

13 May 2024

Lendlease ATO Update

On 10 May 2024 the Australian Taxation Office (ATO) issued Lendlease with a statement of audit position and an amended income tax assessment relating to the ATO audit of the partial sale of the Retirement Living business in the 2018 financial year.

The amended assessment is for \$112.1 million comprising:

- \$62.4 million capital gains tax arising from the exit of the Retirement Living trust from the Lendlease tax consolidated group which was a one-off event that only applies to the 2018 transaction;
- \$25.2 million additional tax from the sale of 25% of the units in the joint venture trust; and
- \$24.5 million of interest.

Lendlease intends to request remission of the interest in full based on the ATO's previous written undertaking (5 February 2020) that no interest or penalties would be applied to the 2018 financial year.

Lendlease calculated the gain on sale by including the value of liabilities for which Lendlease assumed the responsibility for at the time of the purchase of the relevant assets in its tax cost base. Lendlease considers this to be in accordance with the law and consistent with the ATO's tax ruling on the retirement living industry. The ATO's position now is that certain liabilities assumed by Lendlease should be excluded from the tax cost base when calculating the gain. The ATO adjustments do not relate to deductions claimed by Lendlease.

Since the partial sale of the Retirement Living business in 2018, Lendlease has sold down two further tranches of the units in the joint venture trust in the 2021 and 2022 financial years, totalling 50%. The ATO has not issued amended assessments in respect of those subsequent sales. Should the ATO apply the same treatment to both these partial sales we estimate this may give rise to additional tax of approximately \$50 million, excluding any interest.

Lendlease proactively contacted the ATO to review the tax treatment applied to the 2018 sale eight months prior to submitting its tax return and also obtained independent advice before lodgement.

Lendlease is confident of its position and will dispute the amended assessment.

ENDS

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Authorised for lodgement by the Lendlease Group Disclosure Committee

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