



Taxpayer alert – contrived property development arrangements

We're concerned about property development arrangements that defer the recognition of income and exploit tax losses.

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We've released a new taxpayer alert, *TA 2026/1 Contrived property development arrangements between related parties that defer recognition of income and exploit tax losses*. It informs taxpayers and their advisers of our concerns about certain related-party property development arrangements involving long-term construction contracts (i.e., property development agreements spanning more than one income year) that artificially defer recognition of income.

The use of property development agreements (PDAs) is very common in Australia's property and construction sector. Generally, we're not concerned with this operating model. However, we are concerned about situations where related parties, structure PDAs in an artificial or contrived manner to obtain a tax benefit. Under these arrangements there is:

- an interposed developer entity to artificially separate the land ownership and development activities
- repeated deferral of income recognition
- the accumulation of project losses that are used in the economic group to obtain the tax benefit.

The exploitation of losses in these arrangements can:

- result in the economic group perpetually deferring paying tax on group profits
- enable wealth extraction.

The economic group gains a competitive advantage by intentionally doing the wrong thing.

Our new taxpayer alert provides an example of the typical arrangement that will attract our attention. If you're currently involved in, or considering entering into, an arrangement like this, we encourage you to seek independent professional advice. Alternatively, you can contact us, as we've outlined in the taxpayer alert.

We'll release a draft practical compliance guideline shortly to:


- outline our compliance approach
- provide indicators of both low-risk and high-risk arrangements.

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