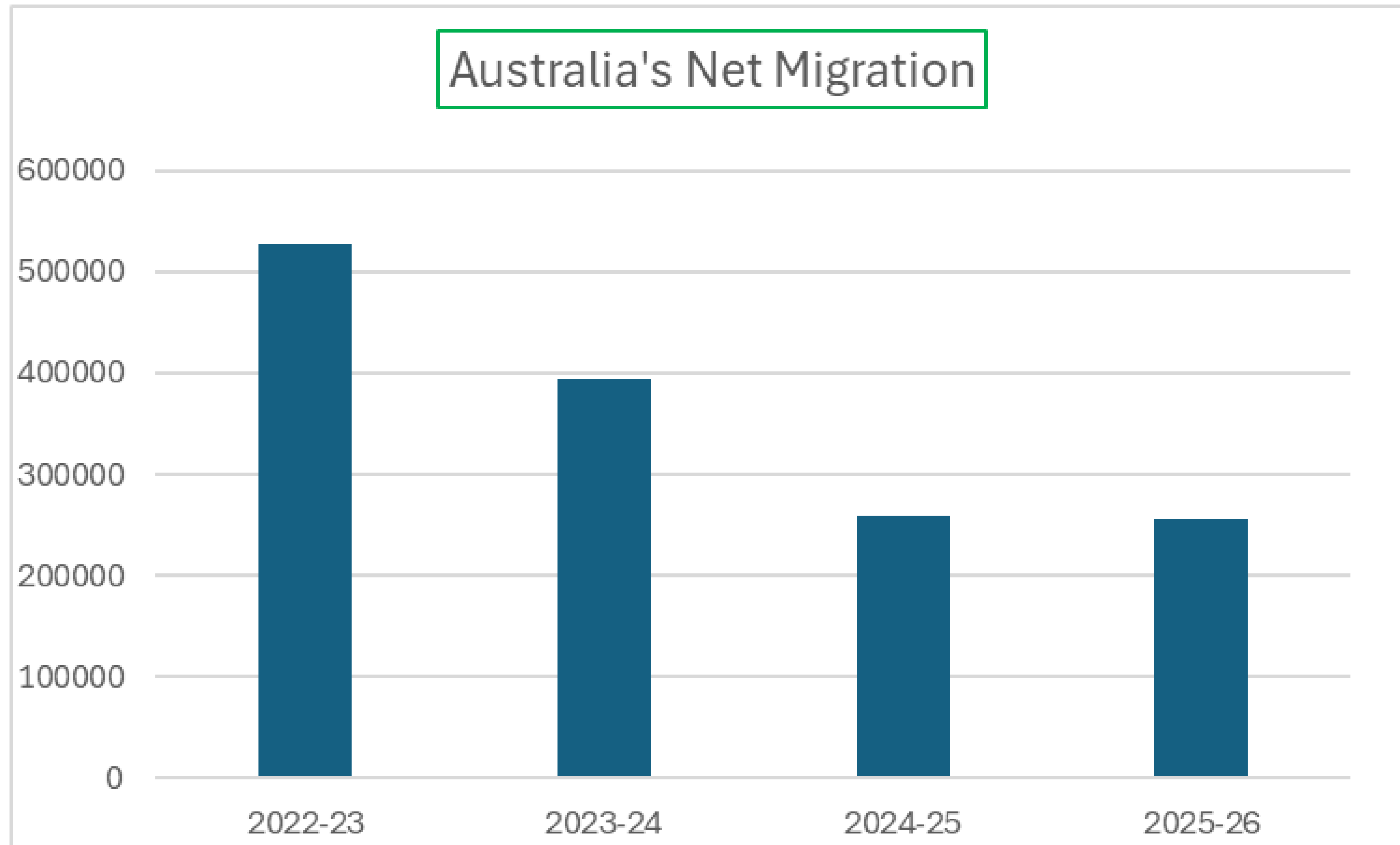


Source: CoreLogic

Chart 4.10: Median nominal advertised rents



Source: CoreLogic



Reduced housing availability

Chart 4.3: Total national established property market listings



Source: CoreLogic¹, Treasury

Chart 4.4: Total national rental market listings



Source: CoreLogic, Treasury

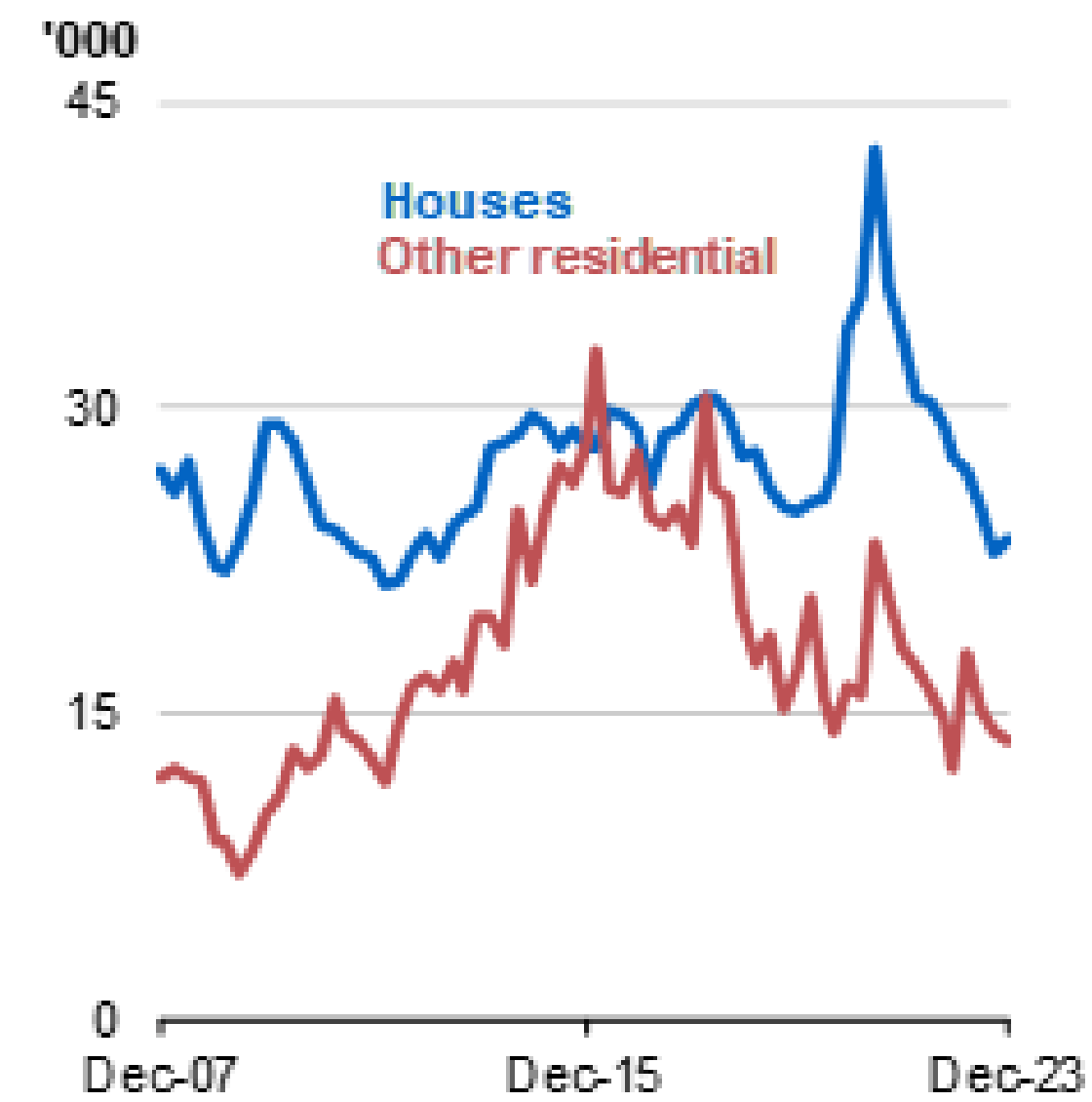
Housing construction

Chart 4.20: Private sector residential building approvals



Source: ABS Building Approvals, Treasury
Note: 3-month rolling average.

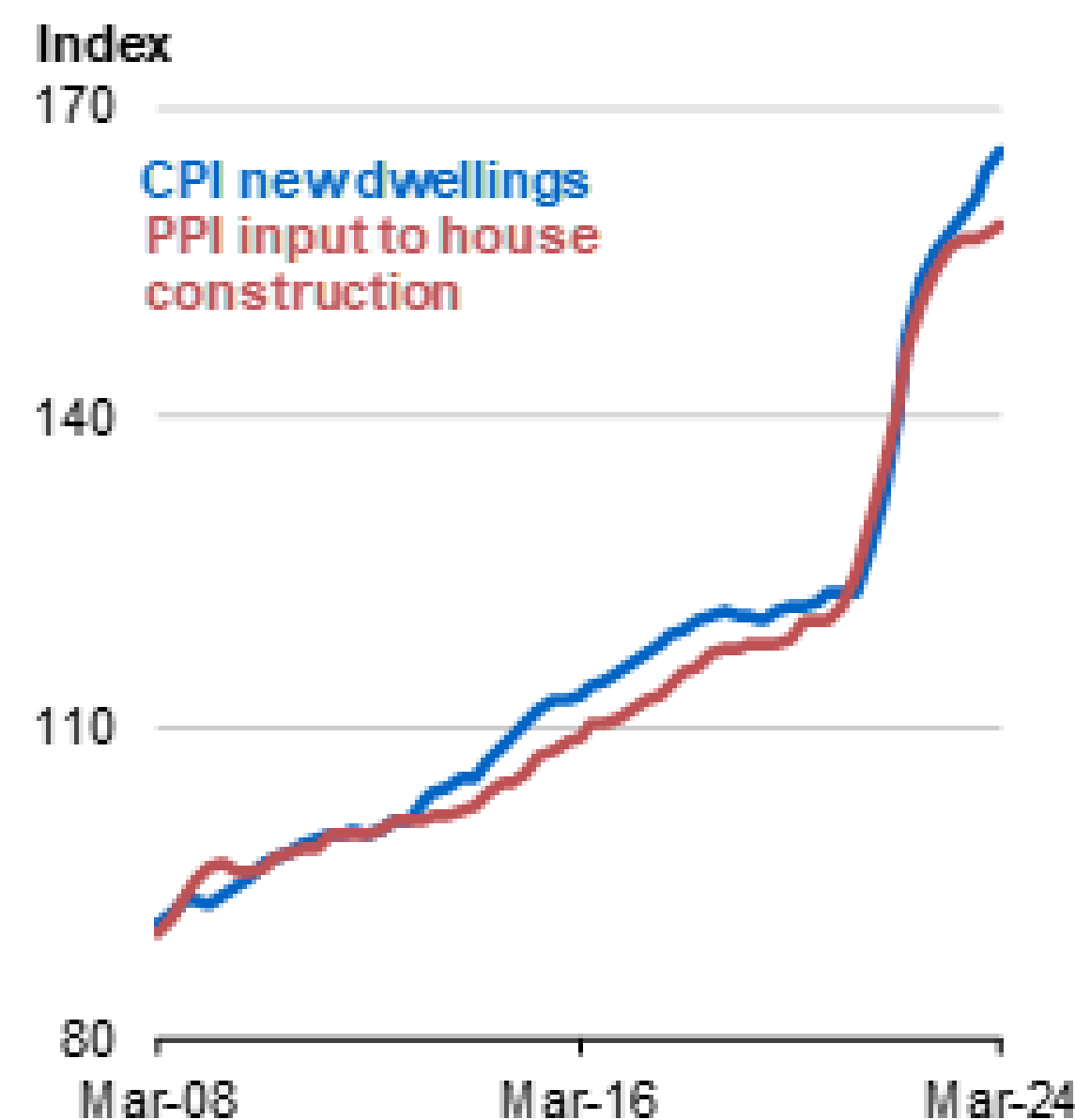
Chart 4.21: Private sector residential commencements



Source: ABS Building Activity

Increasing cost of construction

Chart 4.16: Residential construction costs and prices



Source: ABS Producer Price Index, ABS Consumer Price Index

Federal Government Initiatives

National Housing Accord

National Planning Reform Blueprint for planning, zoning and land release

Aims to build 1.2 million homes in 5 years

40,000 new social and affordable homes

\$3b – New Homes Bonus – Incentive payment to States that exceed their share of 1 million homes targeted under the National Housing Accord





Building to Rent Legislation

What is BTR

BTR is **development for the sole purpose of rental** (as opposed to build-to-sell).

What are the tax concessions?

- 4% capital works deduction
- 15% withholding tax on BTR distributions to non-residents from MITs and AMITs

What qualifies for the concessions?

- **Construction** must have started after 7:30pm AEST on 9 May 2023
- **50+ dwellings** made available to rent to the general public;
- All of the dwellings in the BTR development, plus common areas, must owned by a single entity for at least **15 years**;
- **Rental terms of 3+ years** throughout the 15-year period, however tenants may request shorter terms; and
- **10%** of the total units must be allocated to **‘affordable housing’**



Thin Capitalisation changes

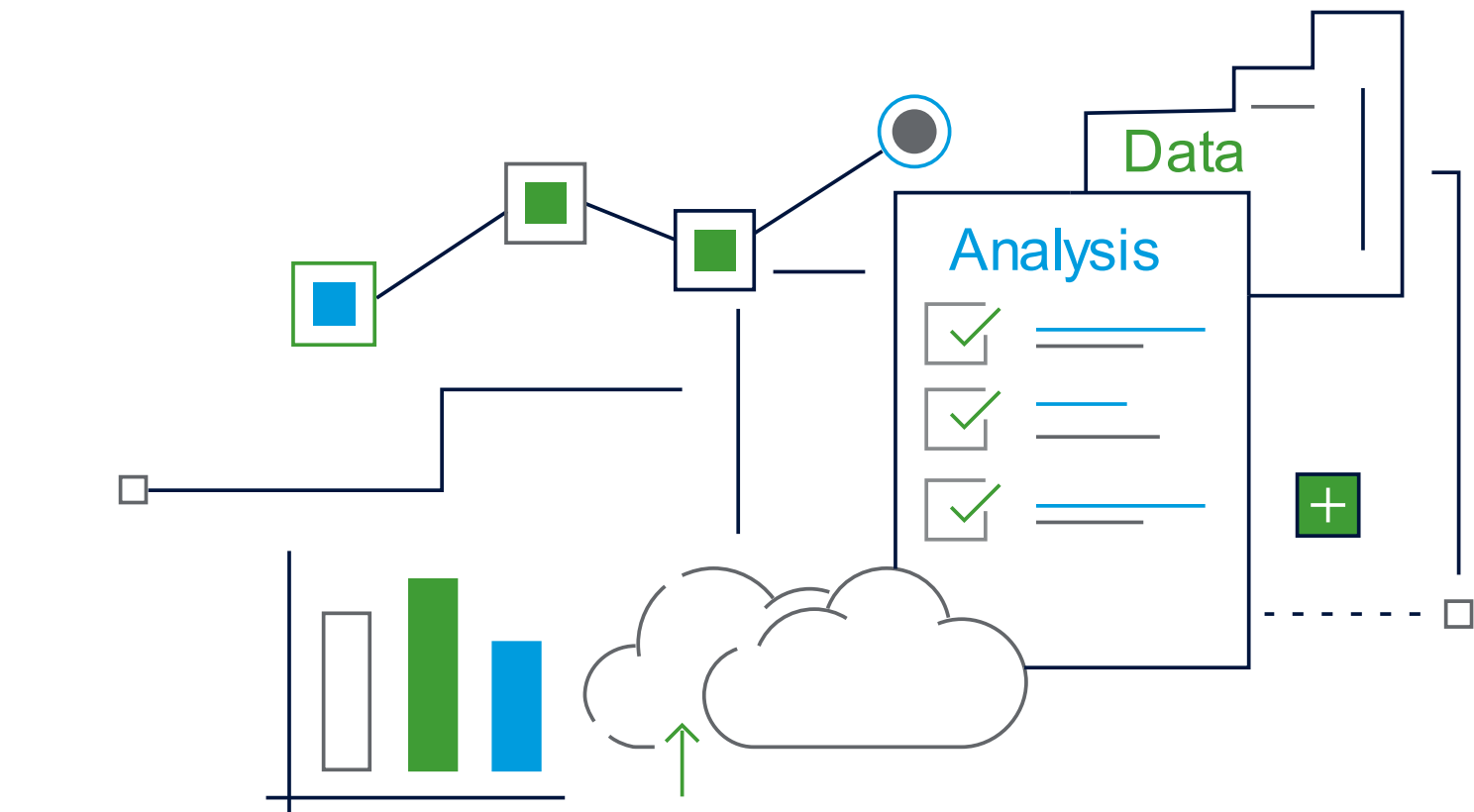
New Law	Old Law
Thin capitalisation – 1 July 2023 Debt creation – 1 July 2024	
<p>Fixed Ratio Test</p> <p>Net debt deductions exceed 30% of tax EBITA</p> <p>15 year carry forward for denied deductions</p>	<p>Safe Harbour Debt Test</p> <p>Debt deductions on debt that exceeded a debt equity ratio of 60:40</p> <p>No equivalent</p>
Group Ratio Test	World wide Gearing Test
Third Party Debt Test	Arm’s length debt test



Thin Capitalisation – Example

Aust Sub Pty Ltd	\$m
Property	260
Loan from foreign parent	(250)
Capital	10
Rent	32
Debt deductions	(20)
Depreciation	(10)
Profit before tax	2

Safe Harbour Debt	
Assets	260
Multiply by 60%	156
Debt in excess of SHD	(94)
Interest denied	(8)



Fixed Ratio Test	
Tax EBITA	32
30%	9.6
Interest denied	(10)

Victoria

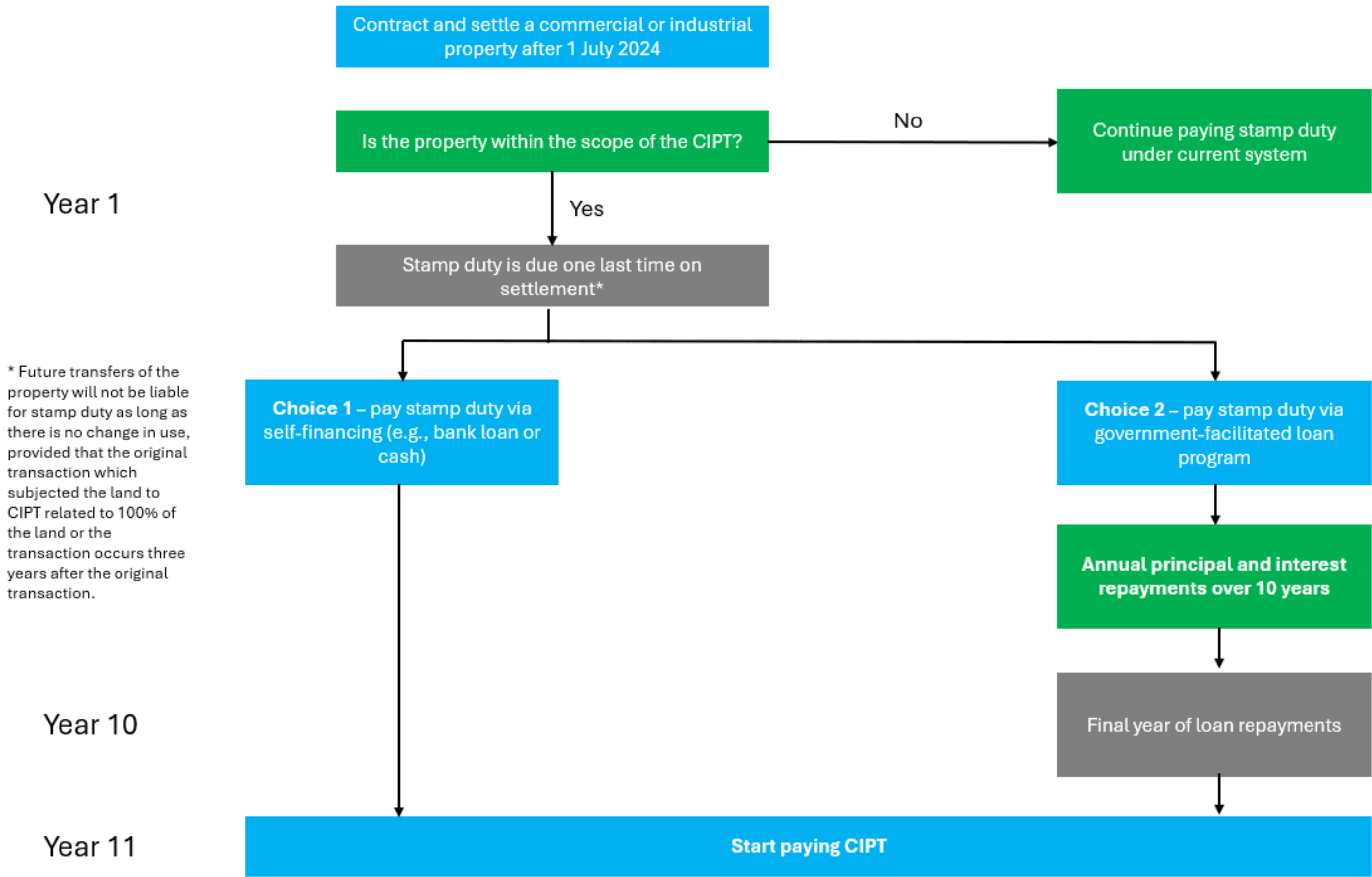
Victoria – Commercial and Industrial Property Tax (CIPT)

- 1% (in addition to land tax)
- Land enters the CIPT system if:
 - **Commercial or industrial** [AVP Classification of 200-499 or 600-699] - Land coded by Valuer General; and
 - **Not excluded** residential or primary production; and
 - Contract and settlement is **after 1 July 2024**; and
 - Change in beneficial ownership **>50%** in landholder; and
 - **Subject to duty**
- Sole or primary purpose test for mixed use property





How does CIPT work and apply?



Victoria – Commercial and Industrial Property Tax Treasury Loan



Loan terms
Up to duty amount
10 years
Principal & interest
Fixed rate 1. Treasury Corp of Vic Base Rate 2. Margin
First ranking statutory charge on property



Victoria – Vacant Residential Land Tax

Changes from 1 January 2025

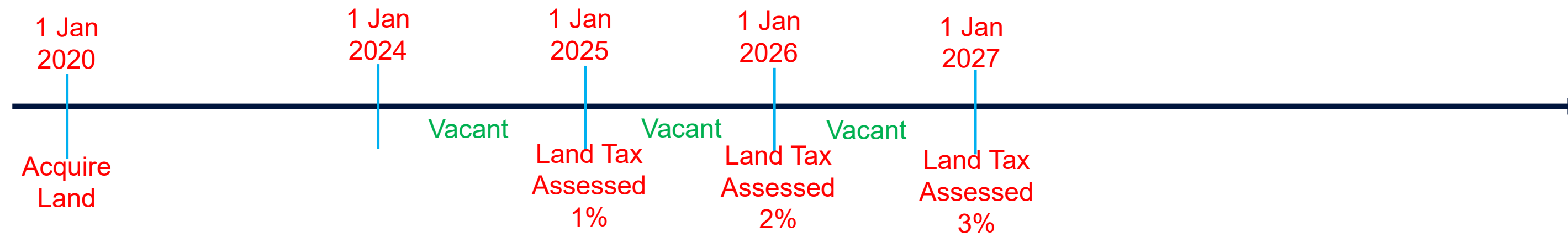
- VRLT applies to **State wide** property
- Exemptions
 - PPR
 - Holiday home used 90 days by owner or relative
 - Work accommodation exemption used 140 days
 - New constructed (up to 3 years)
- Rate based on CIV
 - 1 year vacancy 1%
 - 2 year vacancy 2%
 - 3 year vacancy 3%

Changes from 1 January 2026

- Residential land includes **unimproved residential land** in **metropolitan Melbourne**
- Unimproved (no construction) for 5 years (starts from 1 January 2020)
- Rate based on CIV – 1%

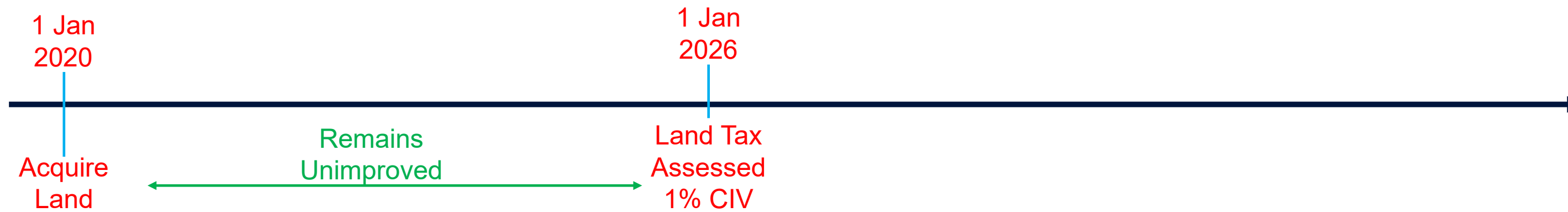
Victoria Vacant Residential Land Tax Examples

Vacant Residential Land



Victoria Vacant Residential Land Tax Examples

Vacant Unimproved Land



Vacant Land under construction (no assessment)





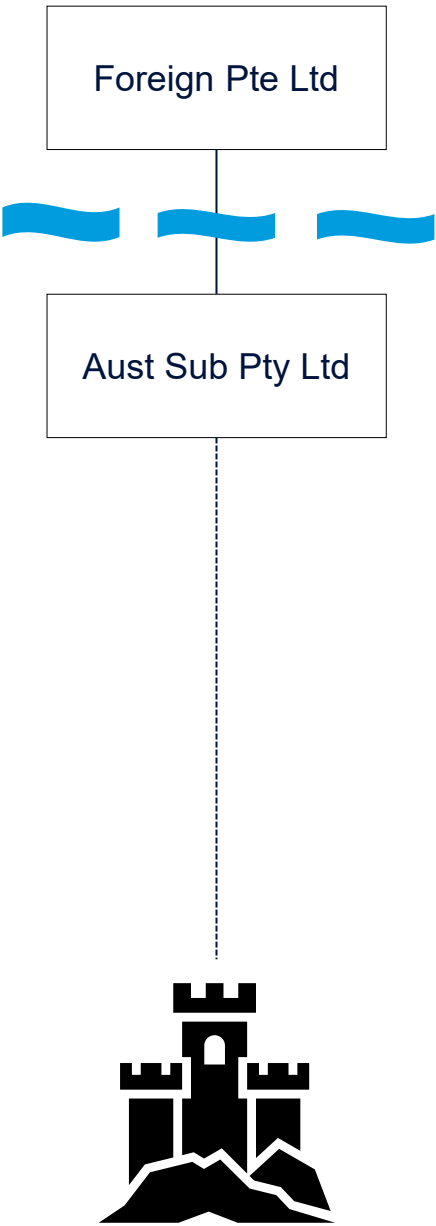
Victoria – Other recent tax changes

	Date Applicable
No apportionment of land tax under a contract of sale	Contracts after 1 January 2024
Vendor prohibited from passing on windfall gains tax	1 January 2024
Foreign “Absentee” owner land tax surcharge increases to 4%	1 January 2024
COVID debt surcharge	1 January 2024
Fixtures included in CIV of land	13 December 2023





Victoria – Land tax example – 1 January 2027



Value of land		20,000,000
Land tax	\$4,650+.9% above \$1m	180,000
Vacant residential	3%	600,000
Absentee surcharge	4%	800,000
COVID surcharge	\$975 + 0.1% above \$250k	20,750
Total land tax		1,600,750



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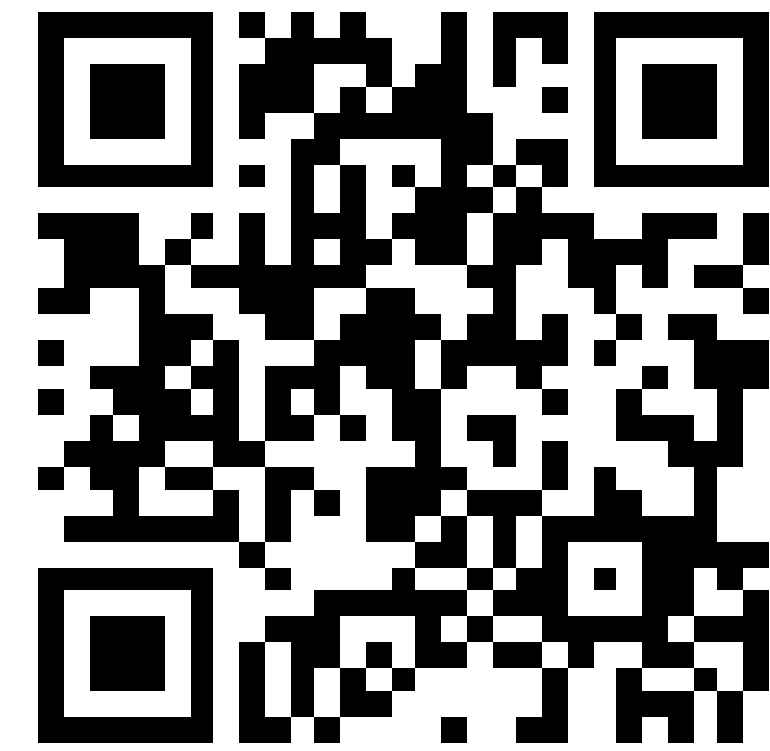


Amy Liu

Special Counsel (Corporate & Commercial Team) |
Colin Biggers Paisley Lawyers



Panel Discussion



Scan the QR code



Appreciations

Event Partners



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Join US



Date: 26 June 2024, Wednesday

Time: 6:00 pm – 8:30 PM

Location: 233 Lonsdale Street, The Emerald Peacock Level 1



Scan the link to find out more

