

Vic stamp duty changes to hurt unlisted property funds and investors

Property Funds Association (PFA), the peak industry body for the \$125 billion Australian unlisted wholesale and retail property funds sector, has voiced concern against Victoria's new stamp duty laws which it says will create higher operating costs for unlisted property funds.

Changes to The State Taxation Acts Amendment Act 2019 received royal assent on 18 June 2019 and incorporated significant surprise amendments to stamp duty, which is sending shockwaves through the property industry.

Paul Healy, CEO of Property Funds Association (PFA), said "Victoria's stamp duty changes have been introduced without consultation and will likely increase costs for unlisted property funds, which may then be passed on to unlisted property investors."

He said the new rules could impact any property transactions within a fund. "There are particular concerns over how the new stamp duty rules will apply to property transactions, and how they will apply to fund performance fees, acquisition fees, and disposal fees.

"PFA believes there needs to be more scope for exclusions or exemptions to ensure funds are able to carry out their business without being unreasonably taxed."

Most issues centre around changes to the 'economic entitlement provisions' under the Victorian Duties Act. Changes include removing the 50 per cent threshold and moving most of the provisions from the 'landholder duty' regime into the 'transfer duty' regime.

Prior to the new provisions taking effect, duty was only imposed under the economic entitlement provisions where the owner of the land was a private or wholesale unit trust, or a private company, and the economic interest acquired was 50 per cent or more of the relevant economic entitlement (e.g. rent, profits, capital proceeds etc.): PFA says removing this 50 per cent threshold and removing the restrictions in the landholder regime means a much wider range of entities and activities will be caught in the stamp duty net.

Victoria's State Revenue Office has issued administrative guidance on these new provisions, but PFA says appropriate exclusions from these new provisions should be legislative, rather than administrative. "This guidance has limited value to many unlisted property funds and does not provide adequate certainty for taxpayers as it does not have legislative force and only addresses 'plain vanilla' circumstances.

"In PFA's view, further legislative amendments are warranted to provide clarification and certainty for taxpayers", Mr Healy concluded.

About Property Funds Association

The Property Funds Association of Australia is the peak body representing the Australian unlisted wholesale and retail property funds sector, currently worth more than \$125 billion.

As the professional association for Australian Financial Services Licensed (AFSL) property fund managers, their advisors, consultants and representatives, we support and promote investment into unlisted property trusts, funds and syndicates, and assist members in developing and operating their businesses.

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