



Commercial and Industrial Property Tax (CIPT)

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What we are covering today



Operation of
CIPT regime



Entry into the
CIPT regime



Paying the duty –
upfront or via
government loan



Subsequent dealings in land
after entering CIPT regime



Mixed use land and
change of use duty

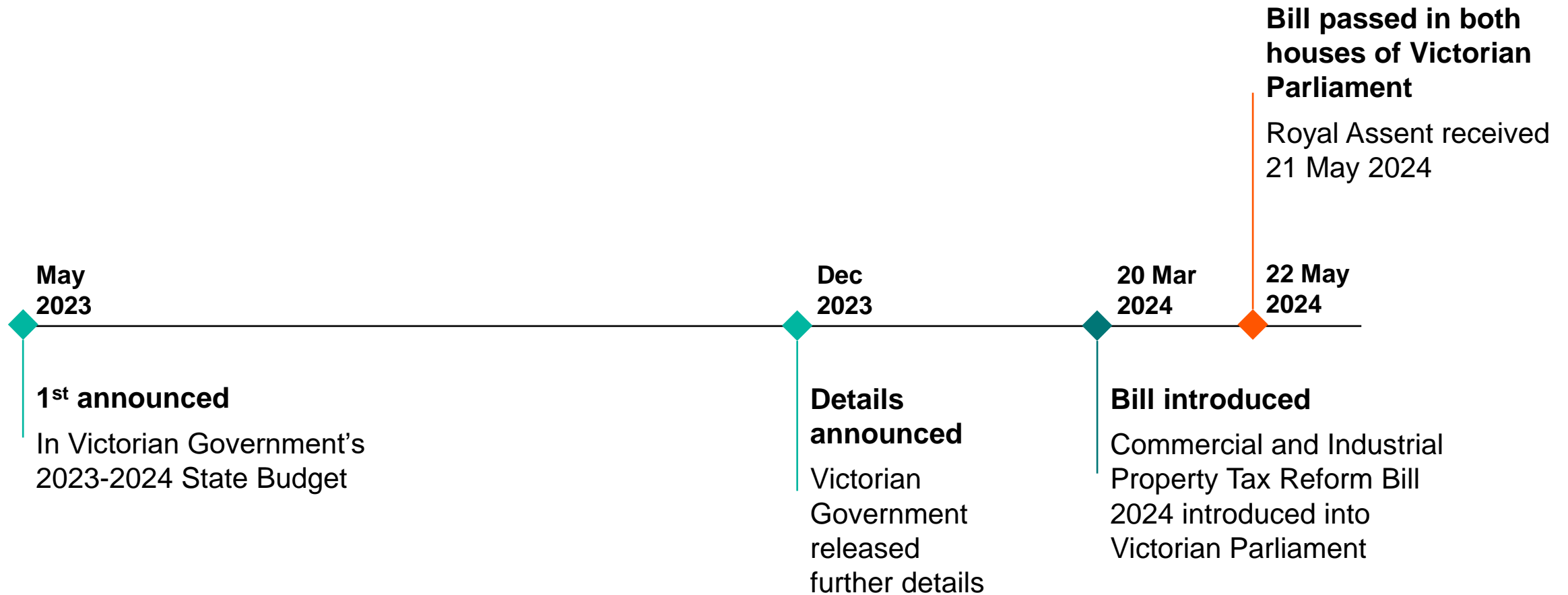


Other
key aspects



Status of CIPT legislation

Background



Operation of the CIPT regime





1 July 2024

Commencement date
of CIPT regime

CIPT will eventually replace stamp duty on transactions involving qualifying commercial and industrial property

But **does not apply** to dutiable transactions and relevant acquisitions made pursuant to an agreement or arrangement that were entered into before 1 Jul 2024



Relevant land

Commercial and industrial property

Applies to land with a qualifying use under the Australian Valuation Property Classification Code (AVPCC) and certain student accommodation



Land must be allocated at least one AVPCC in the following ranges

200-499

600-699

Once land enters the CIPT regime, it becomes **tax reform scheme land** and is **subject to CIPT after 10 years** provided the land continues to have a qualifying use



Benalla Rural City Council
Valuation, Rate, Charge and Levy Notice
Invoice — ABN 42 379 380 529

BENALLA
RURAL CITY

Customer Service Centre
1 Bridge Street East Benalla
PO Box 227
Benalla VIC 3671
Telephone 03 5760 2600
Email council@benalla.vic.gov.au
Website www.benalla.vic.gov.au

Assess No.	Rating Year	Issue Date	Valuation Operative Date	Area
AAAAA	1/7/2023 - 30/6/2024	17/8/2023	1/7/2023	61.5 ha
Description and Location of Property		Site Value	Capital Improved Value	Net Annual Value
		\$1,840,000	\$20,710,000	\$2,182,000

RATING DETAILS	CIV	RATE IN \$	CURRENT	ARREARS
BUSINESS	\$20,710,000	0.005509	\$114,091.39	\$0.00
Municipal Charge	1	\$269.95	\$269.95	\$0.00
Fire Levy - Fixed		\$254.00	\$254.00	\$0.00
Fire Levy - Variable Charge	\$20,710,000	0.000778	\$16,112.38	\$0.00

AVPCC 310

Description General Purpose Factory

AVPCC 310 Description General Purpose Factory
The Fire Services Property Levy is collected for the Victorian Government. It does not form part of Council revenue.

FSPL Land Use Category Industrial GST-NIL Total Payable \$130,727.72

Instalment Payment Due Dates		Important Notice	
1st Instalment Due 30/09/2023	\$32,684.72	2nd Instalment Due 30/11/2023	\$32,681.00
3rd Instalment Due 28/02/2024	\$32,681.00	4th Instalment Due 31/05/2024	\$32,681.00

Penalty Interest 10%
Please ensure your payments are received by the due dates or interest may apply.

Payments made after 11 August 2023 may not be reflected on this notice.

Land must be allocated at least one AVPCC in the following ranges:

200-499

Brimbank City Council
PO Box 70
SUNSHINE VIC 3020
ABN 35 915 117 478

2023-24 Valuation and Rate Notice
for the Period 01 July 2023 to 30 June 2024

Tax Invoice
Assessment No.
Date of Issue 22 Aug 2023

Rate Enquiries
Monday to Friday 8.45am - 5pm
Phone: 03 9249 4000
TTY: 03 9249 4999
Web: www.brimbank.vic.gov.au
Email: info@brimbank.vic.gov.au

Property	Arrears Due Immediately	Due Date
AVPCC 320 : General Purpose Warehouse	\$9.09	IMMEDIATELY

Valuations	Valuation Effective Date	Arrears Due Immediately	Due Date
Capital Improved Value	1 January 2023	\$1,216.25	30 Sep 2023
Site Value			
Net Annual Value			

AVPCC 320 : General Purpose Warehouse

Fire Services Property Levy
Fire Service Levy Industrial Rate 0.000778 cents in the \$ on CIV \$778.00 \$1,218.00 29 Feb 2024
Fire Service Levy Industrial Charge \$254.00

Arrears Balance \$9.09

Balance of 2023 - 2024 Rates and Charges \$4,879.34

The Fire Service Property Levy is collected for the State Government. They do not form part of Council revenue. Late payments will attract interest at 10%. Payments made on or after 10 August 2023 may not have been deducted from this account.

Payment options (More payment options overleaf). Please return this section if paying by mail.

Online
Visit the Brimbank City Council website www.brimbank.vic.gov.au
To have your notices emailed Register at brimbank.enotices.com.au Reference No.

Arrears/Instalment Amount Payable \$1,225.34

Reprinted Notices
To view and reprint your notices register at brimbank.enotices.com.au. You can extract a PDF copy at any time.

600-699



Rates of CIPT



General rate

1% of taxable
value of land
site (unimproved) value



Build to rent (BTR) rate

0.5% of taxable
value of land

Only applies to land eligible for
BTR land tax concession or
exemption from Absentee
Owner Surcharge



Foreign owners Regional Victoria

Same as general rate

No additional foreign surcharge
specifically for CIPT

No reduction of rate for properties
in regional Victoria



The previous announcement and the Bill

Important difference



Previous guidance

Once duty paid one final time after 1 Jul 2024, all **subsequent transactions of that property would be exempt from duty** if the property continued to have a qualifying commercial or industrial use

Position in Bill

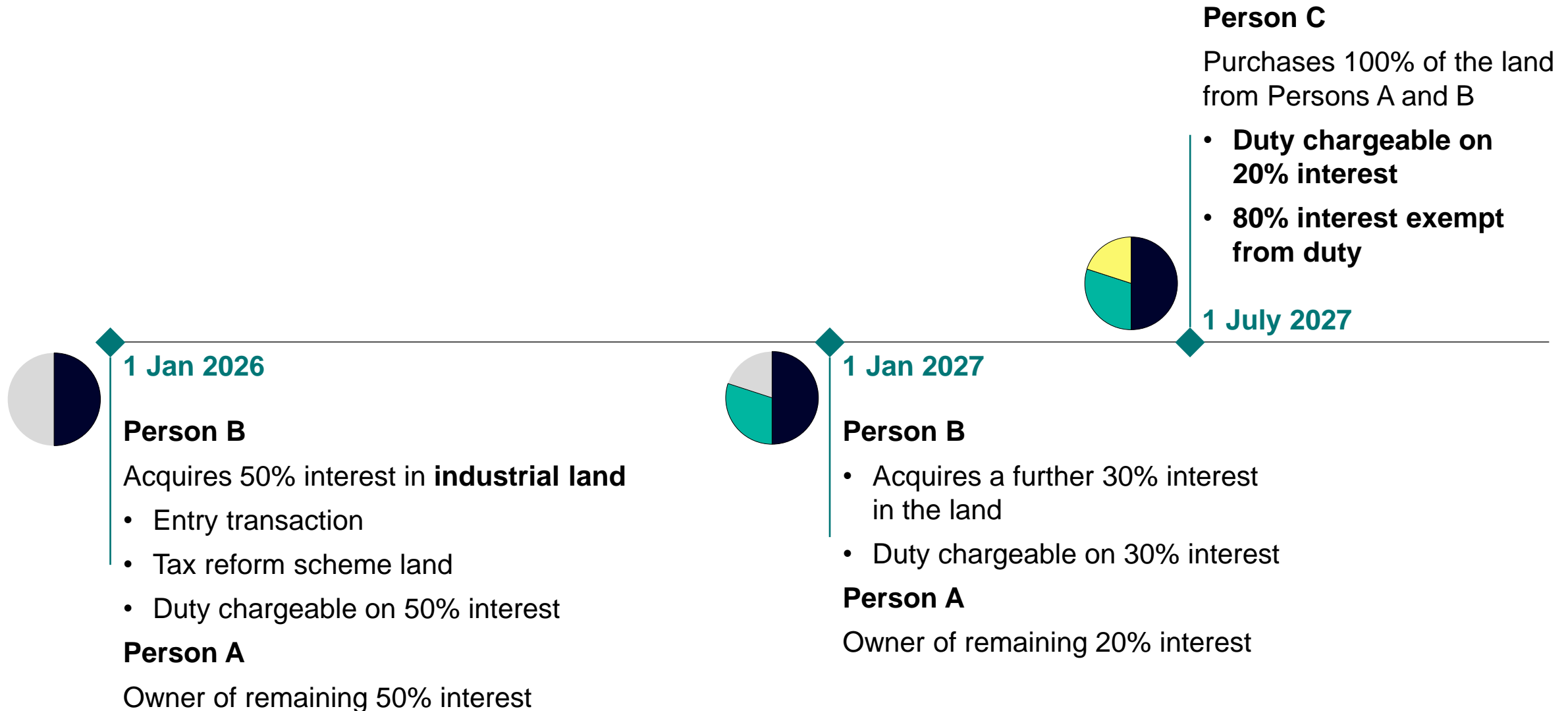
Duty may continue to be chargeable where:

- land has entered the CIPT regime through a transaction involving a less than 100% interest in the land
- following the land's entry into the CIPT regime, further transaction occurs in relation to an interest in the land that is different from the interest that resulted in the land entering the CIPT regime

Circumstances where duty may continue to be chargeable for a period of 3 years or until duty has been fully assessed on the land, whichever occurs first



Example of ongoing duty liability



Entry into the CIPT regime



Entry into the CIPT regime

Land enters the CIPT regime if any of the following occur in respect of the land on or after 1 July 2024:



**an entry
transaction**



**an entry
consolidation**



**an entry
subdivision**



Entry transactions

Entry transaction

**Qualifying interest + Qualifying use +
Qualifying dutiable transaction / relevant acquisition**

Transaction involves a **qualifying interest** in land of **50%** or more (standalone or aggregated)

Land has a **qualifying use** (relevant AVPCC or eligible student accommodation)

A **qualifying dutiable transaction** or **qualifying relevant acquisition** that triggers a duty liability



Dutiable transaction not a lease duty or economic entitlement duty transaction



In relation to **certain estates or interests in land**



Not exempt from duty



Not eligible for the 90% corporate reconstruction or consolidation concession



Entry transactions

Example 1 – Transfer of interest in land

QUALIFIES FOR	CIPT ENTRY	REGIONAL DUTY CONCESSION
TRANSFER	YES	YES

On 10 Jul 2024 Trust A enters **contract of sale** to buy **60% of Bendigo supermarket** from unrelated Trust B

Settlement on 10 Oct 2024

CIPT entry date

10 Jul 2024

10 Oct 2024



Acquisition of 60% interest in land = **qualifying interest**



AVPCC 214.2 (supermarket) = **qualifying use**



A dutiable transfer of 60% and no duty exemption or restructure concession = **qualifying dutiable transaction**

Entry transaction



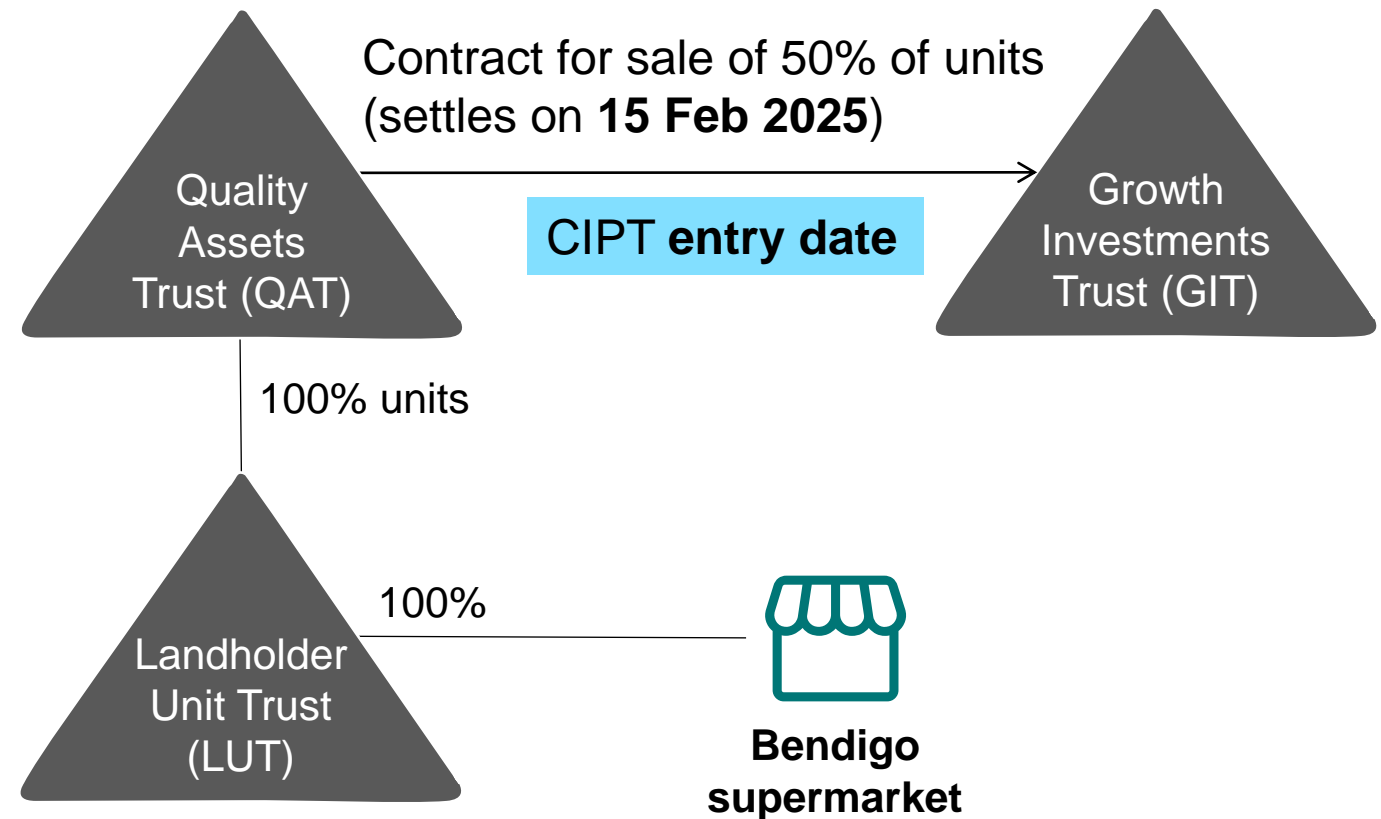
Entry transactions

Example 2 – Transfer of units in unit trust

QUALIFIES FOR	CIPT ENTRY	REGIONAL DUTY CONCESSION
PURCHASE	YES	NO

Transfer of 50% of units in LUT

- 50% interest = **qualifying interest** in land
- AVPCC 214.2 (supermarket) = **qualifying use**
- Relevant acquisition in a landholder and no duty exemption or restructure concession = **qualifying landholder transaction**
- Hence an **entry transaction**
- GIT pays full duty on acquisition of units. **Regional duty concession not available**



Aggregation of interests

For determination of qualifying interest of 50% or more

01

Same / associated persons

Two or more qualifying dutiable transactions occur within a 3 year period

AND

the transferee under each dutiable transaction is the same person

OR

the transferees are associated persons

02

Section 24 aggregation

Two or more qualifying dutiable transactions aggregated under section 24 of the *Duties Act 2000* (Vic)

E.g. multiple transfers of land from a vendor to a purchaser where the contracts of sale were entered into within 12 months of each other

03

Landholder – relevant acquisitions

Two or more qualifying landholder transactions occur within a 3 year period

AND

a relevant acquisition is made in the same landholder under each qualifying landholder transaction

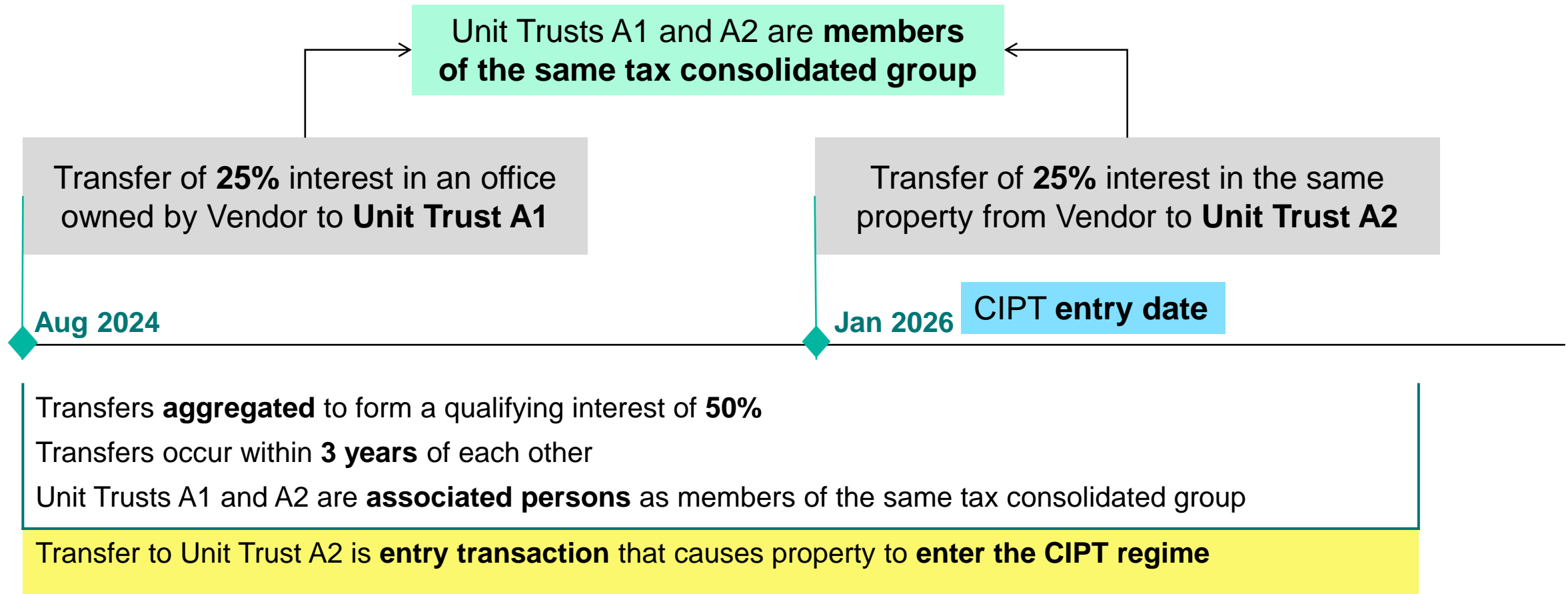
AND

the relevant acquisitions are made by the same person or associated persons



Aggregation of interests over time

Example 3 – Transfers of multiple interests in property over time



Entry into CIPT regime

Entry consolidations

A consolidation of land is an **entry consolidation** if:



Land is **consolidated** with tax reform scheme land (land that had entered the CIPT regime)

AND

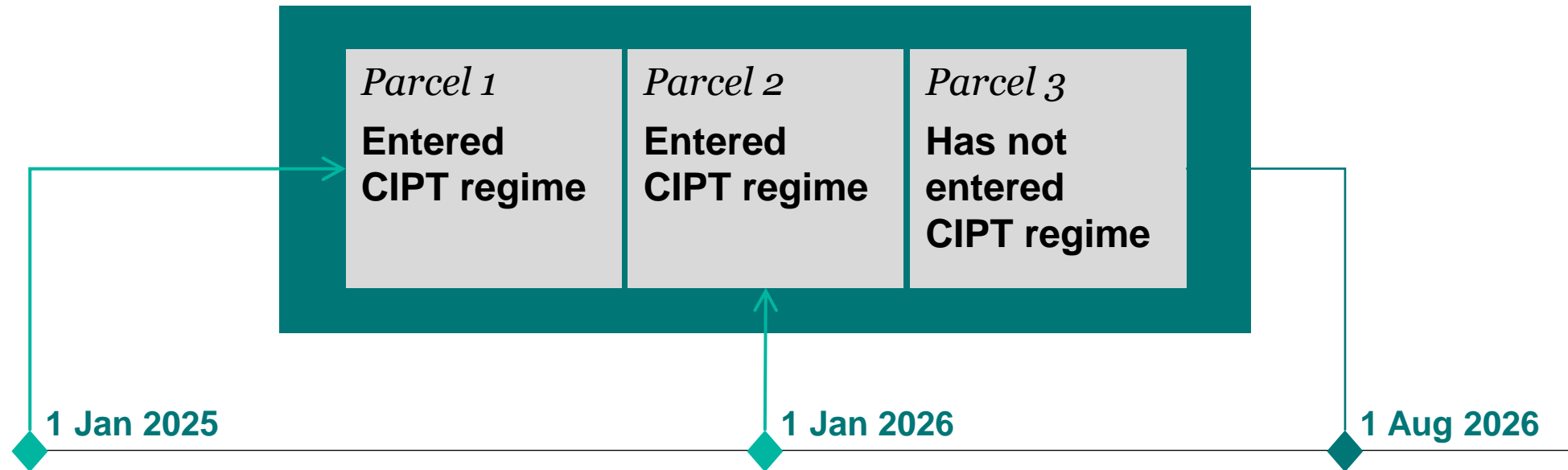
50% or more of the area of the consolidated land is tax reform scheme land

The **consolidated land** enters the tax reform scheme on the **first date** land forming part of the consolidation had entered the CIPT regime



Entry into CIPT regime

Example 4 – Entry consolidations



All three parcels consolidated on 1 Aug 2026

Entry date for consolidated land 1 Jan 2025



Entry into CIPT regime

Entry subdivisions

A subdivision of land is an **entry subdivision** if the land that is subdivided is tax reform scheme land

The **entry date** for the subdivided land is the date that the land (pre-subdivision) entered the tax reform scheme



Paying the duty on the transaction
that brings land into CIPT regime



Payment of duty

Option of paying upfront or via transition loan from government

A purchaser of land on or after 1 July 2024 can pay upfront or take out a transition loan from the Treasury Corporation of Victoria for the duty on the transaction that brings the land into the CIPT regime



Only available for direct property transfers, not landholder acquisitions



Loan secured by a first ranking statutory charge on the property



No obligation for a transition loan to be provided even if eligibility criteria is satisfied



Transition loans

Eligibility criteria



Transition loan

- ✓ Transaction is a **dutiable transaction** in relation to land with **qualifying use**
- ✓ **Australian** citizen or permanent resident or an Australian business (organisation, company, trustee, partnership or other body/entity)
- ✓ Applicant is **approved for finance** from an APRA-regulated authorised deposit taking institution* or registered financial corporation with AFSL
- ✓ Purchase price does not exceed **\$30m**
- ✓ **Joint** purchasers may jointly apply for the transition loan
- ✗ Foreign purchasers **not** eligible
- ✗ Self-managed superannuation funds **not** eligible
- ✗ Applicant **not** eligible if engaged in prohibited activities or under external administration or subject to petition for bankruptcy, wind up, dissolution or deregistration, or **subject to adverse findings by a government agency or council**

**excluding restricted ADIs and providers of purchased payment facilities*



Transition loans

Design features



Transition loan

- **Principal** is up to full amount of duty payable
- **10 year** term from date of settlement with 10 **equal annual repayments** comprising the **principal and interest**
- Sale of property, exit of property from CIPT regime, failure to make payment when due are events that will **trigger repayment** of loan in full
- Loan **cannot** be novated or transferred to a subsequent purchaser
- **Fixed interest** for term of loan with interest determined at start of the loan
- Fixed interest rate comprise the **aggregate** of:
 - a **base rate** based off TCV's yield curve which changes over time
 - a **margin** determined by the Treasurer per financial year
 - margin is 2.25% for 2024-25
- Default interest rate is 2% plus fixed interest rate



Subsequent dealings in land after entering CIPT regime



Subsequent dealings in land

Exemptions from transfer duty and landholder duty

Bill contains exemptions from transfer duty and landholder duty
that apply once land is tax reform scheme land that is within the CIPT regime



Exemptions ensure that once land has fully entered the CIPT regime, duty is no longer payable in relation to the land



Duty may continue to apply to parts of the land that were not subject of an entry transaction **for 3 years following the initial entry transaction**



The exemptions do not currently apply to dutiable leases, or the acquisition of an economic entitlement

We understand that **the intention** was for the duty exemptions to also apply to dealings in dutiable leases and the acquisition of an economic entitlement

Treasury has advised that there will be an amendment to rectify this issue



Subsequent dealings in land

Exemption from transfer duty

For a **tax reform scheme transaction**, the transaction will be eligible for an exemption from duty in the following circumstances



If transaction occurs at least **3 years** after the subject land became tax reform scheme land



If entry interest for the land that is subject to the transaction (including any further interest that was obtained) was a 100% interest

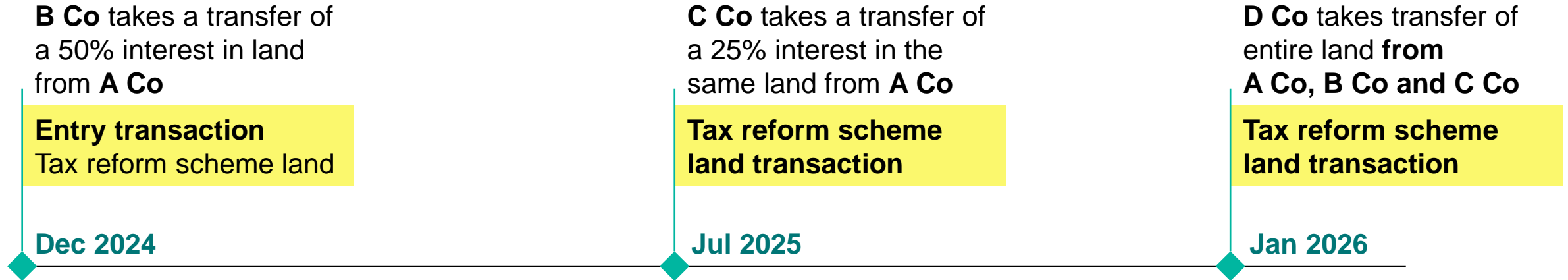


If land that is the subject of **the transaction** is the same or substantially the same as either or both the entry interest for the land and any further interest acquired in the land before the tax reform scheme transaction



Subsequent dealings in land

Example 4 – Transfer duty exemption



Transfer	Duty payable?
Transfer of 50% interest to B Co	Yes
Transfer of 25% interest to C Co	Yes
Transfer of 100% interest to D Co	Yes on 25% interest Remaining 75% interest exempt



Subsequent dealings in land

Exemption from landholder duty

A relevant acquisition occurs of shares or units in a landholder whose landholdings are comprised wholly or partly of tax reform scheme land, and the land has a qualifying use on the date of the relevant acquisition

Value of the tax reform scheme land to be excluded from the landholder duty calculation where



Relevant acquisition **occurs on a date that is at least 3 years after** the date of the relevant entry transaction for the land



Entry interest for the land was a 100% interest

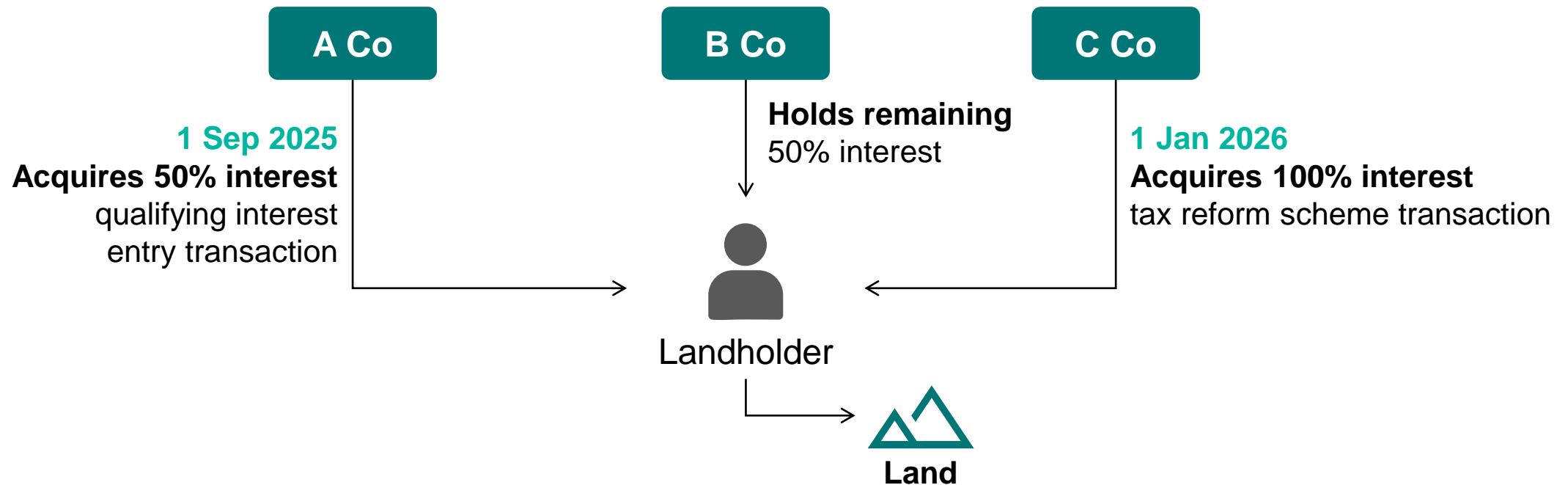


Entry interest and any further interest acquired before the relevant acquisition amounts to 100% interest



Subsequent dealings in land

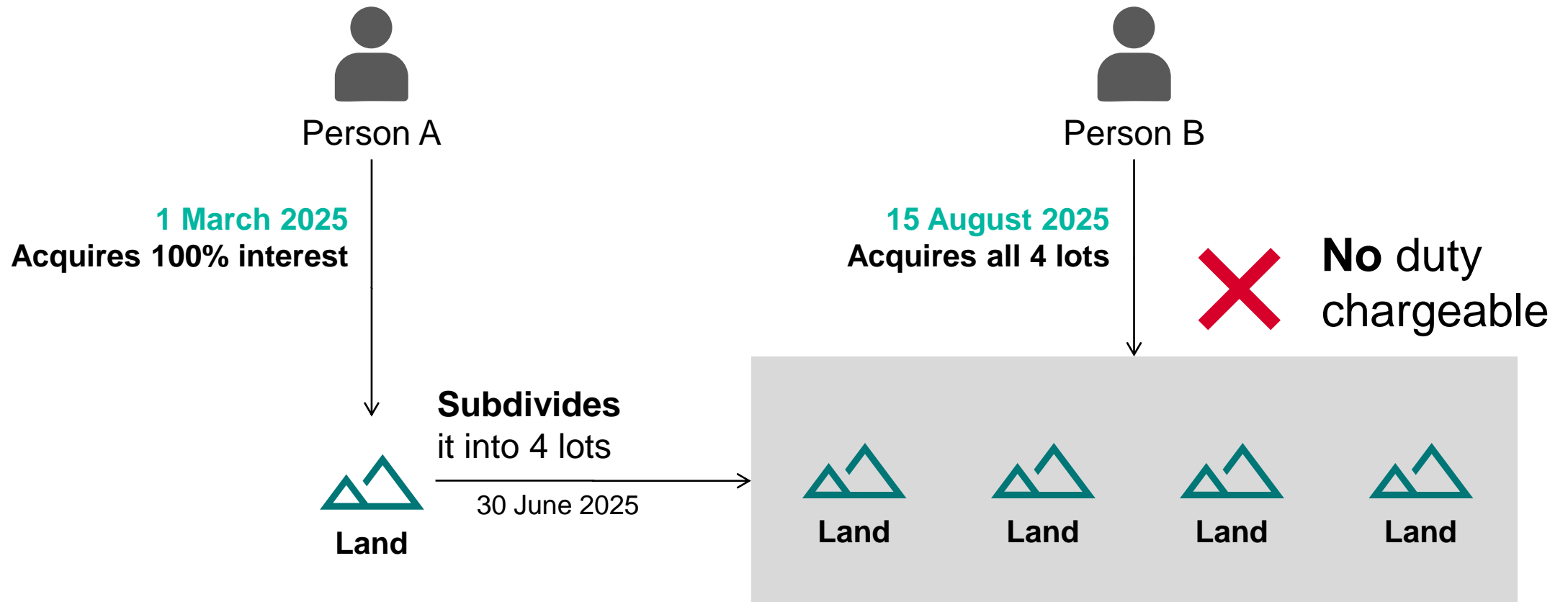
Example 5 – Landholder duty exemption



	Date of acquisition	Interest in land	Duty payable?
A Co	1 Sep 2025	50%	Yes
B Co		50%	NA
C Co	1 Jan 2026	50% from A Co & 50% from B Co	Yes on 50% from B Co with remaining 50% exempt

Subsequent dealings in land

Example 6 – In context of Subdivisions



Mixed use land and change of use duty



Qualifying use of land

If the land has **more than one AVPCC code assigned**, it can only have a **qualifying use** if:

All AVPCC's are in the following ranges

200-499

600-699

OR

At least 1 AVPCC is in the following ranges

200-499

600-699

AND

Land is **used solely or primarily** for a use described in the qualifying AVPCC range(s)



Change of use duty

Liability for CIPT

The owner of land that is within the CIPT regime may be subject to **change of use duty liability** in circumstances where



Full or partial exemption from duty applied to dutiable transaction



There is a change of use of the tax reform scheme land



The land no longer has a qualifying use



Transferee under dutiable transaction continues to hold an interest

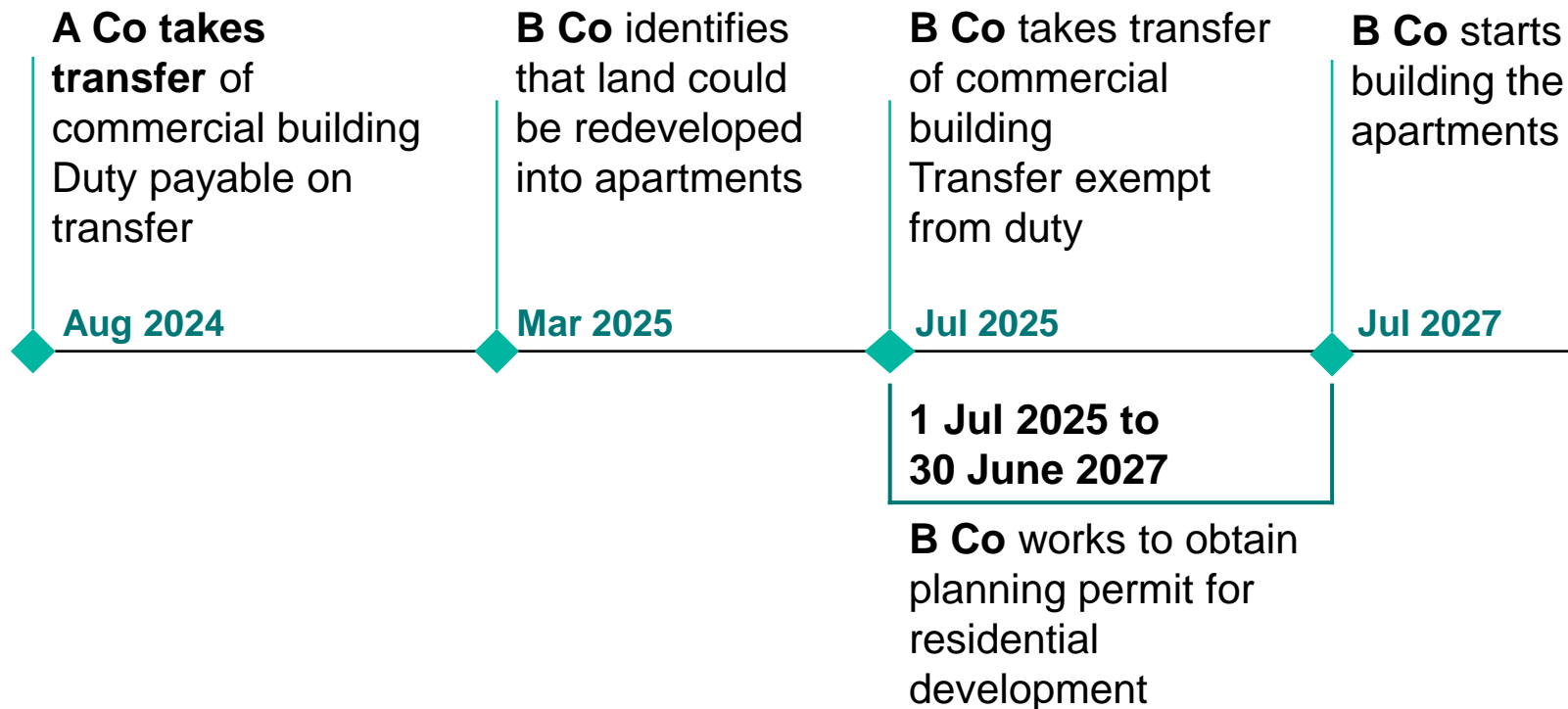
Duty is payable on the previous transaction that was fully or partly exempt from duty to the extent that the transferee continues to hold an interest in the land following the change of use

Amount of duty is reduced by 10% for each calendar year that has elapsed since the date the taxpayer acquired the land



Change of use duty

Example 7 – change of use of land



15 Jul 2027 B Co informs SRO of change of use

SRO informs **Valuer-General's office** of change of use

Rates notice issued for 2028 allocates AVPCC of 101.1 (Residential development site) to land

SRO issues assessment to B Co for change of use duty

Change of use duty liability

Duty that would have been payable on transfer to B Co less 30% discount (3 calendar years have elapsed since B Co acquired land)



Other key aspects

including disclosure, objections and notifications



Other key aspects



Payable by
land's owner



CIPT does not
replace land tax



Unpaid CIPT is first
charge on the land



Property clearance
certificate protects
bona fide purchaser



New anti-avoidance
provisions apply



Cannot be passed
on to tenant under
residential rental
agreement or lease under
Retail Leases Act



Sale price <\$10m
vendor is prohibited
from recovering CIPT



If land owner does not pay
CIPT liability, SRO can
serve notice on lessee,
mortgagee or occupier
requiring them to pay
outstanding CIPT



Disclosure

Documentation required



CIPT property clearance certificate

Will protect a bona fide purchaser from any amount of CIPT (including any interest and penalty tax) in excess of the amount set out in the certificate

- Issued by Commissioner of State Revenue
- Includes disclosure of any CIPT due and unpaid on the land
- Will also state whether the land is tax reform scheme land and if yes, when it became subject to CIPT



Section 32 statement

Additional financial information to be included in section 32 vendor's statement including:

- Whether the land is tax reform scheme land. And if yes, its entry date into the CIPT regime
- The AVPCC most recently allocated to the land



Objections

May object against a valuation made for or on behalf of the Commissioner and used by the Commissioner for the assessment of CIPT

Grounds of objection include that the AVPCC allocated to the land is not correctly stated in the notice of valuation or assessment notice

Must generally be lodged within 2 months after the notice of valuation is given



Notifications

A person who is served with a notice of assessment for CIPT must notify the Commissioner of any error or omission in the notice relating to:

- **Any tax reform scheme land** owned by the person that has a qualifying use at that time and is not specified in the notice
- **Any land specified in the notice** as not subject to CIPT

Must also notify the Commissioner **if the land or part of the land undergoes a change**

- of use with reference to its AVPCC allocation
- that results in land no longer having a qualifying use
- that results in land having a qualifying use



Key takeaways

Victoria's new CIPT regime



Key dates

Commencement date
of 1 July 2024



Maintain audit trail

Increased importance
of maintaining detailed
records of dealings in
Victorian land



Transition loan

The government-
facilitated transition
loan to pay the duty



Property market

Structure of CIPT
regime likely to create
a 2-tier market



Q&A

If you have a question, raise your hand and we'll come to you.

Once you have the microphone, please introduce yourself with your name and place of work.



Contact us



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Article

Victoria's new
commercial
and industrial
property tax



Making
business
personal