

January 2011

50% Tax Break for Green Building Upgrades

The Federal Government has released a Consultation Paper of the proposal to provide a 50% bonus tax deduction for taxpayers who incur costs in improving the energy efficiency of their existing buildings over the four year period from 1 July 2011 to 30 June 2015.

The qualifying buildings for this bonus tax deduction are:

- ▶ office buildings;
- ▶ hotels; and
- ▶ shopping centres.

The Government is looking to introduce the required legislation in the first half of 2011 and has issued a Consultation Paper that outlines the possible design of the program. The Government is asking for feedback on the questions that are raised in the Consultation Paper.

Consultation Paper Summary

Some of the relevant issues discussed in the Consultation Paper are summarised below:

- ▶ The tax break only applies to retro-fitting of existing buildings. Costs of building new buildings will not qualify.
- ▶ The increase in energy efficiency has to be assessed by assessors accredited under the National Australian Built Environment Rating System (NABERS). This assessment must be made both before the projects starts and after it is completed.
- ▶ The qualifying expenditure is capital expenditure and certain other expenses that results in the improvement of energy efficiency of the building from a 2 star or less to a 4 star or more NABERS energy efficiency rating.
- ▶ Qualifying expenditure can only be incurred (contracts entered into) after the taxpayer's application has been assessed by the approved NABERS assessor and notification of approval has been given to the applicant.
- ▶ The expenditure must be incurred by the original proposed completion time in the application but no later than 30 June 2015 (but subject to a grace period of up to six months if the delay is caused by factors outside the applicants control).
- ▶ The 50% bonus tax deduction will be provided after completion of the project and the Department of Climate Change has issued a certificate of tax breaks entitlement.
- ▶ The total cost of this tax breaks program will be capped at \$1 billion, which may be broken up to an annual cap over the 4 years of operation.
- ▶ The Government is considering either a first come first served basis or a competitive approach to approving the applications that fit under the annual cap. Under the "first come first served" basis all qualifying applications would be approved until the annual cap has been reached. Under the competitive approach there will be an assessment of each application based on set criteria to identify the projects with the higher energy efficiency increase, these will be given priority over others.
- ▶ There may be caps on eligible expenditure per project such as a per room cost limit (for hotels) or a set maximum per \$/m² e.g. \$40 per m² of floor space.
- ▶ There will be a compliance regime that will ensure a fair and accurate assessment and certification process as well as preventing inappropriate and fraudulent claims etc.

Consultation Sessions

The Government will be holding the following consultation sessions for interested parties:

City / webinar	Venue	Date and time
Melbourne	Melbourne Convention & Exhibition Centre South Wharf	Monday 31 January 2011 10:00 am to 12:00 noon
Brisbane	The Sebel & Citigate King George Square	Tuesday 1 February 2011 10:00 am to 12:00 noon
Sydney	Sydney Powerhouse Museum Ultimo	Wednesday 2 February 2011 10:00 am to 12:00 noon
Webinar	Online	Thursday 3 February 2011 2:00pm to 4:00pm (AEDST)

Seats for each session are limited and RSVPs are essential. Interested parties are required to send their RSVPs by 2:00pm, Friday 28 January 2011, via email to:

<mailto:TaxBreaksConsultationRSVP@climatechange.gov.au>

including the following details:

- Name of participant/s
- Organisation (if applicable)
- Session (i.e. Melbourne, Brisbane, Sydney or Webinar)
- Telephone number
- Email address

Should you require assistance or additional information, please contact your PKF Tax Adviser

Lance Cunningham | Director of Taxation, PKF Australia Limited

02 9240 9736 | lance.cunningham@pkf.com.au

Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia

PKF Australia Limited is a national network of legally independent member firms that trade as PKF. Member Firms of PKF Australia Limited have offices in ACT, NSW, QLD, SA, TAS, VIC and WA. Member Firms of PKF Australia Limited, are also Member Firms of the PKF International Limited network of legally independent firms. Neither PKF Australia Limited nor its member firms accept responsibility or liability for the actions or inactions on the part of any member firm or firms of PKF Australia Limited or of PKF International Limited.

Disclaimer: The material contained in this publication is in the nature of general comment and information only and neither purports, nor is intended, to be advice on any particular matter. Readers should not act or rely upon any matter or information contained in or implied by this publication without taking appropriate professional advice. All financial figures are quoted in Australian Dollars unless otherwise indicated.

Consultation Paper

For a copy of the Consultation Paper click on this link to the Department of Climate Change website:

<http://www.climatechange.gov.au/government/initiatives/tax-breaks-for-green-buildings.aspx>

Submissions

Submissions on the Consultation Paper must be made by 18 February 2011.

PKF will be preparing or contributing to a submission on the Consultation Paper. If you have any suggestions for this submission please contact your usual PKF Tax Adviser or Lance Cunningham (see contact details below).

Alternatively if you want to make your own submission the Government has ask that you use the submission template in Attachment B of the Consultation Paper and send it via email to:

<mailto:taxbreaksforgreenbuildings@climatechange.gov.au>

or via mail to:

Tax Breaks for Green Buildings
Department of Climate Change and Energy Efficiency
GPO Box 854 Canberra, ACT 2601