

**TREASURY CORPORATION OF VICTORIA ACT 1992**  
**TRANSITION LOAN NOTICE**  
**UNDER SECTION 36R OF THE TREASURY CORPORATION OF VICTORIA ACT 1992**

Pursuant to section 36R of the *Treasury Corporation of Victoria Act 1992*, I, TIM PALLAS MP, Treasurer of the State of Victoria, hereby determine the following:

**1. Commencement**

This Transition Loan Notice comes into operation on 1 July 2024.

**2. Definitions**

In this Transition Loan Notice:

**"applicant"** means an applicant in respect of a Transition Loan;

**"borrower"** has the same meaning as in section 36P of the Act;

**"Act"** means the *Treasury Corporation of Victoria Act 1992*;

**"ADI"** means an authorised deposit-taking institution;

**"AVPCC"** means the Australian Valuation Property Classification Code;

**"CIPT Act"** means the *Commercial and Industrial Property Tax Reform Act 2024*;

**"Prohibited Activity"** has the meaning given to that term in clause 4.1(d) of this Transition Loan Notice;

**"property"** means the property to which the Transition Loan or Transition Loan application relates;

**"TCV"** means Treasury Corporation of Victoria;

**"Transition Loan"** has the same meaning as in section 36P of the Act;

**"Transition Loan Agreement"** has the same meaning as in section 36P of the Act; and

**"Transition Loan Program"** has the same meaning as in section 36Q of the Act.

**3. Operational**

TCV must administer the Transition Loan Program in accordance with the following principles:

- 3.1.** TCV may administer the Transition Loan Program itself and appoint one or more outsourced service providers to administer, or assist with the administration of, all or part of the Transition Loan Program. Notwithstanding any appointment of an outsourced service provider, TCV will retain the ultimate responsibility to administer the Transition Loan Program.
- 3.2.** TCV must ensure that each Transition Loan Agreement entered into by an Eligible Applicant contains the terms and conditions set out in Section 5 of this Transition Loan Notice.

- 3.3. TCV must request and use reasonable endeavours to receive relevant or necessary documentation from an applicant which that applicant provided to its finance provider, who is an approved lender as per clause 4.1(c) below, to obtain their finance pre-approval for the property.
- 3.4. TCV must undertake a credit assessment to assess each applicant's capacity to repay the Transition Loan in accordance with its credit policy.
- 3.5. TCV must receive an attestation from an applicant that information the applicant provides in their application is true and accurate.
- 3.6. TCV may enter into a Transition Loan Agreement with multiple owners of the property jointly. Joint applicants must be jointly responsible for repayment of the Transition Loan.
- 3.7. TCV must take reasonable steps to verify that a property that is the subject of an application is eligible under the CIPT Act and otherwise an Eligible Property (as defined below) including, where appropriate, confirming the eligibility status of the property independently.
- 3.8. TCV must receive an attestation from an applicant that the applicant is an Eligible Applicant (as defined below). TCV must ensure that an applicant is required to notify TCV within a reasonable timeframe if a Prohibited Activity (as defined below) occurs in relation to that applicant.
- 3.9. Where a borrower experiencing hardship initiates contact with TCV prior to a final payment demand for payment being issued by TCV in relation to a Transition Loan, TCV must consider the request in accordance with its hardship policy and may offer a hardship payment plan to settle the outstanding amount within 12 months. Following this 12-month period, further hardship payment plans of up to 12 months may be entered into. Payment plans approved under a hardship policy must not extend past the Transition Loan's term.
- 3.10. TCV must make all reasonable attempts to recover losses incurred in the administration of the Transition Loans to eliminate or minimise the risk of uncollected repayments under the Transition Loan Agreements. The resources applied to recover such losses should be commensurate with:
  - 3.10.1. the size of the loss;
  - 3.10.2. maintaining public confidence in the administration of the Transition Loan Program and the effective collection of Transition Loan repayments; and
  - 3.10.3. the likelihood of successful recovery.
- 3.11. TCV may undertake periodic compliance audits of ongoing compliance with eligibility criteria and borrowers' compliance with obligations under Transition Loan Agreements using a risk-based approach.
- 3.12. If there is a cross-default on another loan secured by the same property, TCV must conduct a review of the borrower's capacity to continue servicing Transition Loan repayments.

#### **4. Eligibility Criteria**

A Transition Loan may only be provided by TCV under the Transition Loan Program where the applicant is an "Eligible Applicant" and the property being transacted is an "Eligible Property".

##### **4.1. Eligible Applicant**

An applicant is an Eligible Applicant if -

- a) the applicant is either –

- i) an Australian business (organisation, company, trustee on behalf of a trust or other body or entity or partnership but excluding a self-managed superannuation fund); or
  - ii) a natural person who is at least the age of 18 at the time of settlement and an Australian citizen or permanent Australian resident (as long as the natural person will not use the property for predominantly personal, domestic or household purposes, including residential property investment); and
- b) the applicant is the first purchaser acquiring property which satisfies the Eligible Property criteria and –
- i) settlement for that property occurs in relation to a contract entered into on or after 1 July 2024; and
  - ii) that transaction incurs a positive dutiable transaction and is not one of the following land transfer duty events:
    - (1) landholder duty;
    - (2) duty on economic entitlement arrangements in relation to land;
    - (3) duty on long-term lease arrangements; or
    - (4) duty on changes in beneficial ownership; and
- c) the applicant has received finance pre-approval on the property in question from an Approved Lender, which is as follows:
- i) an ADI regulated by the Australian Prudential Regulatory Authority (APRA), excluding 'restricted ADIs' and 'providers of purchased payment facilities' as those terms are defined by APRA; or
  - ii) another lender holding an Australian Credit Licence issued by the Australian Securities and Investments Commission and listed by APRA as a 'registered financial corporation'; and
- d) the applicant has not engaged in any Prohibited Activities (and the applicant must provide to TCV an attestation confirming that they have not engaged in any of the following events), which are as follows:
- i) activities that are illegal under Australian law;
  - ii) being placed, or notice has been given that they will be placed, under external administration;
  - iii) being the subject to a petition for bankruptcy or to wind up, dissolve or deregister a company or business;
  - iv) being or becoming deregistered or unregistered (including cancellation or lapse in registration or any relevant permit); and/or
  - v) being subject to material adverse findings by a Federal or State government agency or local council regarding their business, activities or operations.

#### 4.2. Eligible Property

The property is an Eligible Property if –

- a) the property has a qualifying use, meaning –

- i) it has an AVPCC of 200-499 or 600-699; or
  - ii) it is used solely or primarily for eligible student accommodation, being residential premises that are –
    - (1) designed for occupation by students of a higher education provider;
    - (2) occupied or available for occupation by students of a higher education provider; and
    - (3) commercial residential premises within the meaning of section 195-1 of the *A New Tax System (Goods and Services Tax) Act 1999 (Cth)*; or
  - iii) if it has been allocated more than one AVPCC, its sole or primary use has been determined by the Commissioner for State Revenue to be within APVCC 200-499 or 600-699 (which should be verified with the State Revenue Office by TCV before providing final approval for a transition loan application); and
- b) it is owner-occupied or investor-owned; and
  - c) it is on a title(s) in the Land Use Victoria Register; and
  - d) the sale price of the property is up to \$30 million, and incurs a maximum of \$1.93 million in land transfer duty; and
  - e) it has not previously been the subject of a Transition Loan; and
  - f) it is not already within the tax reform scheme under the CIPT Act at the time the application is made.

## 5. Key Transition Loan Terms and Conditions

The following terms and conditions must be contained in each Transition Loan Agreement that TCV enters into with a borrower.

	<b>ELEMENT</b>	<b>TERM</b>
<b>A)</b>	Principal amount of the loan	Amount up to or equal to the land transfer duty that is payable by the borrower upon first settlement of the Eligible Property.
<b>B)</b>	Facility, Repayment and Term	<p>Principal and interest facility only.</p> <p>Principal plus interest repayments to be paid annually over 10 years from date of settlement of contracts for the property sale, entered into on or after 1 July 2024, fully amortising over the loan term.</p> <p>Term of 10 years from the date of settlement. Repayments of the Transition Loan must not extend past the 10-year term.</p>
<b>C)</b>	Interest rate	<p>Fixed interest rate only. Interest will be calculated at the start of each Transition Loan and the rate will not change over the life of the facility except as contemplated in this Transition Loan Notice.</p> <p>The fixed interest rate will be set on commercial terms and comprise the aggregate of:</p> <ul style="list-style-type: none"> <li>i) a base rate, based on TCV's yield curve; and</li> <li>ii) a margin equal to the relevant Financial Accommodation Levy margin as determined by the Treasurer per financial</li> </ul>

	ELEMENT	TERM
		<p>year in accordance with Part 6C of the <i>Financial Management Act 1994</i>.</p> <p>In the event of a failure to make a payment, TCV may charge default interest on overdue amounts at a rate of 2.00% <u>plus</u> the usual interest rate.</p>
D)	Events of default	<p>Each of the following events will constitute an Event of Default and enable TCV to cancel the Transition Loan and make all amounts owing under the Transition Loan Agreement immediately payable in full:</p> <ul style="list-style-type: none"> <li>• sale or any other transfer of ownership of all, or any part of, the property by the borrower;</li> <li>• the borrower or property are no longer Eligible Applicants or Eligible Property respectively (for example, there is a change in the property's use from commercial or industrial to residential);</li> <li>• the borrower fails to make a payment when due;</li> <li>• the borrower engages in a Prohibited Activity;</li> <li>• TCV believes on reasonable grounds that the borrower has breached a law;</li> <li>• the borrower is insolvent or bankrupt or has an adverse finding made against it.; and</li> <li>• where a subdivision and/or consolidation has occurred and the property has been sold to a third party.</li> </ul>
E)	Assignment or novation	The borrower is not permitted to assign or transfer its rights or obligations under the Transition Loan Agreement.
F)	Voluntary prepayments	<p>The borrower may, at any time, make voluntary prepayments of the Transition Loan either in full or in part, subject to a minimum prepayment of \$10,000.</p> <p>Early prepayment of the Transition Loan in full is permitted but a break cost or a break gain may apply.</p> <p>Early prepayment of the Transition Loan in part is permitted, but a break cost or benefit may apply and TCV will be required to recalculate remaining repayments.</p>
G)	Notification	The borrower must notify TCV if an Event of Default occurs under the Transition Loan or an equivalent event of default occurs under any other loan which is secured by the property.
H)	Security	The Transition Loan will be secured by a first ranking statutory charge on the subject property pursuant to section 36S of the TCV Act.
I)	Legal capacity	The applicant must confirm to TCV that they have the requisite legal capacity and power to (i) enter into a Transition Loan Agreement with TCV and (ii) to provide security.