

11 June 2020

The Treasury
Langton Crescent
Parkes ACT 2600

By email: StampingFeeTeam@treasury.gov.au

Dear Sir/Madam,

Draft stamping fee exemption regulation

The Property Council appreciates the opportunity to provide comments to Treasury in response to the exposure draft of the *Corporations Amendment (Stamping Fee Exemption) Regulations 2020* (the Regulations).

We welcome the announcement from the Treasurer on 21 May 2020 that the stamping fee ban exemption would be maintained for trading companies and real estate investment trusts (REITs). As flagged in our submission to Treasury dated 20 February 2020, we were deeply concerned about the potential for adverse outcomes for retail investors and Australian REITs if a blanket stamping fee ban was imposed on all types of listed investment entities.

Maintaining the exemption for REITs is therefore a sensible outcome for REITs that seek to raise capital through listed markets and for mum and dad investors that are provided access to these IPOs and the benefits of gaining exposure to real assets.

In order to ensure that the policy intent is achieved, we believe there are two critical issues that need to be addressed in the Regulations.

1. Clarifying the REIT exemption for stapled securities

As discussed in our February submission, Australian REITs are usually structured in the form of stapled securities or externally managed funds. The use of stapled securities – where a unit in a trust is legally bound or 'stapled' to a share in a company – is particularly common within listed property groups.

We are concerned that, as currently drafted, it is not clear that stapled securities will be covered by the stamping fee exemption. The exposure draft of the Regulations states:

real estate investment trust means a managed investment scheme whose main purpose is to invest in real property.

We propose that the below definition be adopted instead:

real estate investment trust means a managed investment scheme *or a stapled group** whose main purpose is to invest in, *manage, or develop* real property.

a **stapled group, as defined in the ASX Listing Rules, is a group of entities whose securities are subject to constitutional or contractual arrangements acceptable to ASX that prevent those securities from being traded separately.*

This expanded definition would better reflect the various types of REIT structures that are used within the listed property sector. This would help ensure that the Regulations are reflective of current market practice in terms of how real property entities that raise capital through listed markets are typically structured.

2. Clarifying the REIT exemption for indirect ownership of real property

Our February submission also noted that REITs, both as stapled groups and externally managed funds, make use of special purpose vehicles in order to own and manage the assets that they acquire.

It is our view that the 'real estate investment trust' definition in the Regulations can be satisfied based on the purpose of the head entity (i.e. the entity being listed on a stock exchange), and it is irrelevant whether the real property assets are held directly by the head entity or via special purpose vehicles.

But for the avoidance of doubt, we would recommend that the Explanatory Statement accompanying the Regulations sets out additional commentary to this effect.

If you would like to us to provide further details or to discuss any aspect of this submission, please contact Kosta Sinelnikov on 0422 168 720 and ksinelnikov@propertycouncil.com.au, or myself on 0400 356 140 and bngo@propertycouncil.com.au.

Yours sincerely



Belinda Ngo
Executive Director, Capital Markets