6 August 2024

Dr Sean Turner
Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600
Email: economics.sen@aph.gov.au

Dear Dr Turner

Build to Rent Managed Investment Trust Withholding Tax (BTR MIT WHT) & Capital Works Deductions

Further to our Inquiry Submission on the BTR MIT WHT initiative as proposed by your office, we have outlined below our supplementary statement for the Inquiry.

UDIA National has been a long-standing champion of levelling the playing field for BTR and lowering the MIT WHT threshold.

The Urban Development Institute of Australia (UDIA) National is the development industry's most broadly representative peak body with more than 2,000 member organisations - spanning top tier global enterprises, consultants, small and large-scale developers and local governments.

The development and construction industry delivers 9% of Australia's GDP and creates jobs for 1.307 million Australians. Every dollar invested into housing construction delivers $2.90 in broader economic activity.

Our members deliver the majority of affordable market housing across Australia. Most housing created by our members is sold near or below median house prices.

The issue

This statement letter should be read in conjunction with our broader Inquiry Submission dated 28 June 2024.

In the interests of simplicity, we will not repeat the detail of the Inquiry Submission except to emphasise that while **halving the BTR WHT is a welcome change, the tax and integrity settings need to be modified or it will be unable to attract the international investors needed for funding.**

The tax settings effectively impede investment and needs a BTR WHT rate of 10% to allow for affordable housing to low and moderate income households without subsidy.

The integrity measures under the misuse tax effectively "poison" the trust with ongoing penalties and clawbacks for even inadvertent mistakes. The initiative should instead ideally use the established MIT penalty regime to align all integrity measures and remove unnecessary commercial risk.

Both these changes are necessary to **ensure Government can be confident** the BTR MIT WHT can **attract investors** with a comparable investment & **ensure integrity of outcome** (10% affordable housing).

For your convenience, the Property Council has discussed their further proposal for reduction of the WHT to 10% with associated affordable housing changes, and it aligns with our approach.

We note however, where the Committee accept these changes, it is critical that the misuse tax is aligned to the existing MIT penalty regime, or modified to ensure the "penalties fit the crime".

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Otherwise, the currently proposed scope of the Misuse Tax means that few, (if any), investors will get comfortable with the risks associated with investment.

This we understand, is also in broad alignment with the Property Council's original submission.

Our UDIA MIT think tank has solutions for either eventuality for the Misuse Tax rules and will make itself available to Government and the Committee as required.

Please do not hesitate to contact the UDIA National Head of Policy and Government Relations - Andrew Mihno on [redacted] to discuss this further.

Yours sincerely

[redacted]

Col Dutton
UDIA National President