



2 October 2008

Dr Timothy Kendall
Senate Committee Office
Senate Standing Committee on Economics
PO BOX 6100
Parliament House
CANBERRA ACT 2600

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Dear Doctor Kendall

Senate Inquiry: Tax Laws Amendment (2008 Measures No.5) Bill 2008

Thank you for the opportunity to provide comments to the inquiry into the *Tax Laws Amendment (2008 Measures No.5) Bill 2008* (the Bill).

The Property Council is the peak body representing the interests of owners and investors in Australia's \$320 billion property investment sector.

Our members include the major Australian real estate investment trusts (A-REITs), developers, property advisors and direct investors who are significantly impacted by the proposals in the Bill.

We have specific comments regarding:

- 1) Schedule 1: *GST and the sale of real property – integrity measure* (GST Margin Scheme amendments); and
- 2) Schedule 2: *Managed Funds: changes to the eligible investment business rules* (Division 6C amendments).

GST Margin Scheme amendments

The industry is concerned that the proposed Margin Scheme amendments will burden the sector with higher costs at a time of economic uncertainty.

The Property Council is pleased however that the Government responded to industry on several technical points which will reduce some of the worst impacts of these measures. In particular, we are pleased that the measures will not now be retrospective.

We have called on the government to work with industry to simplify GST for the residential property sector. We understand such a review will occur as a part of the Board of Taxation GST review.

Division 6C amendments

The Property Council of Australia welcomes the Federal Government's introduction of interim Real Estate Investment trust (REIT) rules.

The **Voice** of Leadership

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These measures will help modernise Australia's REIT rules but there is more work to be done.

The new safe harbour framework provides clearer boundaries regarding the types of income a trust can earn, which makes it easier to understand the ground rules for distributing untaxed income to beneficiaries.

Without further reform, however, Australia's REIT industry will lose ground to countries that are aggressively pursuing international market share and capital.

Once the interim rules are adopted, the industry will look to the current Board of Tax Managed Investment Trusts Review (MITR) to deliver the comprehensive reforms needed to drive the property industry forward.

We are making submissions to this extensive review.

We have congratulated the Government for undertaking the interim reforms and their commitment to transforming Australia into a global funds management hub.

We are happy to discuss these issues with you further at your convenience.

In the meantime, please do not hesitate to contact me on (02) 9033 1926.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Peter Verwer', with a horizontal line extending to the left and a vertical line extending downwards.

Peter Verwer
Chief Executive
Property Council of Australia