

Corporate Legal Update

Changes to Queensland Land Rich Duty

The Queensland State Government has announced that from 1 July 2011 the existing land rich duty regime will be replaced by a considerably broader landholder duty model.

Current land rich model

Currently, land rich duty will apply to an acquisition of 50% or more of the shares in an unlisted 'land rich company' is a company which:

- Owns at least \$1,000,000.00 worth of land in Queensland; and
- Has a total land holding (located anywhere) which comprises at least 60% of the value of all its property.

If a transaction fails to satisfy either limb above then a zero duty assessment will result. As such, many transactions are deliberately structured to avoid the 60% threshold. The Queensland Government has argued that this practice leads to increased compliance and administration costs due to complex valuation and technical arguments. This is cited as a major factor behind the change.

New landholder model

Under the new landholder mode, landholder duty will apply to an acquisition of:

- An interest in 50% or more in an unlisted company holding land in Queensland worth \$2,000,000.00 or more; or
- An interest of 90% or more in a listed company or listed unit trust holding land in Queensland.

Duty on listed acquisitions will be at a concessional rate of 10% of the duty that would otherwise apply.

Timing is critical

These changes will bring Queensland into line with New South Wales, Western Australia, the ACT and the Northern Territory, each of which have adopted a landholder model. South Australia will also adopt this mode from 1 July 2011.

It is still unclear as to how contracts entered into before 1 July 2011, but completed after that date, will be treated under the new laws. The Government may introduce transitional relief for such transactions, which may see them assessed under the existing land rich rules. However, in the absence of such an announcement, the new landholder provisions will apply.

If you are planning any form of transaction which involves the transfer of shares in a company holding land in Queensland (e.g. an acquisition or a restructure) you should consider whether the new laws will have an adverse impact upon the transaction, and if so, consider whether it would be appropriate to complete the transaction prior to 1 July 2011.

More information

For information regarding the possible implications for your business, contact:

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This update provides general information only and does not constitute legal advice.