Property and Construction Stakeholder Relationship Forum

Access information from meetings of the Property and Construction Stakeholder Relationship Group.

Property and Construction Stakeholder Relationship Forum key messages 10 October 2024

Key topics discussed at the Property and Construction Stakeholder Relationship Forum 10 October 2024.

Property and Construction Stakeholder Relationship Forum 2 October 2025

Key topics discussed at the Property and Construction Stakeholder Relationship Group 2 October 2025.

Property and Construction Stakeholder Relationship Forum key messages 3 April 2025

Key topics discussed at the Property and Construction Stakeholder Relationship Forum on 3 April 2025.

Property and Construction Stakeholder Relationship Forum key messages 7 May

2024

Key topics discussed at the Property and Construction Stakeholder Relationship Forum meeting 7 May 2024.

Property and Construction Stakeholder Relationship Forum key messages 19 October 2023

Key topics discussed at the Property and Construction Stakeholder Relationship Forum 19 October 2023.

Property and Construction Forum key messages 16 March 2023

Key topics discussed at the Property and Construction Stakeholder Relationship forum 16 March 2023.

QC 57851

Property and Construction Stakeholder Relationship Forum key messages 10 October 2024

Key topics discussed at the Property and Construction Stakeholder Relationship Forum 10 October 2024.

Published 10 December 2024

Opening address

Amy James-Velagic, Assistant Commissioner Private Wealth, welcomed members to the forum and introduced newly appointed co-chair Andrew Compton, Senior Tax & Risk Manager, Frasers Property Australia.

Louise Clarke, Deputy Commissioner Private Wealth, discussed the significance of the forum with respect to gathering intelligence and acknowledged the current economic difficulties and their broader impacts on the property and construction market.

Environmental Scan

Corporate plan 2024–25

The Australian Taxation Office (ATO) corporate plan 2024–25 highlights 6 key activities that encompass the ATO's core priorities and enable the achievement of its purpose and vision. The corporate plan also outlines 6 key focus areas of strategic importance which reflect the ATO's current operating environment and contribute to its key activities.

Frontline Operations changes

Service Delivery within the ATO has recently restructured and been renamed Frontline Operations. The changes aim to more strategically manage and prioritise work across the group in a holistic and integrated way.

ATO resources will not be reallocated from other areas as part of prioritising tax collection moving into a modern post-pandemic environment.

Key media themes

Observation that residential building numbers, labour shortages and insolvencies in the building industry continue to dominate the media coverage. The initial projects announced from the Housing Australia Future Fund and build to rent projects have also featured heavily of late.

Payment and lodgment 2023–24

The ATO provided a brief update on the payment and lodgment figures and performance metrics across the taxpayer population.

Build to rent - new measures

The ATO provided an overview of the status of Treasury Laws Amendment (Build to Rent) Bill 2024 and Capital Works (Build to Rent

Misuse Tax) Bill 2024. These bills provide 2 new tax incentives, being an increase in the capital works deduction rate and a reduction in the final withholding tax rate on eligible managed investment trust fund payments from active developments.

GST at settlement and Taxable Payments Annual Reporting

The ATO provided updates on its continued efforts to provide education and support to conveyancers and intermediaries around GST at settlement, and to head contractors through its Head Contractor Dashboard initiative which leverages Taxable Payments Annual Report data to provide insights to large head contractors with 500 or more subcontractors.

Master Builders Australia economic forecast

Forecasts predict that Australia is unlikely to meet its 1.2 million homes target under the National Housing Accord.

Future prospects are reasonably favourable for both non-residential building and civil construction.

The biggest obstacle in the way of new home building is labour shortages.

Members discussed intelligence in the market in relation to potential increase in office fit-outs profitability, various members provided insights including tenancy/re-tenancy incentives, changes to hot desking models (re-fits to support this) and motivating/incentivising factor for employees to attend the office.

Top 3 issues within the industry

Each external member discussed their 3 top issues for the property and construction industry which provided an understanding of the breadth of topical issues across the industry including:

- tax technical
- engagement with the ATO
- regulation

- economic
- commercial
- industrial relation issues.

Focus areas - Public Groups, Private Wealth and Small Business

An overview of focus areas for the property and construction industry across our Small Business, Private Wealth and Public Group client experience segments from an assurance and risk perspective was provided. This included:

- capital verses revenue misclassification
- incorrect recognition of income and expenses
- related party financing
- omission of income on disposal of real property
- misreporting or underreporting of GST
- subcontractor non-compliance
- misuse of corporate entities
- Lodgment obligations.

Members discussed the challenges with communicating ATO key messages and public advice and guidance in a manner which would target or reach the intended audience within the industry.

Payment strategy

An update on the ATO payment strategy, including the objective and principles, debt client segments and the ATO's priority segments was provided.

Australian Securities and Investments Commission

Australian Securities and Investment Commissions (ASIC) annual insolvency data shows 11,053 companies entered external administration (EXAD) for the first time in 2023–24, an increase of 39% on the previous financial year.

The upward trend in EXADs has continued this financial year with 3,331 EXADs as of 22 September 2024, up 43.9% compared to the same period for the previous financial year of 2,315.

As of 22 September 2024, the top industries were:

- Construction 833 (26.5%)
- Accommodation and food services 649 (19.4%)
- Other services 315 (9.4%)
- Professional, Scientific and Technical Services (6.4%)
- Retail trade 185 (5.5%).

While the number of companies entering EXAD for the first time in 2023-24 at 11,053 is slightly higher than prior peaks seen in 2011-12 and 2012–13, it is proportionately smaller as there are now nearly 3.4 million companies in Australia compared to around 2 million in 2012. The current ratio of companies entering EXAD compared to the number registered is still below 2012-2013 levels.

Small Business Restructuring (SBR) appointments grew by over 200% in 2023-24 compared to 2022–23. As of 22 September 2024, 18.6% of all EXAD appointments were SBRs and based on that trajectory, SBR's could exceed 2,000 appointments in 2024-25.

ASIC's statistics taken from reports lodged by registered liquidators show construction industry EXADs are not dissimilar to all EXADs with:

- approximately 80% with $100,000 or less in estimated assets and liabilities between $100,0001 and $5 million
- over 75% had less than 25 creditors
- unsecured creditors in approximately 50% are collectively owed less than $250,000
- over 80% do not pay a dividend to unsecured creditors.

Property Council of Australia

An industry sentiment survey was conducted in September 2024. The survey gauges the property industries sentiments about the outlook for Australia's national and state and territory economies, views on property asset class performance, employment intentions, expected workflows and critical industry drivers.

The survey canvasses the views of owners, developers, agents, managers, consultants and government across all major industry sectors and regions.

Despite a marginal rise in confidence among the property industry, the latest Procore/Property Council Survey shows a lack of housing supply continues to drag on property industry confidence. Just a few months into the national target window of 1.2 million new homes by 2029, we know we will fall short by a third unless further reforms are adopted. Housing remains a concern for industry confidence, as the industry anticipates delivering fewer homes while expecting prices to keep rising.

Thin capitalisation and debt deduction creation rules

The new thin capitalisation rules and debt deduction creation rules (DDCR) apply to all taxpayers regardless of whether they are public or private groups. The DDCR will apply to related party financing arrangements in the property and construction sector.

A 90% assets threshold exemption does not exempt an entity from the DDCR, the DDCR can operate in relation to wholly domestic transactions, that is, transactions not involving non-residents.

From the 1 July 2024 commencement date, the DDCR disallows interest deductions created by both historical and new transactions.

Division 7A complying loans are not exempt from the operation of the DDCR.

The ATO is seeking feedback and practical insights from members about the potential impact that changes to Thin Capitalisation and DDCR may have for stakeholders in the P&C sector, including:

- the perceived level of awareness of the rules amongst P&C stakeholders
- how the ATO and industry might work together to support stakeholders with their obligations under the rules.

Public advice and guidance

The ATO provided a brief update on the status of public advice and guidance on the property and construction small scale land subdivisions and developments web content. Members were advised that consultation via email will occur in November or December 2024.

Retirement villages advice and guidance

Recognising the complexity of Retirement Village (RV) and their evolving business and operating models; the ATO conducted a pre scoping exercise to gain a deeper understanding of RV lifecycle and to identify opportunities to enhance taxpayer compliance.

The pre scoping revealed a gap in the availability of a centralised source of practical education and awareness addressing the tax issues (income tax and GST) relevant to each stage of the RV lifecycle.

The updated RV web content aims to provide foundational web content, offers practical guidance on the tax considerations (income tax and GST) and highlights their implications across the various stages of the RV lifecycle.

Other business

Members discussed potential forward agenda items including private equity, marketing and communication from the ATO to industry and thin capitalisation.

Attendees

Attendees list

Organisation	Member
ATO	Amy James-Velagic (Co-chair), Private Wealth
ATO	Anthony Marvello, Small Business

ATO	Louise Clarke, Private Wealth
ATO	Nadia Alfonsi, Public Groups
Alvarez & Marsal Australia & New Zealand Pty Ltd	Matthew Evans
Arcem Advisory	Phil Shepherd
Australian Constructors Association	Meg Redwin
Frasers Property Australia	Andrew Compton (Co-chair)
KPMG	Anna Chong
Master Builders Australia	Shane Garrett
Pitcher Partners	Simon Chun
Property Council of Australia	Matthew Wales
RSM	Adam Crowley
The Tax Institute	Simon Clark

Guest attendees

Guest attendees list

Organisation	Attendee
ATO	Andrew Fenn, Private Wealth
ATO	Daniel Carter, Private Wealth
ATO	David Hall, Private Wealth

ATO	Karen Price, Private Wealth
ATO	Kasey Macfarlane, Private Wealth
ATO	Marielle Delgado, Frontline Compliance
ATO	Rosie Cicchitti, Private Wealth
ATO	Stephen Dodshon, Public Groups
Australian Securities and Investments Commission	Carl Sibilia
BDO	Elysia Rothwell
Chartered Accountants ANZ	Brian Lane
Housing Industry Association	Michael Buordolone

Apologies

Apologies list

Organisation	Member
ATO	Jill Kitto, Frontline Compliance
Australian Securities and Investments Commission	Thea Eszenyi
BDO	Andres Reith
Chartered Accountants ANZ	Karen Liew
Housing Industry Association	Alessandra Schladetsch

Queensland Building and Construction Commission	Natasha Dennis-Weller
Revenue NSW	David Allan

QC 103554

Property and Construction Stakeholder Relationship Forum 2 October 2025

Key topics discussed at the Property and Construction Stakeholder Relationship Group 2 October 2025.

Published 21 November 2025

Opening address

Members were reminded of the importance of being familiar with, and adhering to, the classifications for agenda items and meetings.

Industry insights

An industry insights overview using intelligence from recent media, and indicators from the property and construction industry was presented. Focus areas included:

- key media themes
- public advice and guidance and litigation updates
- debt overview
- build-to-rent
- recent court decisions.

Members discussed each topic, with a focus on key media themes and housing trends in the broader economic environment.

Property Council of Australia

The September 2025 Procore Property Council Industry Sentiment Survey shows national confidence holding steady at 124 index points, with South Australia leading sentiment and Victoria and the Australian Capital Territory lagging.

Staffing levels and debt finance availability are expected to rise, while interest rates are anticipated to fall over the next 12 months.

Residential and industrial property sectors show strong capital growth expectations, while office and retail outlooks are mixed, particularly in Victoria and the Australian Capital Territory which trend negatively.

Respondents remain critical of the Federal Government’s performance, with housing supply and affordability still the top concern, followed by tax reform and economic management.

Sentiment toward state governments is mixed, with positive views recorded in Queensland, Western Australia, and South Australia, while Victoria and the Australian Capital Territory continue to attract strongly negative sentiment. At the state level, property taxes and charges have overtaken housing as the most pressing issue for industry stakeholders.

Members provided insights on the range of housing, significant projects and announced infrastructure investment and the limitations of available workforce, materials and housing required to deliver.

Thin capitalisation

Members were provided a general update on thin capitalisation and were given the opportunity to raise any practical implementation challenges they may be experiencing. Members recommended the Australian Taxation Office (ATO) consider further awareness and education on Division 7A (in the context of thin capitalisation). We will consider opportunities to raise further awareness.

ATO Brisbane 2032 games engagement strategy

Creating a level playing field – The ATO is committed to ensuring all business and taxpayers involved in the Brisbane games meet their tax obligations so that complying businesses/taxpayers are not disadvantaged.

Proactive engagement – We are engaging early with industry, government, and community stakeholders to provide guidance, education, and support well before the games commence.

Collaboration and partnerships – We are working closely with phoenix taskforce members, regulators, industry and advisory bodies to share intelligence, coordinate compliance activities, and strengthen collective outcomes.

Targeting high-risk behaviours – We are focused on identifying and addressing risks such as phoenix activity, shadow economy behaviours and non-compliance in sectors most affected.

Supporting change – Aim to support the industry’s commitment to do better. Phoenixing behaviour undermines the financial viability and may use worker exploitation to further personal financial gain.

Members discussed how this forum and the industry can remain engaged on this engagement strategy. ATO confirmed further updates will be provided going forward.

Investment financing insights

External members discussed their top 3 issues around financing and investment in the property and construction industry which provided an understanding of the breadth of topical issues including:

- build-to-rent
- foreign capital and equity
- foreign investment
- state taxes
- private credit
- approval delays
- Division 974, debt/equity
- 128F capital raisings.

Private capital – related programs of work/focus areas

Australia's private capital market continues to grow and the ATO are seeing private capital invested across a range of asset classes and industries. In response to this growth, and the features and tax issues associated with this sector, the ATO has implemented various strategies focusing on private capital.

ATO strategies include:

- private equity
- foreign funds (foreign pension funds and sovereign wealth funds)
- collective investment vehicles (managed investment trusts, attribution managed investment trusts and corporate collective investment vehicles)
- infrastructure and business fragmentation.

Collectively, these strategies comprise the Private Capital Program led by the ATO's Public Groups business area.

Our overall strategy for **private equity** extends to include the Private Wealth business area. Private Wealth focus on domestic private equity firms, while Public Groups focus on international firms. Both business areas consider the associated participants. They work closely but do ensure the approach to private equity is tailored for domestic and international firms, and their participants as required.

The private equity strategy takes a holistic approach to the identification and treatment of tax risks. It considers:

- all participants in the industry, including firms, funds, investors and targets
- tax risks across all stages of the investment lifecycle, pre-acquisition, acquisition, holding, pre-exit and exit.

The potential tax risks for participants involved in private equity are broad and will vary based on the activities of the participant and the stage of the investment lifecycle. The ATO continue to examine and review arrangements flagged to market through published guidance, including Taxation Determinations:

- **TD 2010/20** *Income tax: treaty shopping – can Part IVA of the Income Tax Assessment Act 1936 apply to arrangements designed to alter the intended effect of Australia's International Tax Agreements network?*
- **TD 2010/21** *Income tax: can the profit on the sale of shares in a company group acquired in a leveraged buyout be included in the assessable income of the vendor under subsection 6-5(3) of the Income Tax Assessment Act 1997?*
- **TD 2011/24** *Income tax: is an 'Australian source' in subsection 6-5(3) of the Income Tax Assessment Act 1997 dependent solely on where purchase and sale contracts are executed in respect of the sale of shares in an Australian corporate group acquired in a leveraged buyout by a private equity fund?*
- **TD 2011/25** *Income tax: does the business profits article (Article 7) of Australia's tax treaties apply to Australian sourced business profits of a foreign limited partnership (LP) where the LP is treated as fiscally transparent in a country with which Australia has entered into a tax treaty (tax treaty country) and the partners in the LP are residents of that tax treaty country?*

As issues are identified in cases, there will be further consideration around the need for additional public advice and guidance.

Australian Securities and Investments Commission

The upward trajectory of external administration appointments (EXADs) persisted in the 2024–25 financial year, with 14,722 companies entering external administration, 39% increase from the 11,053 companies recorded in 2023–24. In the first quarter of the 2025–26 financial year, 3,556 companies entered external administration, representing a slight decrease of 2.1% compared to the same period in 2024–25, 3,633 companies.

During the first 3 months of the 2025–26 financial year, the industry's most frequently experiencing appointments were:

- Construction, 24%
- accommodation and food services, 16%
- other/non-described services, 11%

- professional, scientific and technical services, 7%
- retail trade, 6%.

As at 30 September 2025, there were 3,619,913 registered companies. The proportion of companies entering external administration in the 12 months to 30 September 2025 was 0.40%, an increase from 0.36% in the prior year, though this remains well below historical peaks observed in 2011–12 and 2012–13 (0.56% and 0.53%, respectively).

Small business restructuring appointments accounted for approximately 22% of all first-time appointments at their peak in late 2024. Since that time, these appointments have declined, representing about 13% of appointments in the quarter ending 30 September 2025, while creditor-driven appointments, including court appointments, have seen a corresponding increase.

Australian Securities and Investments Commission (ASIC) statistics, derived from reports lodged by registered liquidators, indicate that EXADs within the construction industry are not dissimilar to all EXADs:

- approximately 80% held estimated assets of $100,000 or less and liabilities between $1,000,001 and $5 million
- over 75% involved fewer than 25 creditors
- in roughly 50% of cases, unsecured creditors collectively were owed less than $250,000
- more than 80% did not pay a dividend to unsecured creditors.

More information about ASICs Insolvency Statistics is available.

Frontline compliance

The ATO provided an update on:

- how we support businesses to meet obligations
- how we are strengthening our approach to payment, including debt recovery actions taken across the taxpayer population in 2024–25
- our role in small business restructures.

Members discussed the firmer action approaches and expressed interest in further updates on this. The ATO confirmed we will return for further updates, in the future.

Marketing and communications project

The ATO facilitated a discussion about the suitability of a draft communication approach for helping subcontractors in the property and construction industry to improve engagement with the ATO and their tax obligations.

Feedback was sought on the overall approach being proposed as well as some of the communication channel options available, including partnering with the members for use of their channels and networks.

The ATO and members discussed how the approach will be designed and implemented, and where user testing support of draft communication products can occur so that the final products best meet audience needs. Further consultation will continue.

Attendees

Attendees list

Organisation	Attendee
ATO	Amy James-Velagic (Co-chair), Private Wealth
ATO	Anthony Marvello, Small Business
ATO	Marielle Delgado, Frontline Compliance
Arcem Advisory	Phil Shepherd
Australian Constructors Association	Meg Redwin
Australian Securities and Investments Commission	Carl Sibilia
BDO	Marcus Leonard
Chartered Accountants Australia and New Zealand	Karen Liew

Frasers Property Australia	Andrew Compton (Co-chair)
Housing Industry Association	Stuart Collins
KPMG	Anna Chong
Pitcher Partners	Simon Chun
Property Council of Australia	Kathy Zhang
RSM	Adam Crowley
The Tax Institute	Simon Clark
Urban Development Institute of Australia	Andrew Mihno

Guest attendees

Guest attendees

Organisation	Attendee
ATO	Aaron Bennett, Private Wealth
ATO	Andrew Fenn, Private Wealth
ATO	Daniel Carter, Private Wealth
ATO	Jarred Needham, Private Wealth
ATO	Jenny Lin, Private Wealth
ATO	Kacey Jardine, Private Wealth
ATO	Karen Price, Private Wealth
ATO	Kasey Macfarlane, Private Wealth
ATO	Melinda Colebrook, ATO Corporate

ATO	Sally McNamara, Private Wealth

Apologies

Apologies list

Organisation	Member
ATO	Louise Clarke, Private Wealth
ATO	Nadia Alfonsi, Private Wealth
Alvarez & Marsal Australia and New Zealand	Matthew Evans
Housing Industry Association	Alessandra Schladetsch
Master Builders Australia	Shane Garrett
Queensland Building and Construction Commission	Natasha Dennis-Weller
Revenue NSW	David Allan

QC 105874

Property and Construction Stakeholder Relationship Forum key messages 3 April 2025

Key topics discussed at the Property and Construction Stakeholder Relationship Forum on 3 April 2025.

Published 16 May 2025

Opening address

Louise Clarke, Deputy Commissioner Private Wealth, advised the members that the Australian Taxation Office (ATO) is in caretaker mode, acknowledged the federal budget and provided an overview of the ATO's updated vision and purpose.

Environmental scan

The ATO presented an environmental scan using intelligence from recent media and indicators from the industry. Focus areas include key media themes, public advice and guidance (PAG) and litigation updates, debt overview, build to rent new measures, and thin capitalisation and debt deduction creation rules.

Members discussed the ATO debt position and drivers of unpaid debt, build to rent misuse tax and the significant impacts this can have on the viability of projects and observed recent ATO reviews have had a focus on property development agreements.

Master Builders Australia

Master Builders Australia's forecasts were published in April 2025 and cover the period up to 2029–30.

Forecasts have been compiled for each of the 8 states and territories.

Over the 5 years to 2029–30, Master Builders Australia forecasts that $1.60 trillion worth of construction work will be carried out.

On average, this would represent a 21.5% increase when compared to activity over the last 5 years.

Engineering construction is likely to see the strongest growth and new home building is expected to recover from its recently weak levels.

Master Builders forecasts that around 1,040,200 new homes are likely to commence construction over the 5-year term of the National Housing Accord, representing a shortfall of about 160,000 homes relative to the Accord's 1.2 million target.

The non-residential building market is anticipated to see around $301 billion worth of work over the next 5 years, equivalent to 4.5%

more per year compared with what was achieved in the last 5 years.

Property Council of Australia

The national confidence level increased from 108 to 116 index points over the December quarter.

At a national level, economic growth expectations increased by 12 index points but remained in negative territory. NSW and WA were the only states to report positive national economic growth expectations.

Respondents in all markets expect interest rates to decrease over the next 12 months.

Construction activity expectations increased in all sectors over the quarter.

Housing supply and affordability remained the most critical issue for the Federal Government according to 39% of respondents.

Australian Securities and Investments Commission

The upward trend in external administration appointments (EXADs) continues this financial year with 9,429 companies entering external administration during the first 8 months of the 2024–25 financial year, up 42.6% from the 6,611 companies recorded for the same period in 2023–24.

As of 28 February 2025, the main industries were:

- Construction 2,308 (24.4%)
- Accommodation and food services 1,598 (16.9%)
- Other services 988 (10.5%)
- Professional, scientific and technical services 644 (6.8%)
- Retail trade 529 (5.6%).

As of 28 February 2025 there were 3.485 million registered companies. The ratio of companies entering external administration in the 12 months to 28 February 2025 compared to the number registered (0.40%) is up from the 12 months to 29 February 2024 (0.29%) but still well below the prior peaks in the 2011–12 and 2012–13 financial years of 0.56% and 0.53%, respectively, when the number of registered companies was around 2 million.

Small business restructuring (SBR) appointments have increased by over 200% with 1,874 appointments for the first 8 months of the 2024–25 financial year compared to 666 appointments for the same period in 2023–24. SBR's now account for over 20% of companies entering external administration.

Australian Securities and Investments Commission statistics taken from reports lodged by registered liquidators show construction industry EXADs are not dissimilar to all EXADs with:

- approximately 80% with $100,000 or less in estimated assets and liabilities between $100,0001 and $5 million
- over 75% had less than 25 creditors
- unsecured creditors in approximately 50% are collectively owed less than $250,000.
- Over 80% do not pay a dividend to unsecured creditors.

More information about the Australian Securities and Investments Commission is available at Insolvency Statistics.

Members queried if the ATO is instigating more windups. The ATO advised that while insolvencies levels are trending upwards, these are generally self-initiated, that is, not ATO initiated.

State of the construction industry

The Australian Constructors Association (ACA) provided an overview of the current state of play in the construction industry as seen by the ACA membership which comprises Tier One contractors in the vertical and infrastructure space. Key observations include:

- construction industry is at a crossroads with several troubled projects
- significant insolvencies at the subcontractor level which create stress on the supply chain
- impact on industry as construction goes into demand for housing, defence, Qld olympics
- government assistance/support still required to industry

- fairer risk apportionment is needed for matters outside control of parties in the contracting industry.

Members discussed reflections on how regulators could consider how to better support the industry where projects may be troubled, particularly at critical times where subcontractors in projects are financially impacted from stress in the supply chain. An example was raised about how one regulator was able to improve engagement and how they were viewed by the industry.

Compliance issues in the SB and PW markets

The ATO provided additional information from the focus areas discussed at the 10 October 2024 forum around subcontractor compliance. This included discussion about the Head Contractor Dashboard and how contractors who receive can better understand their subcontractor population.

Members discussed the ATO's focus areas in relation to subcontractors in the Private Wealth (PW) and Small Business (SB) markets.

The ATO provided an update on how the Taxable payments reporting system is performing and the insights it provides.

ATO marketing and communications consultation

The ATO facilitated a discussion topic on the effectiveness of its marketing and communications.

The discussion focused on how to improve the effectiveness of the ATO's communication within the property and construction industry from both the perspective of which channel of communication is used as well as the content itself.

Members discussed what communications should be prioritised by the ATO over the next 6 to 12 months regarding key topics for the industry and how a more collaborative approach with key industry associations may be considered. The ATO agreed it will explore development of existing communications and tools which could benefit and support the industry.

Serious financial crime taskforce intelligence bulletin

The serious financial crime taskforce (SFCT) has recently published an intelligence bulletin on targeting fraud in GST refunds.

Following intelligence and activities conducted by the member agencies, the taskforce is seeing increasingly frequent and significant occurrences of fraudulent high-value GST refunds.

The behaviours seen range from real businesses inflating invoices and overclaiming to outright fraud using fictitious transactions in attempts to create high-dollar-value refunds.

Significant occurrences of this behaviour are being observed in the property and construction industries.

The ATO is committed to combating GST fraud and ensuring those involved face the consequences.

The ATO is constantly evolving our sophisticated data analytics that help identify and stop GST fraud as it is attempted and support that approach with broader post issue compliance strategies to ensure GST claims are true and correct.

Residential rental properties

The ATO provided an overview of the individuals rentals risk, which relates to landlords failing to declare or misreporting rental income, and misreporting or overclaiming rental deductions.

There are approximately 2.3 million individuals with an investment property. The latest tax gap estimated for individuals not in business is $10.6 billion. Rentals is a prominent risk, with the rental component estimated to be $1.3 billion. In the Random Enquiry Program for 2022, 96% of rental cases had at least one adjustment. There was insignificant variance comparing agent-prepared lodgment to those who self-prepared.

ATO observations indicate that the most common reasons for adjustments to rental items on a tax return are:

- No or incorrect apportionment of the loan interest costs where the loan was re-financed for private purposes.
- Confusion between capital works and capital allowance claims.

- Lack of substantiation for deduction claims.

The ATO is focussed on reducing the tax gap by using third-party data to sustainably improve tax performance. For example, our Special Purpose Acquisition Data program collects data from a range of sources including banks, property managers, insurance companies and bond authorities. By embedding data-driven models and enhancing the lodgment experience through assisted compliance, we aim to reduce errors and administrative burden for taxpayers.

There are several influences on taxpayer behaviour across the property investment lifecycle including real estate agents, mortgage brokers, banks and tax professionals. With 83% of the population lodging through agents, we need to influence compliance by leveraging these relationships and by receiving assistance from key influences.

Employer obligations compliance in the industry

The ATO provided an overview of the common mistakes employers make in the property and construction industry in meeting their employer obligations (PAYG withholding, Single Touch Payroll, super guarantee and fringe benefits tax). These include:

- not classifying workers correctly
- omitting certain payments such as allowances when calculating super
- incorrectly reporting withholding amounts through the payment summary annual reports
- not paying FBT on dual cab ute benefits.

Common mistakes observed when employers classify workers as independent contractors include failing to:

- pay super for independent contractors paid mainly for their labour
- pay super to the right fund or paying directly to workers
- withhold at the highest marginal tax rate when an Australian business number is not provided
- lodge taxable payment annual reports (TPAR)

- keep the right records.

Focus areas include employers who:

- incorrectly classify workers as contractors
- have discrepancies between PAYG withholding or super amounts reported and or paid
- don't lodge or lodge nil FBT returns
- treat all eligible commercial vehicles as FBT exempt without considering whether the private use of the vehicle is limited.

Taxable payments reporting system industries including property and construction are a current focus of our shadow economy program.

Members provided their observations in relation to FBT compliance. Members queried the timing of further educational pieces around payday super. The ATO advised that the exposure draft is open for comments, and that further action will be taken post-caretaker.

Other business

Members discussed potential out of session meetings for priority topics.

Attendees

Attendees list

Organisation	Attendee
ATO	Amy James-Velagic (Co-chair), Private Wealth
ATO	Anthony Marvello, Small Business
ATO	Louise Clarke, Private Wealth
Alvarez & Marsal Australia & New Zealand	Matthew Evans

Arcem Advisory	Phil Shepherd
Australian Constructors Association	Meg Redwin
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Master Builders Australia	Shane Garrett
Queensland Building and Construction Commission	Natasha Dennis-Weller
RSM	Sam Mohammad
The Tax Institute	Simon Clark

Guest attendees

Guest attendees list

Organisation	Attendee
ATO	Alyx Sudall, Private Wealth
ATO	Andrew Fenn, Private Wealth
ATO	Ben Osborn, Private Wealth
ATO	Celeste Salem, Private Wealth

ATO	Daniel Carter, Private Wealth
ATO	Duncan Harrod, ATO Corporate
ATO	Emma Butler, Small Business
ATO	Frankie Pantsaras, Individuals and Intermediaries
ATO	Jacinta Lawson, Small Business
ATO	Louise Hollis, Individuals and Intermediaries
ATO	Peta Lonergan, Superannuation and Employer Obligations
ATO	Rebecca Anson, Private Wealth
ATO	Renee Jones, Frontline Risk and Strategy
ATO	Virginia Gogan, Public Groups
ATO	Vlad Dugandzic, Small Business

Apologies

Apologies list

Organisation	Member
ATO	Nadia Alfonsi, Public Groups
ATO	Jill Kitto, Frontline Compliance
Australian Securities and Investments Commission	Thea Eszenyi
Housing Industry Association	Alessandra Schladetsch

Pitcher Partners	Simon Chun
Property Council of Australia	Matthew Wales
Revenue NSW	David Allan
RSM	Adam Crowley

QC 104908

Property and Construction Stakeholder Relationship Forum key messages 7 May 2024

Key topics discussed at the Property and Construction Stakeholder Relationship Forum meeting 7 May 2024.

Last updated 16 July 2024

Opening address

Louise Clarke, Deputy Commissioner Private Wealth, welcomed members and shared the intentions and approach of the new Commissioner of Taxation, Rob Heferen. Louise emphasised the importance of the forum to share how the ATO is engaging with property and construction and to discuss the present and emerging risks in the sector.

Amy James-Velagic, Assistant Commissioner Private Wealth, was introduced to the members as the new chair for the forum.

Master Builders Australia economic forecast

Forecasts indicate that inflation is decelerating but not as quickly as expected. Economic growth is currently weak, although it is likely to strengthen over the medium term.

The expectation is that the Reserve Bank of Australia will start reducing interest rates in 2024. However, the labour market is still tight, inflation isn't slowing as much as expected and there is a risk of the cost of oil surging. Any interest rate reductions in the next 12 months will not be to the levels seen during the COVID-19 pandemic.

Housing demand is strong but there are issues with supply, due in part to an increase in migration to Australia, labour shortages and cost of building supplies. It is expected that higher density housing construction levels will increase quicker than detached homes over the next 5 years.

Industrial building has performed well, but prospects for office buildings are poor, likely due to more flexible working from home arrangements. Civil, engineering and utilities construction activity is strong.

Property Council of Australia

An industry sentiment survey was conducted in March 2024. This showed significant concerns about labour shortages and the longevity of building companies. Growth is expected, primarily driven by the Housing Australia Future Fund. Housing capital growth remains strong as there is a lack of supply of new properties. However, it is expected that Australia will fall short of the national target of 1.2 million new homes over the next 5 years.

Demand for industrial and retail building is currently outstripping supply. Capital growth in retirement living is high due to the ageing population. Hotel capital growth is improving due to a lack of supply in many states and the forthcoming Brisbane Olympics in Queensland. Office capital growth is weak in all states and territories except for South Australia.

Some companies have experienced trouble raising funds domestically due to offshore investment opportunities that offer a higher return on investment compared to domestic property investments subject to surcharges, taxes and associated costs.

Australian Securities and Investments Commission insolvency update

The number of companies entering external administration in 2023–24 is likely to reach close to 11,000 external administrations (EXADs), a level not seen since 2012–13. Last financial year (2022–23) the level of failure equalled pre-covid levels and this year it has increased a further 40% over last financial year.

The increase in EXADs is consistent across the top 6 industries (construction, accommodation and food services, other services, manufacturing, retail trade and professional, scientific and technical services) when compared to 2022–23.

While the level of EXADs has increased materially this financial year it is important to note that when measured against the underlying population of companies, the ratio of companies entering external administration compared to the number of registered companies is still materially less than the peak of 2012–2013. This is because over the same time period the number of companies registered in Australia has increased from about 2 million to a current level of 3.4 million.

The number of small business restructuring appointments is exponentially increasing and there is a longer-term trend of director, rather than creditor initiated, insolvency appointments.

More information about the Australian Securities and Investments Commission (ASIC) is available at Insolvency Statistics.

Note: Following feedback from ASIC, the content for this item was revised on 16 July 2024, subsequent to the initial publication of the key messages on 25 June 2024.

Inbound related party financing website guidance

The ATO has identified some concerns in relation to cross-border related party financing arrangements in the property and construction industry.

A major concern is the lack of understanding of related party financing rules and requirements. We are seeking to address this by providing guidance on the expectations, important technical rules, required documentation and key risk factors using web content which will be accompanied by examples. The web content is not intended to replace Practical Compliance Guideline (PCG) 2017/4.

Draft examples will be sent to members via email for feedback after internal consultation. In addition, we will provide an update on the legislative changes to the thin capitalisation and debt deduction creation rules at the next meeting.

Behaviours of concern in tax and super in the property and construction industry

Despite the rising number of insolvencies in the property construction industry, indicators are not showing an increase in phoenix activity. Property and construction comprise 20% of the risk population and of that, 86% are found in New South Wales, Victoria, and Queensland.

Significant areas of concern involve builders not paying their subcontractors or suppliers, cycling through various companies, and not paying employee entitlements (superannuation and pay as you go withholding) correctly, or at all. Further activities may involve liquidation, asset stripping and the inappropriate transfer of assets. Some operators have received inappropriate or incorrect advice, others have behaved intentionally.

The implementation of Director IDs and single touch payroll are initiatives that are assisting in the detection of phoenix activity.

Property and construction capital versus revenue web guidance

The ATO is looking to provide guidance through updating web content on the topic of capital versus revenue. This entails publishing further examples demonstrating the application of the tax law to small-scale land subdivisions and developments. The topics may include acquiring property for multiple purposes, mere realisation of a capital asset and property flipping.

Feedback was obtained on the structure and nature of the examples proposed and the ATO will fully develop examples prior to the next meeting and send these out to members for feedback.

Forum future direction

Members raised issues regarding the delay in Private Binding Ruling (PBR) responses from the ATO, often due to a lack of information in applications. Suggestions included practitioners having access to a 'good' or model PBR application so they know what to include and this could be issued to practitioners as part of a training package.

Further suggestion included opening the forum to other taxpayers, firms and small businesses involved in the property and construction industry and ATO audit and communication teams to receive feedback on what processes and interactions are working well and what needs improvement.

QC 102632

Property and Construction Stakeholder Relationship Forum key messages 19 October 2023

Key topics discussed at the Property and Construction Stakeholder Relationship Forum 19 October 2023.

Published 10 January 2024

Opening address

Louise Clarke, Deputy Commissioner Private Wealth, opened the meeting by welcoming members and discussed the need for confidentiality when discussing certain topics.

Master Builders Australia economic forecast

Construction activity is set to grow slowly over the next 5 years.

Transport infrastructure will initially drive growth.

As this starts to slow, residential building will take up the baton.

We will struggle to meet the target set out under the National Housing Accord.

Australian Securities and Investment Commission insolvency update

Insolvency activity was up 61.7% for the 2022–23 financial year, 7,942 Australia Companies Entering External Administration (EXADs) compared to the previous financial year (4,912 EXADs). Company failures have rebounded to pre-COVID-19 levels (7,937), or even exceeded them slightly, in all appointment types except for court-appointed liquidations, which remained at approximately 47% of its base level activity.

The increase in EXADs continued into the first 2 months of the 2023–24 financial year (1,773 EXADs), up 26% compared to the same period for the 2022–23 financial year (1,407 EXADs). While it is worth noting that court liquidations have risen to 81% of pre-covid levels in this period, it is too early to determine if this increase will be sustained.

More information about Australian Securities and Investments Commission Insolvency statistics is available.

Capital versus Revenue ATO website guidance

Website content, with 2 examples, was published 6 December 2022 on ato.gov.au for taxpayers and their advisers to better understand the **tax consequences on sales of small-scale land subdivisions.**

The content was updated in July 2023 with 2 additional examples published to the legal database, designed to further inform taxpayers and tax advisers on how the ATO might interpret the distinction between capital and revenue in relation to small scale property development activities.

Thank you to all forum members who contributed through providing feedback during the more recent consultation period.

Since publishing of the additional examples, an exponential increase in unique page views has occurred. The 3-monthly average for the period July 2023 through to September 2023 saw 1,000 views, which is a 66% increase compared to the monthly average between December 2022 to June 2023.

We now plan to invest further in this product, with the gradual creation and expansion of a comprehensive and more complex set of examples (following general principles) that are focused on the questions we commonly receive from small scale property developers.

The ATO will consult again with forum members, seeking feedback on their drafting.

ATO research

Influencers in property development

The Royal Melbourne Institute of Technology (RMIT) were engaged and in May 2023 provided their **influencers in property development 2023 report**.

RMIT found that non-property related advisers are those who influence the tax decisions of property developers, such as, tax advisers and accountants.

Property related advisers generally don't influence tax decisions.

RMIT found that real estate agents and conveyancers did not have much of a role to play when it comes to tax matters.

If the research had identified additional tax decision advisers, such as real estate agents or conveyancers, we would need to consider our engagement with these key influencers.

GST concessions and the property industry

The University of NSW (UNSW) were engaged to understand the effectiveness of GST concessions available for property transactions.

Invitations to participate in a survey were sent via email in May however UNSW did not receive enough survey responses to undertake meaningful analysis.

Invitations to participate in an interview were sent via email in September and while responses are still low, it is anticipated that some analysis will be possible.

We hope to receive a report once interviews are conducted, and analysis undertaken.

Record keeping education directive

If an entity is subject to a review and the ATO determines the business has not kept accurate and complete records, the Commissioner of Taxation can direct the entity to complete an approved record keeping course or impose a financial penalty.

An entity directed to complete the **record keeping course** will have 28 days to complete the course.

The record-keeping education learning modules will be available via an online learning site, which will be launched in the second half of 2023. The modules can be completed at a time that is convenient for the entity. It includes topics such as:

- what records you need to keep, and for how long
- the best ways to keep records
- the benefits of keeping accurate and complete records
- how to keep records secure.

ANZ property council Australia survey

The property council survey for the September 2023 quarter highlighted, despite uncertain macroeconomic conditions, that confidence in the Australian property sector has held firm, especially within individual business.

Construction activity expectations are generally positive across all asset classes, except for the retail and office sectors, where they dipped slightly into negative territory.

Expectations regarding construction activity in the retirement living sector have hit their highest mark since the December quarter of 2021.

Expectations for residential construction are at their peak in over a year, and industrial construction expectations have reached their highest level since the September quarter of 2022.

During the September quarter the survey involving 696 property professionals indicates that companies continue to have faith in their work schedules and staffing capacities.

Sectoral property specialists (survey participants) have moderated their expectations regarding future interest rate increases.

2023-24 GST focus areas for public and multinational businesses

Taxpayers generally seem to be well across the relevant provisions.

Taxpayers generally claiming no ITCs on land acquisition and development costs as they relate to future input taxed supplies of residential premises.

Some taxpayers have made partial ITC claims on these costs to reflect taxable supplies in relation to office/retail space, others are yet to implement an apportionment method.

A key observation is the importance of making Division 135 adjustments when the going concern is acquired (rather than when development starts or is completed) if there is an intention to make future input taxed supplies.

Areas for consideration are:

- correct classification of supplies
- Division 135 and Division 129 adjustments
- use of a fair and reasonable apportionment method for costs and use of methods of direct attribution as per existing guidance, including shared services type costs, for example marketing, legal
- treatment of related party transactions, including Division 72 and Division 84

Build to rent consultation

The build to rent (BTR) consultation commenced in February 2022 to explore the emerging models of BTR in Australia to understand the opportunities to support the industry with their tax obligations.

The consultation resulted in the ATO improving our understanding of the BTR industry and ato.gov.au being updated to improve guidance for industry.

Consultation has highlighted the complexity of the various BTR models and associated tax issues. The ATO is considering if further improvements can be made to public guidance to support industry getting their GST obligations correct.

Build to rent industry observations

A BTR industry observations presentation was done by the Urban Development Institute of Australia and William Buck, with input from Frasers Property.

Industry discussed the different issues that arise for purpose built BTR versus changes to existing assets or projects to deliver BTR.

The presentation discussed 2 key administrative issues:

- Commercial Residential Premises versus Residential Premises
- Input Tax Credit Apportionment including adjustments after purchasing a going concern and adjustments for changes in creditable purpose.

Industry acknowledged the role the ATO has in administering the law and advocated for a review of key rulings.

Debt approach

The ATO is committed to shifting payment behaviours that have contributed to the growth in debt over the past few years. Given the high levels of unmanaged debt in the property and construction sector, this will be a strong focus area for us.

Firmer action will be used for clients who:

- are unwilling to work with us
- refuse to negotiate, or repeatedly default on agreed payment plans
- don't pay and don't take steps to resolve their situation
- have been subject to an audit where we detect deliberate non-compliance and payment avoidance continues
- appear to be engaging in fraud activities.

We will increase our use of debt enforcement tools for entities that are not meeting their obligations, including:

- the disclosure of business tax debts to credit reporting
- applying director penalty notices to make directors personally liable
- issuing garnishee notices

- legal recovery including windups and insolvency.

Offshore financing by high-net-worth individuals

We have observed behaviours and risks in the property and construction industry in some privately owned groups, particularly with respect to adopting non-arm's length terms and conditions for their inbound related party financing arrangements, resulting in excessive interest deductions.

Behaviours observed which are inconsistent with common industry practice between third parties include:

- no or limited equity contributed
- undocumented or inadequately documented funding arrangements
- borrowing on subordinated unsecured terms when there appears to be senior debt capacity available
- excessive interest rates
- using unsecured debt when security is available
- conduct which is inconsistent with explanations of the funding arrangement, that is the purpose of the loan
- loan principal remaining unpaid well beyond project completion and sales with interest continuing to accrue
- adopting a 'set and forget' approach
- an absence of transfer pricing analysis and support for cross-border arrangements that are significant to the overall funding and material to the taxpayer's tax positions
- incorrectly applied thin capitalisation rules including the application of the annual $2 million threshold on an associate inclusive basis.

In some instances, we have also observed practices that result in the deferral of or non-compliance with interest withholding tax obligations.

For inbound financing in the Australian property and construction industry, we seek to understand the particular facts and circumstances of the property investor or developer, as well as:

- the external and internal funding structure including equity deployed during the investment / project lifecycle and loan to value ratio (LVR)
- how related party financing terms and conditions including pricing compare with external debt or other comparables for a particular project, and changes in project circumstances
- the extent and timing of subordinated unsecured debt if used
- the tenor of the related party debt
- currency of the debt
- timing of payment or crediting of interest and remittance of interest withholding tax where applicable
- repayment terms and conduct of the parties
- the overall quantum of interest deductions gives rise to a transfer pricing benefit
- project budget / feasibility and project profitability / commercial reasons for losses.

Taxpayers are encouraged to:

- explain and provide evidence to support the source of the funds and the commercial rationale for their funding arrangement, including what options were realistically available to them at the time
- at various stages during the particular project's life cycle, and when circumstances change
- demonstrate how their approach was consistent with the arm's length principle for each reporting period.

We are encouraging such taxpayers to improve their compliance approach by:

- adopting behaviours consistent with keeping their cost of capital as low as possible having regard to the commercial objectives
- paying attention to income tax compliance, including transfer pricing by adopting arm's length terms and conditions and documenting the substance of their related party financing arrangements

- monitoring their funding arrangements including when circumstances change
- ensuring interest withholding tax obligations are met and reported on a timely basis including annual reporting
- paying greater attention to lodgment and disclosures required in the International Dealings Schedule, including those for thin capitalisation
- continuing to monitor developments in the law and public advice and guidance to ensure ongoing compliance.

Current focus

The private wealth related party financing risk cluster recently commenced planning development of external guidance for private groups that operate in the property and construction industry and are currently considering how best to provide useful external guidance to raise awareness and communicate our expectations and concerns.

We welcome members' thoughts on what you would find useful as guidance via the programs email **PrivateWealthInternational@ato.gov.au** or the secretariat.

We also welcome the opportunity to discuss your experiences of financing in the property and construction industry further.

If you are interested in being part of a small working group as we develop guidance, please advise the secretariat of your interest.

QC 73783

Property and Construction Stakeholder Relationship Forum key messages 16 March 2023

Key topics discussed at the Property and Construction Stakeholder Relationship forum 16 March 2023.

Last updated 10 May 2023

Key topics discussed at the Property and Construction Stakeholder Relationship forum 16 March 2023

Opening address

Louise Clarke, Deputy Commissioner Private Wealth, opened the meeting by welcoming members and discussed the need for confidentiality when discussing certain topics.

Charter

A draft Charter was tabled for discussion and is expected to be endorsed at the next meeting with member feedback incorporated and the conflict-of-interest issue addressed.

Action item	Charter
Due date	Before next meeting
Responsibility	All Members
Action item details	Provide comment once draft is issued to members.

Master Builders Australia economic forecast

The economic environment is likely to remain difficult over the short term.

Interest rates are not likely to peak until much later in 2023.

New home building is currently in reverse gear. Following a couple of years in the doldrums, a decent pace of growth is likely to resume. By 2026–27, we anticipate that total new home building starts will have recovered to around 210,000 from a trough of 169,600 in 2022–23.

For non-residential building, the combination of strong government-funded project work as well as the recovery in the areas worst hit by the pandemic mean that modest growth is likely to occur consistently over our forecast horizon.

Civil and engineering construction activity faces a reasonably steady outlook to 2026–27.

Capital versus revenue ATO website guidance

New website content was published 6 December 2022 on ato.gov.au for taxpayers and their advisers to better understand the **Tax consequences on sales of small-scale land subdivisions**.

Thank you to all forum members who contributed to the development of this web content through providing feedback during the existing consultation period. Two examples are currently provided in the web content, but we are now considering expanding with the adding of more.

Additional examples are currently being drafted and will further inform taxpayers and tax advisers on how the ATO might interpret the distinction between capital and revenue in relation to small scale property development activities. The ATO will consult again with forum members, seeking feedback on the drafting of these examples.

Employee versus Contractor guidance

On 15 December 2022 the ATO released:

- **Draft Taxation Ruling TR 2022/D3** *Income tax: pay as you go withholding – who is an employee?*
- **Draft Practical Compliance Guideline PCG 2022/D5** *Classifying workers as employees or independent contractors – ATO compliance approach*

The draft ruling provides the Commissioner of Taxation's views on the legal principles involved in determining if a worker is an employee, in light of the High Court's decision in CFMMEU v Personnel Contracting [2022] HCA 1. It is complemented by the draft PCG, which provides a 'risk zone' framework which the Commissioner will follow in deciding when to allocate compliance resources to investigate whether an arrangement has been correctly classified.

The comments period for the products closed on 17 February 2023. The ATO has considered the feedback raised in submissions and is considering any necessary revisions to the products before they are finalised.

ATO research

The Royal Melbourne Institute of Technology is undertaking research into the influencers on real property transactions to:

- define the lifecycle of a property development
- identify the key influencers of decisions made in the property industry
- identify at what point in the property development cycle these influencers can provide advice/influence decision making
- identify the extent to which each identified influencer may impact property decisions.

The research outcomes are designed to enable the ATO to prioritise, target and effectively leverage influencers at different property development stages as required.

The University of New South Wales is undertaking research into the effectiveness of GST concessions available for property transactions.

The research will consider whether the use of these concessions are increasing the cost of compliance for entities undertaking property transactions and the cost to regulators. The ATO is reviewing the effectiveness of these measures, from both a real cost and administrative perspective.

The research will consider:

- impacts on both seller and purchase
- whether costs are passed on to purchasers
- the relative cost as a percentage of the concession
- whether these costs or benefits impact property prices.

Margin scheme valuations legislative instrument

External feedback that was received is currently being considered.

Commissioner of Taxation versus Landcom

On 22 December 2022, the Full Federal Court handed down an unfavourable decision to the Commissioner in **Commissioner of Taxation v Landcom [2022] FCAFC 204 (Landcom)**. The Commissioner has not sought special leave to appeal to the High Court.

The Full Federal Court confirmed the Federal Court's decision that for the purposes of applying the margin scheme to the supply of land comprised of multiple freehold titles, Division 75 of the *A New Tax System (Goods and Services Tax) Act 1999 (Goods and Services Act)* is applied separately to each individual freehold interest.

The Federal Court also found that the Court did have jurisdiction to consider the correctness of the advice in the private ruling issued by the Commissioner relating to notional GST liability.

Debt approach

Our approach to managing debt is centred on transparency, ensuring clients are aware of their obligations and what is expected of them, their options, and support and assistance they can access and clarity of the next steps we may take if they do not act.

Payment plan take-up has also improved significantly to pre-COVID-19 levels as clients engage with us and bring their debt into a management arrangement.

Effective management and reduction of aged debt that has further accumulated throughout the pandemic remains an area of focus.

BAS lodgment performance continues to be impacted by a growing number of clients who are showing limited or no signs of business or employer activity.

ANZ/Property Council Survey

The Confidence Index dropped 6 points nationally in the December quarter yet remained in positive territory (113 index points) but below the long-term average (123 index points). A score of 100 in the Confidence Index is considered neutral.

Majority of respondents expect continued increases in interest rates.

Overall expectations for economic growth and debt finance availability remain negative.

Survey respondents expect asset prices for office and residential sectors to decline, while industrial asset prices are expected to increase.

Housing supply and affordability continues to be the most major elected issue for both the federal and state governments.

Australian Securities and Investments Commission

Insolvencies have increased in 2022–23 year to date (up 66.2%) on last financial year.

Comparing 2022–23 financial year to date to the base year (an average of the 3 financial years 2017, 2018 and 2019, pre-COVID-19), we see that insolvencies are down 6.2%.

The increase in insolvencies which started at the beginning of calendar year 2022, continues but is still down on the base year. The only type of insolvency appointment which is still below the base year is court appointed liquidations.

More information about Australian Securities and Investments Commission insolvency statistics is available.

Action item

Action item	TR 2018/3 and Kurts principle
Due date	Before next meeting
Responsibility	Sian Sinclair
Action item details	Provide details of suggestions to Ashley Warner, ATO.

QC 72512

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