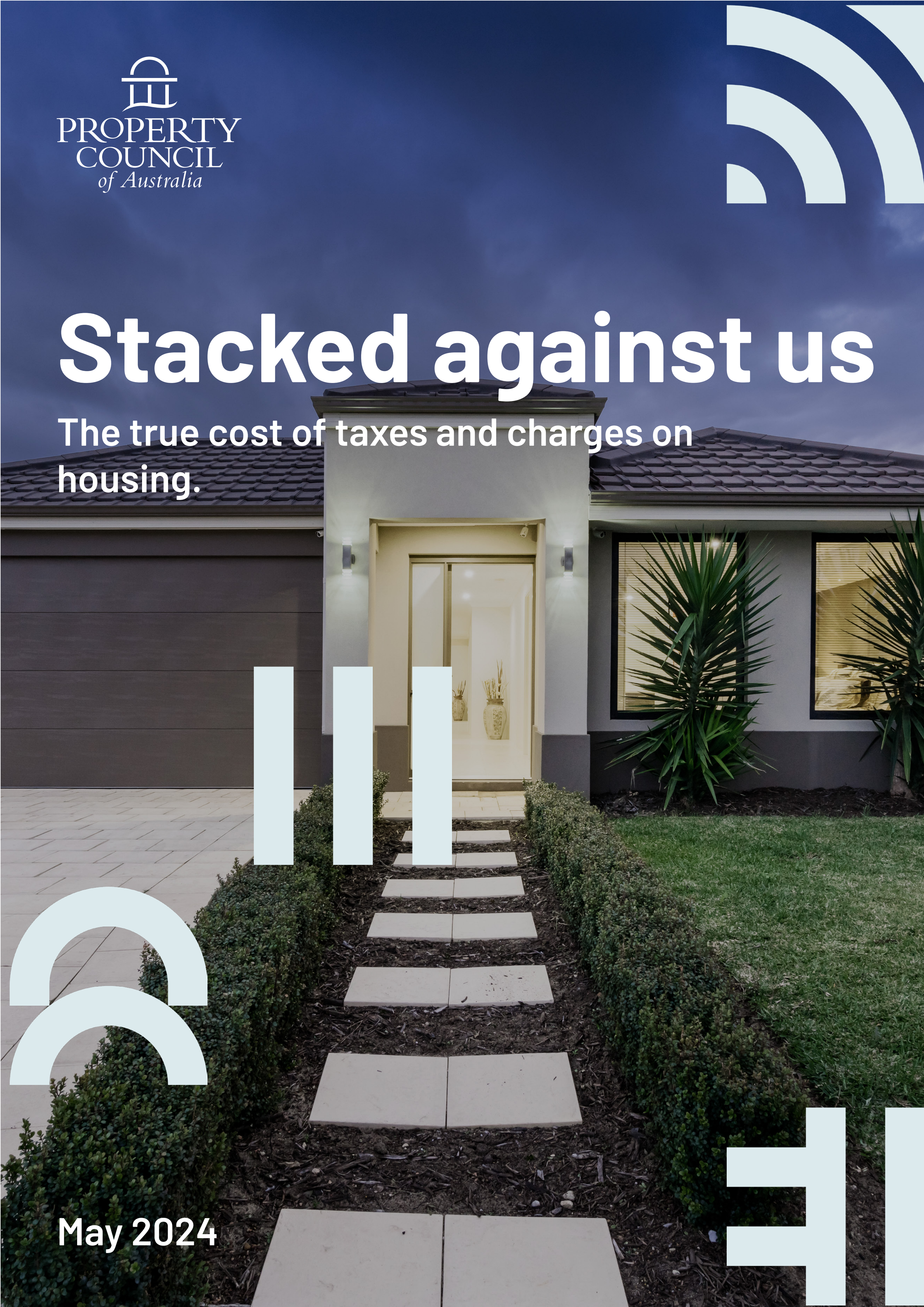


PROPERTY COUNCIL of Australia

Stacked against us

The true cost of taxes and charges on housing.

May 2024

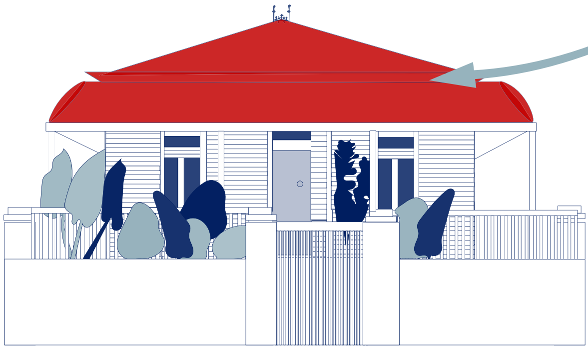
Stacked against us

Key facts

Queensland is in the grips of a housing affordability crisis. A key reason why houses aren't affordable is the increasing burden of taxes and regulatory costs in the development of new houses and apartments.

Taxes on new homes are a double whammy – they increase costs (and therefore sale price) of new builds, in turn increasing the costs of buying or renting established homes.

The impact of taxes and regulatory costs on housing



32 per cent in total taxes

=

23.3 per cent in statutory taxes

+

8.7 per cent in regulatory costs

A total of **32 per cent** of the cost of a new house and land package in a Brisbane greenfield estate is **taxes.**

33.3 per cent in total taxes

=

23.2 per cent in statutory taxes

+

10.1 per cent in regulatory costs

A total of **33.3 per cent** of the cost of a new apartment in inner Brisbane is **taxes.**

How many years will be spent paying off taxes?

9 years

The first nine years of a 30-year mortgage of $730,000 for a new house and land package will be spent paying off $233,440 in taxes, fees and charges – plus interest. [2]

How much in windfall?

$3.5 billion

Over the last three years the Queensland Government has experienced **$3.5 billion in windfall transfer duty receipts alone**. Representing a 29 per cent increase in receipts over the forecast.

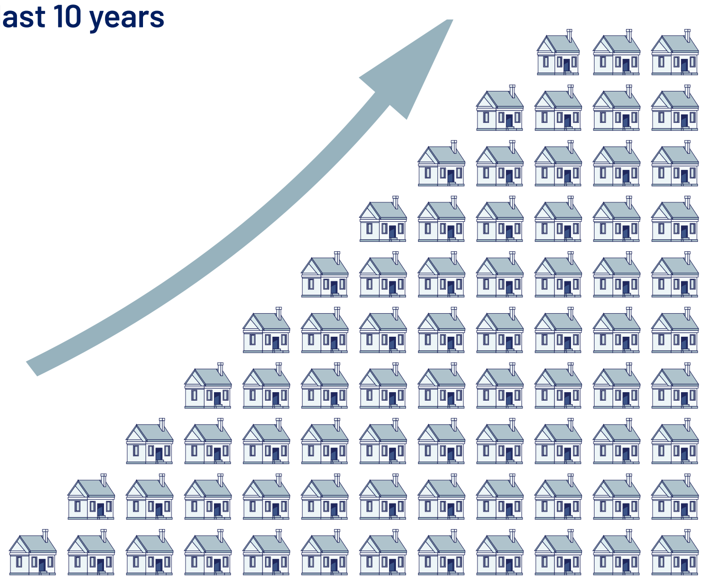
Over the last 10 years

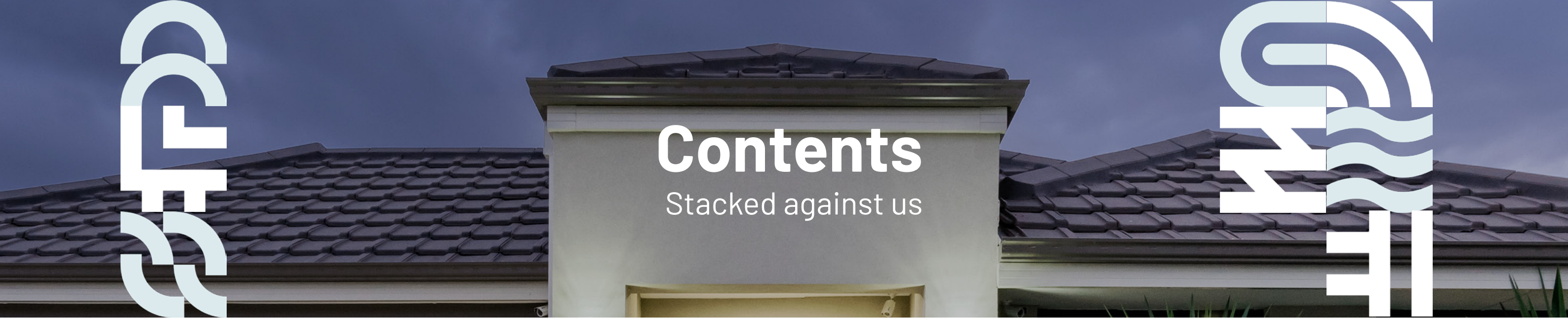
Transfer duty receipts increased by

177.7 per cent.

Land Tax receipts increased by

74.9 per cent.





Contents

Stacked against us

This research was conducted by QEAS for Property Council of Australia (Queensland Division).

QEAS Queensland Economic Advocacy Solutions

Message from the Executive Director

Queensland is in the grips of a housing affordability and supply crisis. Demand continues to outpace supply at a rate that only sees us fall further behind.

Delivering a home in Queensland has never been more expensive. Whilst Queensland is not alone in facing this challenge, we face unique factors that place the social and economic prosperity of our state in jeopardy.

Sadly, Australia is now among the least affordable places in the world to buy a home. As affordability worsens, the reality of Queensland being able to deliver the ambitious yet necessary goal of 1 million homes by 2046 as articulated in the recently released Homes for Queenslanders Government housing plan becomes further out of reach.

Over the last four years median prices have skyrocketed in Queensland. As of May 2024, the median house price in Brisbane alone sits at $845,000 whilst the median price for a Brisbane apartment has jumped to $565,000, an increase of 42.1 per cent and 29.6 per cent respectively over the last three years. [1]

As land value (the tax base) increases exponentially so does the revenue collected by the Government through a variety of taxes and charges. Simply put, as house prices go up and become less affordable – **stacking the odds of home ownership against Queenslanders.**

Disturbingly, what this means for Queenslanders, the first nine years of a 30-year mortgage of $730,000 for a new house and land package will be spent paying off $233,440 in taxes, fees and charges – plus interest.

Despite our State experiencing an ever-worsening affordability crisis, there has been no review of the tax settings to ensure overall cost neutrality, resulting in land and home affordability being further compromised as a result of revenue windfalls to Government.

Since the October 2022 landmark housing summit, there have been several welcome initiatives, including planning reform, and innovative ways to incentivise infrastructure delivery through grants or low-rate loans. However, taxation settings have not been reviewed despite the impact they have not only on homeownership, but also the institutional investment required to deliver the extraordinary number of homes required to meet the unparalleled demand.

To understand the issues, the Property Council of Australia's Queensland division engaged QEAS to conduct research into this critically important issue.

Concerningly, this independent research conducted by QEAS outlines:

1. 32 per cent of the cost of a new house and land package in Brisbane is made up of statutory taxes including transfer duty, land tax, council rates, GST and income taxes* [2].

2. 33 per cent of the cost of a new apartment in Brisbane is made up of statutory taxes including transfer duty, land tax, council rates, GST and income taxes* [3].

3. As house prices soared beyond reach and demand spiked to historical levels over the last three years the Queensland Government has experienced **$3.5 billion in windfall transfer duty receipts alone**. Representing a 29 per cent increase in receipts over the forecast.

4. Queensland's transfer duty receipts have increased by 177.7 per cent across the past 10 years, compared to the average of all states and territories of 122.2 per cent.

5. Analysis of the past 15 Queensland state budgets indicates that there has not been a windfall recorded anywhere near the magnitude of those recorded in the past three years.

6. Queensland has lost the state of origin when it comes to competitiveness, with NSW showing that 26.5 per cent of a new house and land package is made up of statutory taxes including transfer duty, land tax, council rates, GST and income taxes* [4].

Whilst Queensland continues to grapple with the housing crisis – exacerbated by a crippling cost of living crisis – this windfall has not been reinvested back into the housing ecosystem.

Instead, the government has introduced a suite of policy settings that seek to shift costs and responsibilities to the private sector through further regulations and reform that stifle productivity and add to the cost of delivering homes for Queenslanders.

By reviewing our state's prohibitive tax settings that continue to compound housing affordability issues, stymie investment and drive short-sighted policy thinking, we can begin to recalibrate our housing ecosystem – setting Queensland up for long-term social and economic prosperity.

1. CoreLogic Market Trends
2. The total outlay for a homebuyer to acquire a new house and land package in a Greenfield estate in Brisbane in 2022-2023 is estimated to be $729,874.
3. The indicative outlay for an apartment in inner Brisbane in 2022-2023 is estimated to be $616,899.
4. Release the pressure: Alleviating taxes and charges on housing affordability, Property Council of Australia NSW and Savills, 2024

*Property Developer and Builder income is taxed through Company Tax and that is reflected in the end house and land and apartment price.

Recommendations

Based on the findings of this report the Property Council calls on the Queensland Government to implement the below recommendations:

1. **Support first home buyers by expanding the first homeowner (FHO) grant**
   The Property Council proposes an extension of the existing FHO grant to reflect the steep increase in median house prices, by increasing the ceiling to $1,000,000. It is important that the Grant remains focused on new products, including townhouses, modular homes and dwellings purchased off-the-plan.
   Grants for existing dwellings will only stimulate further demand for the limited pool of established homes.

2. **Introduce off-the-plan transfer duty concessions**
   Introducing off-the-plan transfer duty concessions for buyers who choose to enter into contracts for apartments, resulting in an increase of pre-sales that are key in turning speculative supply into completed projects and roofs over people's heads.

3. **Broaden Build-to-rent land tax concessions**
   Queensland's current state tax incentives for Build-to-rent do not go far enough and are not competitive with what is in place in other states. Broaden the current Land Tax concessions to all Build-to-rent projects and increase the concessions to 100 per cent for those projects that deliver 10 per cent affordable housing.

4. **Implement an institutional investment framework**
   Implement an institutional investment framework, which addresses prohibitive tax settings that add significant burden to the delivery of new homes, including the additional foreigner acquirer duty and foreign land tax surcharge for developers who are captured and are seeking to deliver residential projects.

5. **Quarantine windfall gains for coordinated infrastructure delivery to unlock new land**
   A key barrier to unlocking new land supply is the coordinated delivery of infrastructure, by reinvesting the windfall into infrastructure projects that support the delivery of new housing supply.

6. **Review outdated land tax & transfer duty thresholds**
   Moving thresholds for land tax and transfer duty to adjust for rising property prices to ensure revenue neutrality for government and cost neutrality for developers, home buyers and owners.

7. **Commit to no new taxes or charges**
   Of critical importance to industry is certainty, and to build confidence with investors, it is imperative that there are no further fees, charges or taxes levied on property.

"Failure to review the critical role that taxes and charges play in pushing housing affordability beyond reach, will see Queensland fail to deliver on our social obligations to ensure that every Queenslander has access to affordable, fit-for-purpose housing."

PROPERTY COUNCIL of Australia

Jess Caire

Jess Caire

Queensland Executive Director

The impact of taxes and regulatory costs on housing

New residential house and land package

The total outlay for a homebuyer to acquire a new house & land package based on these assumptions is in a Greenfield estate in Brisbane in 2022-23 is estimated $729,874.[1]

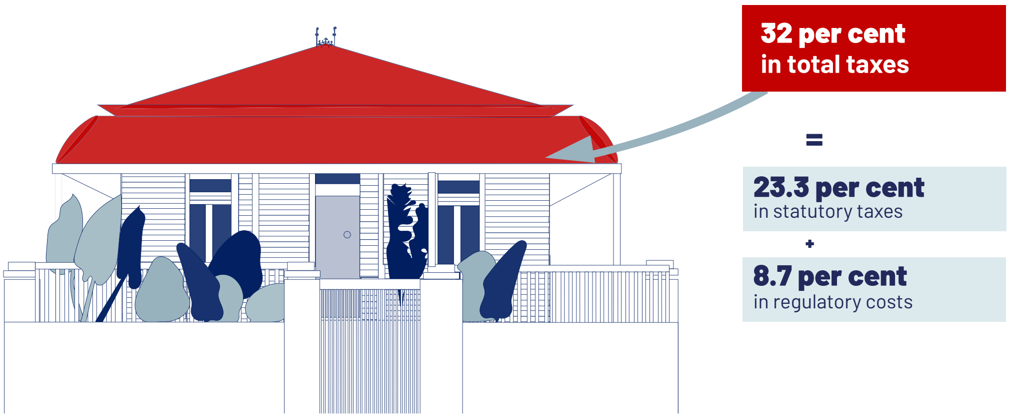
These costs include:

- $169,852 is paid in statutory taxes including transfer duty, land tax, council rates, GST and income taxes*
- $63,587 is paid in regulatory costs

Collectively these represent approximately **$233,440** or **32 per cent**.

If the Foreign Land Tax Surcharge and Additional Foreign Acquirer Duty applied to the developer another $6,699 would be added in statutory taxes or 0.9 per cent.

*Typical four-bedroom, two bathroom, double lock-up garage (project home standard) in the metropolitan region of Brisbane. The analysis undertaken on a development is for 100 house and land packages. Site area 572m^2 and is a two story.



New apartment

The indicative outlay for an apartment in inner Brisbane in 2022-23 is estimated $616,899.[2]

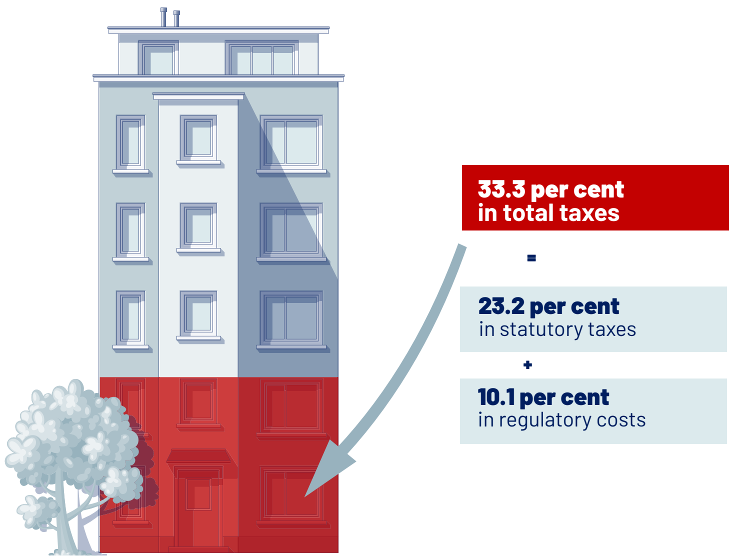
These costs include:

- $143,276 is paid in statutory taxes including transfer duty, land tax, council rates, GST and income taxes*
- $62,025 is paid in regulatory costs

Collectively these represent approximately **$205,301** or **33.3 per cent**.

If the Foreign Land Tax Surcharge and Additional Foreign Acquirer Duty applied to the developer another $5,010 would be added to statutory taxes or 0.8 per cent.

*High density residential apartment building of up to 14 levels and approximately 50 apartments comprising a mix of 1, 2 and 3 bedroom apartments.



Footnotes

1. See the assumptions section for more information.
2. See the assumptions section for more information.

*Property Developer and Builder income is taxed through Company Tax and that is reflected in the end house and land and apartment price.

Understanding the taxes – Transfer Duty

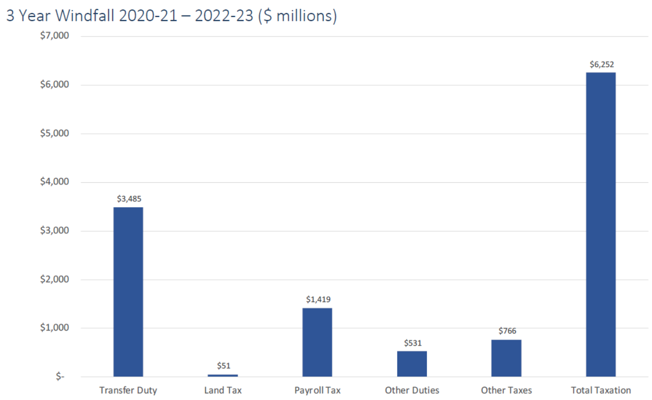
Transfer duty (also referred to as stamp duty) is charged on 'dutiable transactions', including transfers of land in Queensland or Queensland business assets.

The Queensland Government offers concessions for the transfer of property where the property is purchased as a home. Eligible home buyers pay a one per cent concessional rate on the first $350,000 of dutiable value, rather than the normal scheduled rates of between 1.5 per cent and 3.5 per cent.

If a first home buyer purchases a property valued at $500,000 or under, they will pay no duty, with reduced rates available up to $550,000 which is below the cost of the average house.

Transfer duty has had high variation, reflecting pronounced highs in residential and non-residential market conditions.

- Over the past three years the Queensland Government has experienced $3.5 billion in windfall transfer duty receipts.
- In 2022-2023 the government budgeted for $4.77 billion in transfer duties and the 2023-24 Queensland Budget confirmed actual receipts for transfer duty were $5.2 billion – generating a windfall of $487 million.
- The average windfall over the past three years has been a 29 per cent increase in receipts, over and above what was forecast.
- To contextualise the $3.5 billion windfall, the seven new Satellite Hospitals in Tugun, Redlands, Eight Mile Plains, Bribie Island, Caboolture, Kallangur and Ripley being delivered by the government are budgeted to cost $377 million.
- Transfer duty was by far the biggest contributor of windfall tax receipts to the government with $3.48 billion of the total $6.25 billion across the past three years. Transfer duty represents 55.7 per cent of the total windfall and reflected extremely buoyant residential and non-residential market conditions.
- Of all the taxes imposed on Queensland housing, transfer duty has increased the most in percentage terms over the past 10 years.
- Transfer duty has more than doubled increasing by 177.7 per cent. In comparison the average total increase for state and local government taxes were 81.2 per cent.
- In dollar terms, transfer duty has increased more than any other housing tax over the past 10 years. Transfer duty increased by $3.35 billion from 2012-2013 compared to the total tax increase for state and local governments in Queensland over this period of $11.4 billion.
- Transfer duty represented 29.3 per cent of the total increase in taxes and rates in Queensland over this period while land tax increased by $742 million over this same period.
- When compared to other states and territories, Queensland experienced the highest percentage increase in transfer duties across the past decade.
- Queensland's restrictive transfer duties have increased by 177.7 per cent over the past decade, the average increase of all states and territories is 122.2 per cent.
- The first nine years of a 30-year mortgage of $730,000 for a new house and land package will be spent paying off $233,440 in taxes, fees and charges – plus interest.



Source: Queensland Budget Papers

Transfer duty has been by far the biggest contributor of windfall tax receipts to the Queensland Government with $3.48 billion of the total $6.25 billion in windfall receipts across the past three years. Transfer duty represents 55.7 per cent of the total tax windfall and reflected extremely buoyant residential and non-residential market conditions.

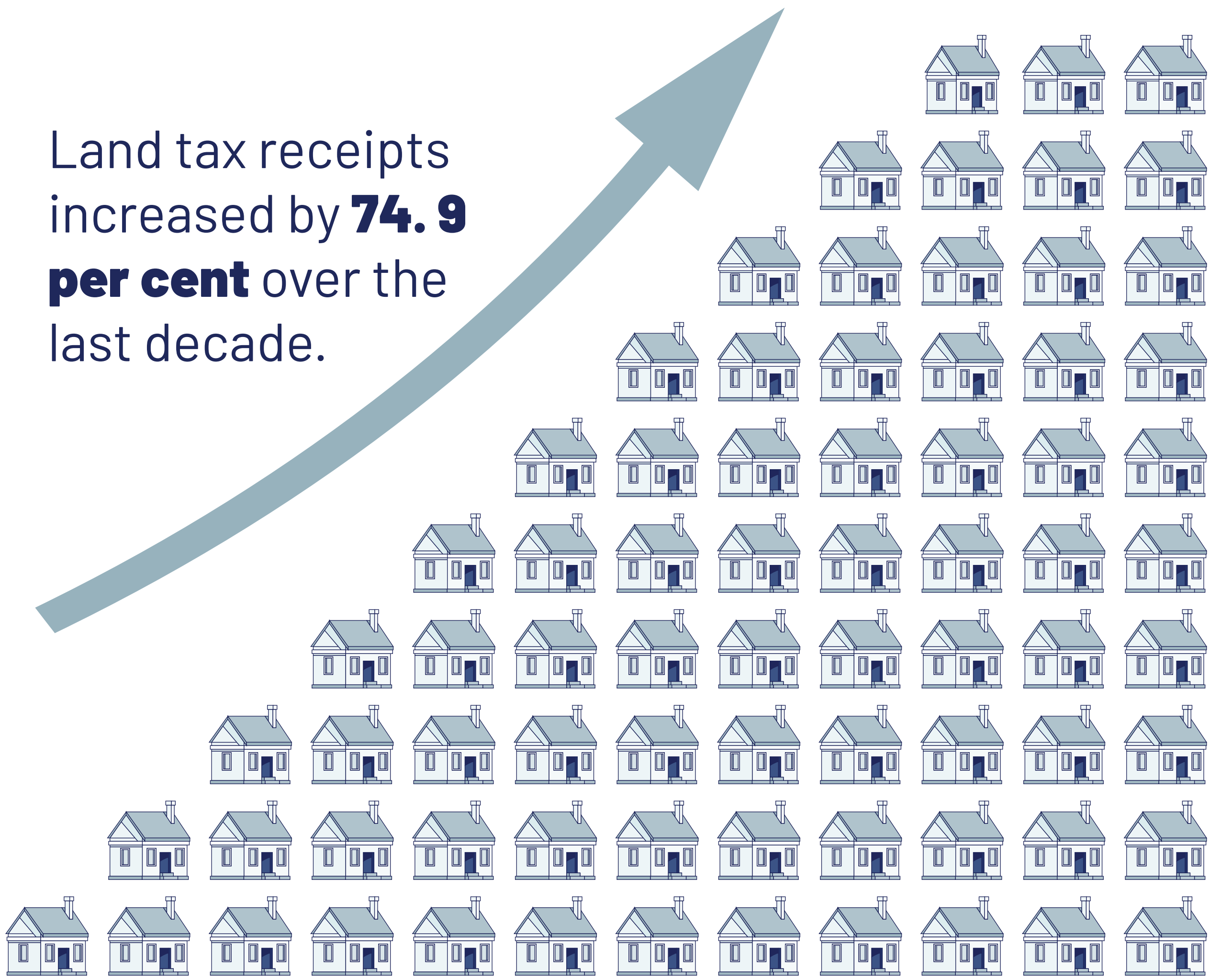
The windfall

Understanding the taxes – Land Tax

Land tax is imposed on the taxable value of a landowner's aggregated holdings of freehold land owned in Queensland as at 30 June each year. The landowner's home and some other specified types of landholdings are exempt. Individuals other than absentees are generally liable for land tax if the total taxable value of the freehold land owned by that person is equal to or greater than $600,000. Companies, trustees and absentees are liable for land tax if the total taxable value of the freehold land owned is equal to or greater than $350,000.

Land tax growth can reflect variability in the property market, such as the material increases in land values seen in recent years, but is generally more stable than most other taxes due to the relatively stable base and assessments being based on a three year average of land values, which helps mitigate the impact of increasing land values.

- Land tax generated a windfall for the government of $51 million.
- A total increase in state taxation receipts over and above the amount forecast over the last three years has been $6.2 billion and on average 12.4 per cent higher than what was budgeted.
- Analysis of the past 15 Queensland state budgets indicates that there has not been a windfall recorded anywhere near the magnitude of those recorded in the past three years.
- Land tax receipts increased by 74.9 per cent.
- To add context to this level of increase, median Brisbane house and apartment prices over the last decade increased by 78.5 per cent and 36.3 per cent respectively, while the Brisbane CPI increased by 30.6 per cent in the same period.



The windfall

Understanding the taxes – Payroll Tax

Payroll tax is levied on wages paid or payable by an employer to its employees when the total taxable wages of an employer (or group of employers) exceed $1.3 million. Payroll tax rates paid are:

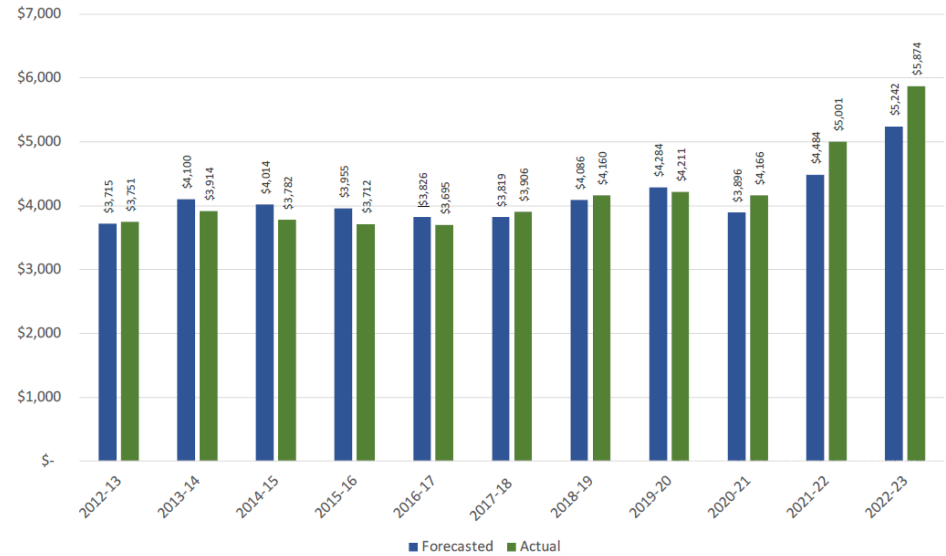
- 4.75 per cent, $6.5 m or less; and
- 4.95 per cent more than $6.5 m.

From 1 January 2023, a mental health levy will apply to employers and groups of employers who pay more than $10 million in annual Australian taxable wages:

- Additional 0.25 per cent (primary rate) more than $10 million (primary threshold).
- Additional 0.25 per cent (primary rate) + 0.5 per cent (additional rate) more than $100 million (additional threshold).

Payroll tax generally has a relatively stable base, with its growth usually driven by the underlying strength of the economy and how this feeds through to employment and wages growth.

Forecast vs actual ($ millions) payroll tax receipts



Source: Queensland Budget Papers

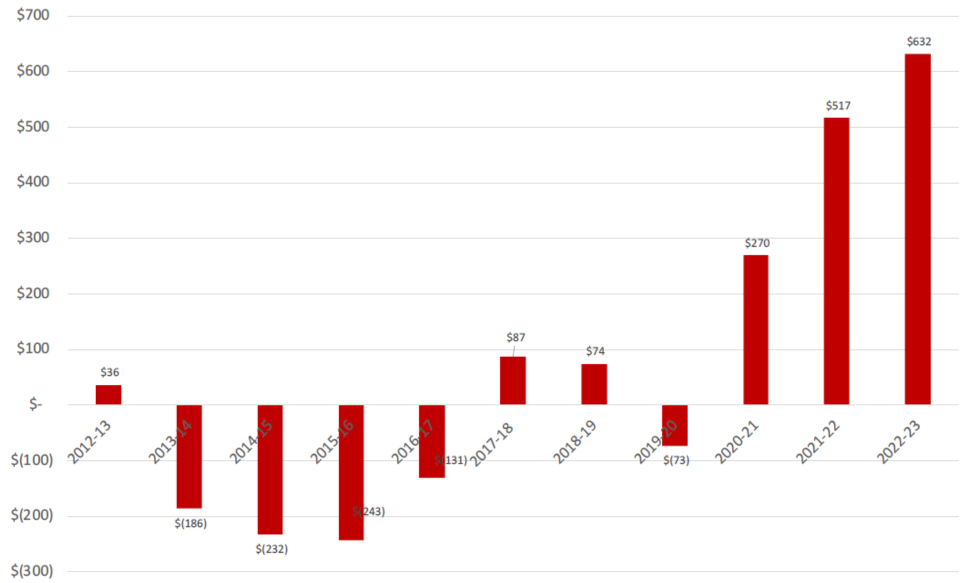
Latest three year windfall:

$1.4 billion.

Three year average variance:

10.4 per cent.

Windfall ($ millions) payroll tax receipts



Source: Queensland Budget Papers

The windfall

Understanding the taxes – Other Duties

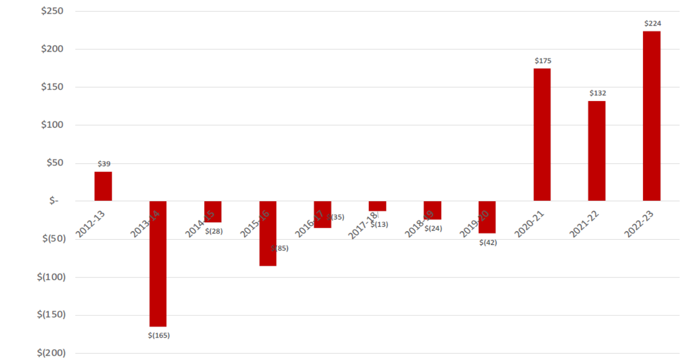
Other duties include duty on vehicle registration and insurance.

Vehicle registration duty applies to applications to register or transfer a vehicle. Duty is imposed on the dutiable value, with the applicable rate dependent on the type of vehicle. An additional amount of registration duty is imposed on applications to register or transfer vehicles (other than special vehicles or heavy vehicles) with a dutiable value of more than $100,000.

Insurance duty is charged on the premium (the total amount paid to the insurance company for the insurance) and GST, which is considered part of the premium. Different rates apply based on the type of insurance the premium is paid for. Duty on vehicle registration has experienced moderate volatility based on economic activity and the amount of vehicle sales. Volatility of duty on insurance is largely based around natural weather events increasing premiums and rises in the cost of global insurance.

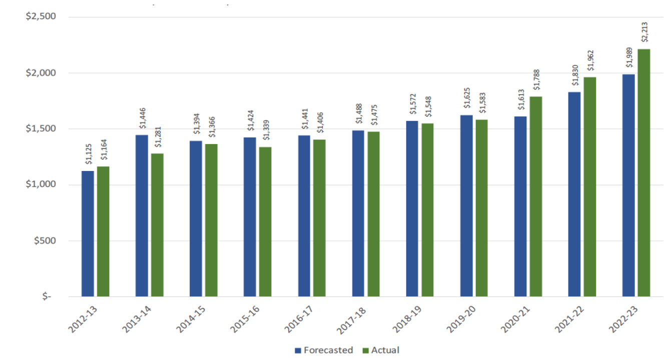
Latest three year windfall: $531 million
Three year average variance: 9.8 per cent

Windfall ($ millions)



Source: Queensland Budget Papers

Forecast vs actual ($ millions)



Source: Queensland Budget Papers

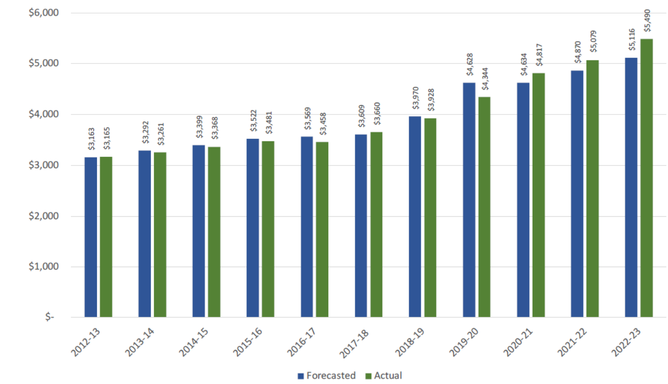
Understanding the taxes – Other Taxes

Gambling taxes are incurred across gaming machines, lotteries, wagering, casino and keno taxes.

The waste disposal levy commenced on 1 July 2019 and applies to 39 local government areas, covering more than 90 per cent of the state's waste generation and population. The levy is paid by landfill operators on waste disposed to landfill. Exemptions from the levy exist for particular waste, such as waste from declared disasters, waste donations to charitable recyclers and lawfully managed and transported asbestos.

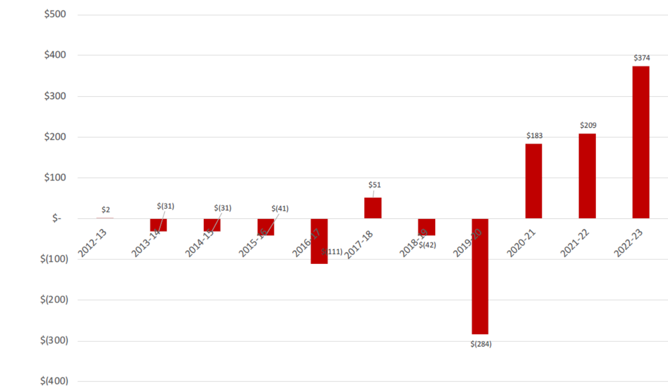
Overall receipts across these areas have exceeded forecasts in the last three years but not to the extent of the windfall experienced for transfer duties.
Latest three year windfall: $766 million
Three year average variance: 5.2 per cent

Forecast vs actual ($ millions)



Source: Queensland Budget Papers

Windfall ($ millions)



Source: Queensland Budget Papers

The windfall

A decade of increases

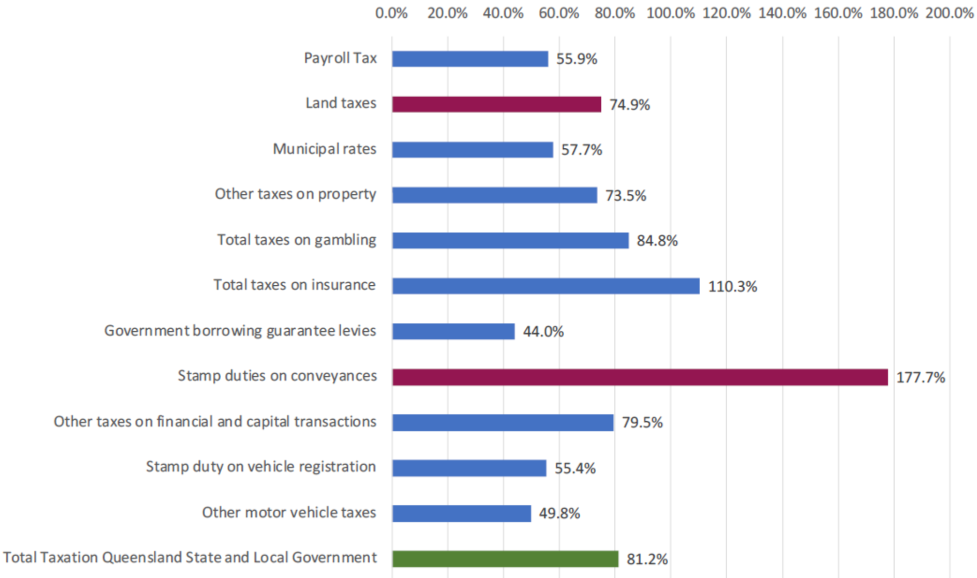
Of all Queensland taxes, revenue from stamp duty on conveyances (i.e. transfer duty) has increased the most in percentage terms over the past 10 years. Transfer duty has more than doubled, increasing by 177.7 per cent and compares to the average (i.e. total taxes for Queensland and Local Government) of 81.2 per cent. Land tax increased by 74.9 per cent.

To put into context this level of increase for transfer duty, median Brisbane house and apartment prices over the last decade have increased by 78.5 per cent and 36.3 per cent respectively.

In addition, the Brisbane CPI over this period has increased by 30.6 per cent.

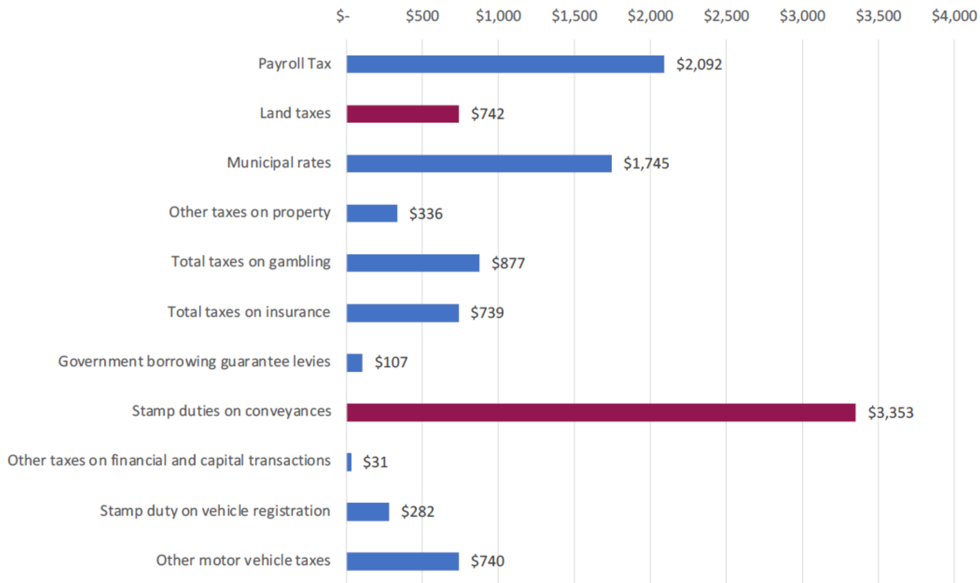
In dollar terms, again revenue from stamp duty on conveyances (i.e. transfer duty) has increased the most of any taxes over the past 10 years.

10 year percentage revenue increases - Queensland taxes



Source: ABS Catalogue 5506.0 Taxation Revenue, Australia

10 year $ revenue increases – Queensland taxes ($ millions)



Source: ABS Catalogue 5506.0 Taxation Revenue, Australia

Transfer duty has increased by $3.35 billion since 2012-13 and compares against total taxes for Queensland and Local Government) of $11,438 million.

Transfer duty over this period represented 29.3 per cent of the total increase in taxes and rates in Queensland. Land tax receipts over the same period increased by $742 million.

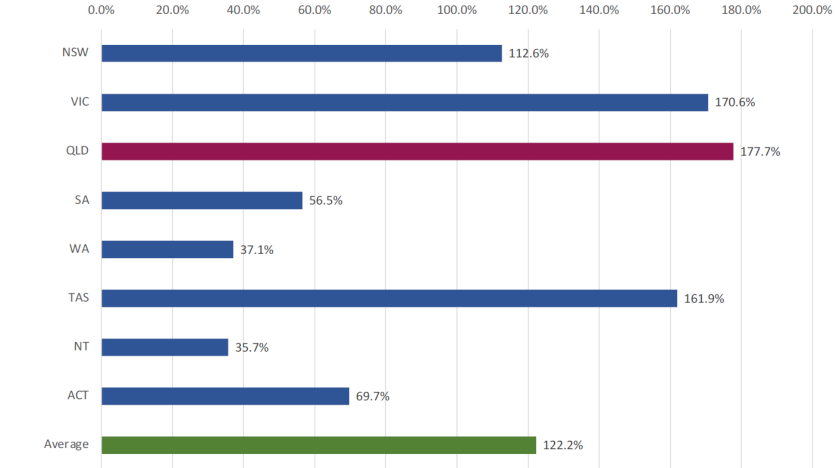
Around the country
How does Queensland compare?

Transfer Duty

When compared against other States and Territories, Queensland has experienced the highest percentage increase in revenue from transfer duties (stamp duty on conveyances) across the past decade.

Queensland's transfer duties have increased by 177.7 per cent across the past 10 years and compared to the average of all states and territories of 122.2 per cent.

10 year percentage revenue increases - transfer duty



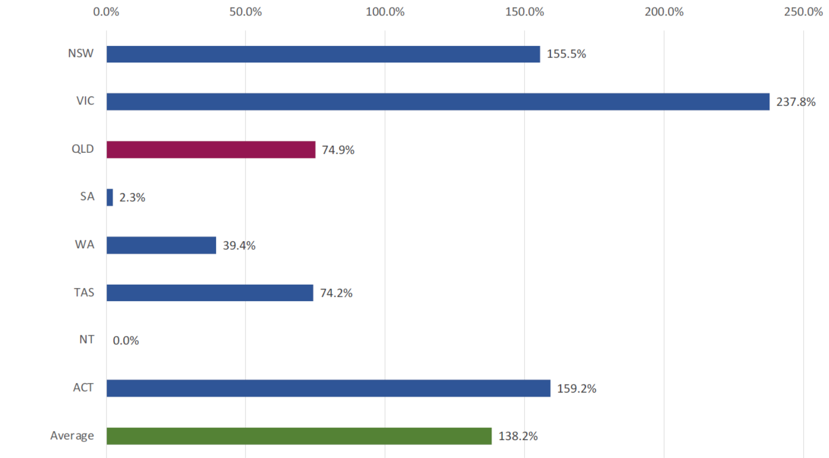
Source: ABS Catalogue 5506.0 Taxation Revenue, Australia

Land Tax

Whilst still rising well ahead of CPI over the period (30.6 per cent), Queensland's land tax receipts have grown by a lesser amount than all state and territory average increase of 138.2 per cent.

This is largely as a result of significant growth in land tax receipts that have occurred in New South Wales, Australian Capital Territory and Victoria.

10 year percentage revenue increases - land tax

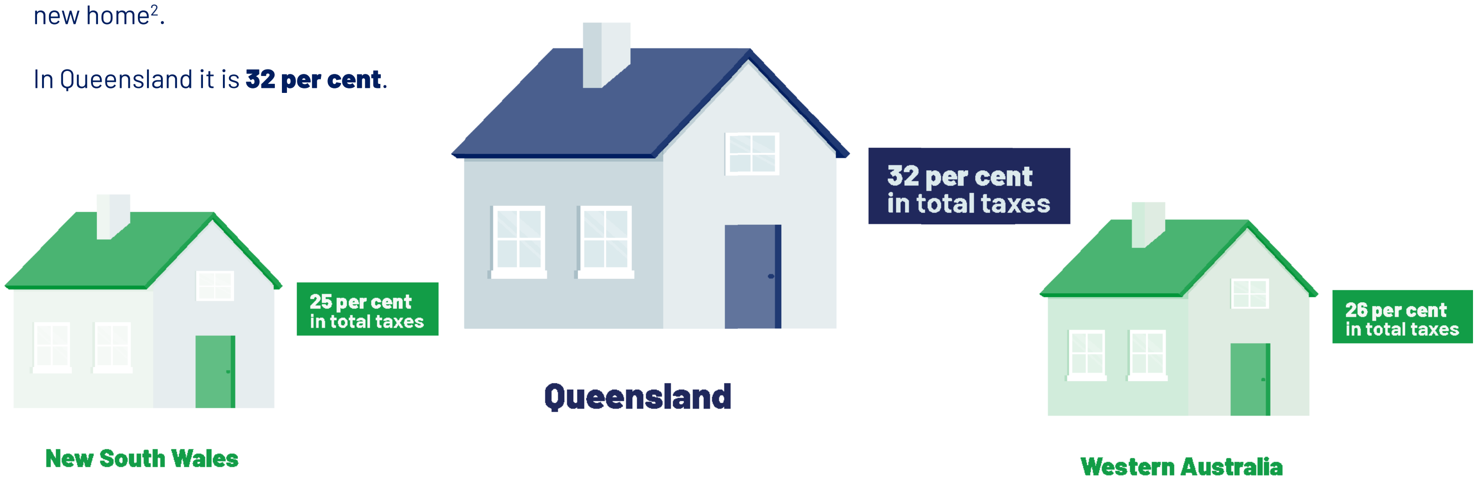


Source: ABS Catalogue 5506.0 Taxation Revenue, Australia

Queensland has lost its edge

New data shows that in New South Wales at least **25 per cent** of the cost of new houses are taxes and charges[1], while in Western Australia transfer duty, land taxes, GST and development levies make up as much as **26 per cent** of the cost of a new home[2].

In Queensland it is **32 per cent**.



1. Release the pressure: Alleviating taxes and charges to build new homes.
2. Prosperity Through Property: A road map to unleashing Western Australia's potential.

Methodology

The report was prepared in close consultation with Property Council of Australia - Queensland Division. QEAS methodology has been guided by two recent pieces of work in this area:

- Impact Of Taxes, Duties & Charges on Development Feasibility & Investment prepared by AEC Group prepared for the Property Council of Australia (Queensland Division) 2023; and
- Research Report: Taxation of the housing sector prepared by the Centre for International Economics prepared for Housing Industry Association Ltd in June 2019.

Key aspects of the QEAS methodology included:

- QEAS calculated the total outlay made (including Government taxes fees and charges) to acquire a new dwelling under the scenarios outlined above.
- QEAS Identified the separate steps, including their components, which are undertaken in the development process to create and provide a new house & land package and apartment as an infill development.

Total outlay required to acquire a new dwelling

=Cost of a block and cost to develop + land Construction costs + Transaction costs

Where the Cost of a block and developed land equals

Price of raw land + transfer duty on raw land + consultant fees
+development application fees + council rates during development
+land tax during development + infrastructure charges
+NBN costs + land preparation costs
+developer sales costs + developer marketing costs
+developer finance costs + developer margin
+GST in developed land

- QEAS sourced, compiled and synthesised publicly available data that allows for the updating of original CIE cost estimates of each step and component in the creation of a new house & land package and apartment.
- QEAS estimated the representative price for a new house & land package by summing together the estimated cost of each component. The total outlay made to purchase the package or apartment is the cost of a developed block of land plus the cost of the dwelling or apartment plus transaction costs.
- QEAS calculated the amount of Government taxes, fees and charges paid.
- QEAS used publicly available data including median prices for a developed block, average size of new house/apartment, to cross reference against the developed estimates for Greenfield house and land packages and infill apartments.

Methodology cont.

Assumptions - House and land package

- The value of raw land equals the opportunity cost of raw land plus the residual in raw land price and has been calculated escalating the original value used in the Centre for International Economics (CIE) report by the median house price growth (ABS Catalogue 6342.0) since 2016-17 for Brisbane (48.43 per cent).
- Transfer duty on land purchase has been applied at the full rate of $38,025 plus $5.75 for each $100, or part of$100, over $1,000,000. For the purposes of this report Additional Foreign Acquirer Duty (AFAD) has not been included in the headline statistics but has been referenced separately.
- The development application to sub-divide the land is determined by indexing the CIE 2016-17 value of $220 by Brisbane CPI (ABS Catalogue 6401.0 - 20.73 per cent).
- Consultant fees have been determined by indexing the CIE 2016-17 value of $5,772 by Brisbane CPI (ABS Catalogue 6401.0 - 20.73 per cent).

Step	Start	End
Raw land purchase	Developer uses debt to purchase a large parcel of land that is zoned for residential use.	
Development application (DA) and sub-division	Developer makes a DA that includes sub-division, masterplan, etc. While developer waits for DA to be granted, they incur interest on land purchase costs.	Local council grants relevant development applications. Land now consists of individual blocks ready for development.
Land development	Developer pays development charges to local council and state government (covers roads, public space, etc.) Developer incurs land preparation costs and other development costs.	Individual blocks are ready for four months (necessary construction of a dwelling time). Buyer of a new house and land purchases a block.
Development application and building application	Buyer of a new house and land package applies for development application and building application.	Relevant authorities issues approvals.
Construction	Buyer of new house and land package commissions builder to construct dwelling.	Construction is complete.
Transaction costs	Buyer of new house and land package pays transfer duty on developed block and new dwelling.	Buyer of new house and land costs occur as they take ownership of arise completed project.

Table 3. Process that results in the creation of a new house and land package. Source: CIE 2019 and QEAS 2024.

Methodology cont.

Assumptions - Apartment

- The value of raw land equals the opportunity cost of raw land plus the residual in raw land price and has been calculated escalating the original value used in the CIE report by the median house price growth (ABS Catalogue 6342.0) since 2016-17 for Brisbane (48.43 per cent).
- Transfer duty on land purchase has been applied at the full rate of $38,025 plus $5.75 for each $100, or part of $100, over $1,000,000. For the purposes of this report AFAD has not been included.
- The development application to sub-divide the land is determined by indexing the CIE 2016-17 value of $252 by Brisbane CPI (ABS Catalogue 6401.0 - 20.73 per cent).
- Consultant fees have been determined by indexing the CIE 2016-17 value of $19,760 by Brisbane CPI (ABS Catalogue 6401.0 - 20.73 per cent.

Step	Components
Raw land purchase	• Opportunity cost of land • Zoning distortion costs
Sub-division	• Development applications • Fair finance costs • Additional finance costs (due to delay)
Land development	• Land preparation costs • Fair development charges • Additional (excessive) development charges • Fair developer margin • Additional margin, to compensate for uncertainties in planning system
Construction permit and approvals	
Construction	• Underlying construction cost • Builder's margin • Finance Cost
Transaction costs	• Transfer duty on land and new house (separately) • Legal fees

Table 3A. Process that results in the creation of an apartment. Source: CIE 2019 and QEAS 2024.

Methodology cont.

Tax on residential housing

Asset category	Location	Project description for analysis
Greenfield house and land package	Outer/ Metro	The greenfield residential dwelling development is premised on a hypothetical 575m^2 block of land situated in Brisbane. The development comprises a single, freestanding, two storey dwelling (4 bedrooms, 2 bathrooms and double lock-up garage) with an internal area of 175m^2. The analysis undertaken is for 100 house and land packages.
High density residential project	CBD (periphery)	The high density inner city residential 'Build-to-sell' development is premised on a hypothetical 1,000m^2 site situated in the CBD periphery. The development comprises of a single multi-storey tower consisting of 50 apartments. The apartments mix 1 bedroom, 2 bedroom and 3 bedroom apartments. Average apartment area (net saleable area) of 78m^2 is used.

Table 2. Asset classes considered. Source: QEAS 2024.

Many of the taxes, regulatory costs and infrastructure charges relating to real estate are calculated as a percentage of either the statutory land value (such as Land Tax) or purchase price of a house or apartment (such as Transfer Duty).

Accordingly, as land values increase across SEQ, so too does the tax and/or duty liability for these assets/properties. The issue has been as the tax base (land value) has increased tax rates have not been adjusted downwards to ensure overall cost neutrality.

Expressed differently land and home affordability has been compromised as a result of revenue windfalls to Government.

At the same time development feasibility for these types of projects are particularly sensitive to taxes, regulatory costs and infrastructure charges. Their impact changes the total land development and construction cost and end sale values, impacting not just affordability but also supply.

Understanding the Development Process

There is a different development process for a house and land package versus an apartment.

- For a house and land package the developer buys raw land zoned for residential development, seeks and gains relevant approvals for subdivision, develops the land into blocks which are ready for the construction of a dwelling, and then sells this developed block to the homebuyer. The homebuyer commissions a builder to construct a dwelling. After paying transfer duty and other transaction costs on the developed block of land and new dwelling, the homebuyer owns a new house & land package.

- A new apartment (in an infill development) is a single construction project undertaken by a developer. The developer buys raw land, seeks and gains relevant approvals, develops the land, commissions the construction of a building and incurs management costs for the whole project. The developer then sells a complete, new apartment to the homebuyer who owns this apartment after they have paid transfer duty and other transaction costs.

Methodology cont.

Windfalls methodology

QEAS has presented this report in table and graphical form both in $ millions and percentage variation.

As well as examining the above metrics longitudinally, QEAS will also review other key Queensland taxes to assess corresponding percentage growth, dollar windfalls and percentage variation.

Importantly Queensland growth in taxes has been compared to other intestate and territory jurisdictions to establish whether the trend of rapid tax increases is unique to the Queensland.

Outputs of the QEAS report include a comprehensive report and presentation material encompassing:

- Workshop with Property Council of Australia.
- Economic and financial analysis of the last 15 Queensland budgets https://www.treasury.qld.gov.au/resources/?fwp_search=budget.
- Economic and financial analysis of Australian Bureau of Statistics (2022-23), Taxation Revenue, Australia ABS Website accessed 27 April 2024.
- Desktop research and literature review was undertaken to establish information currently available (social and economic for use as a foundation and benchmarking for QEAS calculated results).
- QEAS provided recommendations about improving both the accuracy of forecasting, rate changes to ensure revenue neutrality and competitiveness and how any windfalls should be used.
- Report preparation and write up merging economic and financial analysis, workshop outputs and literature review to prepare a draft report with key messaging (circulated to Property Council of Australia - Queensland Division for comments and feedback).

Appendix one

About QEAS

Queensland Economic Advocacy Solutions delivers services in economic analysis, research and advocacy in Australia and was set up by Nick Behrens following two decades of experience applying these skills in the real world for Australia's business community. More specifically QEAS provides:

- Economic contribution and valuation analysis
- Data analysis, market research and economic modelling
- Stakeholder consultation
- Government relations and submissions.

QEAS delivers services nationally to exemplary organisations including Australian Industry Group, Australian Gas Industry Trust, BASF, Brisbane Airport Corporation, CCIQ, Canegrowers, IOR Pty Ltd, LifeFlight, Maleny Dairies, Master Builders Australia, Natroads, Port of Brisbane, Property Council of Australia, Queensland Resources Council, RACQ, Remondis, Suncorp, VTA, Victorian Waste Management Association, unions, local government authorities, the Commonwealth and State Governments and many others.

We can be engaged for either a special project (for the entire project or just the parts our clients need help with) or on an ongoing basis. We will take the time to understand your unique challenge and create a partnership with you to tailor a solution specific to your budget. We engage with confidentiality and integrity. Choose QEAS for our expertise, professionalism and ability to work with our valued clients to achieve exceptional results.

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