Time for a fair go

How un-Australian taxes are hurting Queenslanders

October 2024

Time for a Fair Go
Fast facts

Dwellings lost since 2016

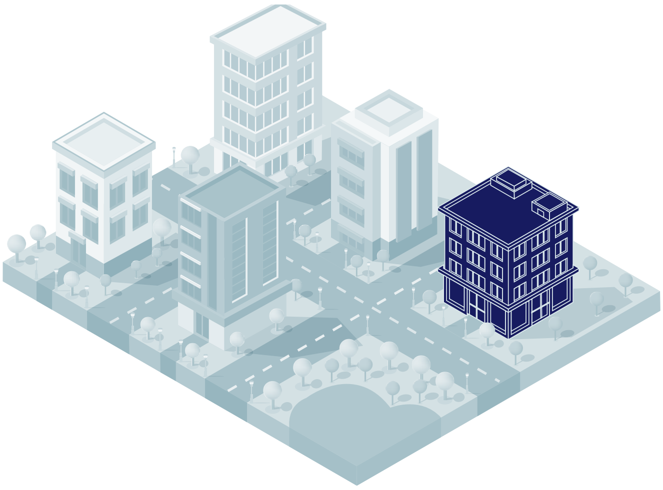
32,872

Dwellings forgone

Changes to Additional Foreign Acquirers Duty and Foreign Land Tax Surcharge since 2016 have resulted in **32,872** lost dwellings in Queensland valued at **$17.8 billion.**

State budget takes a hit

These tax changes have cost the state budget approximately **$99.5 million** since 2016.



Drop in foreign dwelling approvals

83.9 Per cent

International capital in Queensland real estate dropped by **83.9 per cent** from 2015-16 to 2023-24.[1]

[1]Foreign Investment Review Board and Australian Government Treasury.

Brisbane's projected annual apartment shortfall

1,000

Future projections show Brisbane will fall short of targets by up to 1,000 apartments each year.

Jobs lost as a result of 'apartment killer' taxes

21,129 – 37,972

Queensland jobs lost.

A reduction in investment approvals indicates a reduction in employment supported by international capital to the tune of between 21,129 and 37,972 jobs.

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A message from the Executive Director

Australia is known as the “lucky country” and no state in Australia is luckier than Queensland with our natural resources, enviable climate and most importantly our welcoming and collaborative nature.

Inherent to this nature is the belief that if you want to work and contribute to the prosperity of Queensland you will get a “fair go.” In the midst of a housing crisis, no contribution ought to be as significant and deserving of a “fair go” than the creation of new housing.

Unfortunately, this is not the case. This report reveals how illogical property tax settings have had catastrophic impacts on housing investment.

These taxes and charges, particularly those dubbed as “foreign” have strangled new housing supply, seen Queensland miss out on economic growth and hurt Queenslanders by eroding the very taxation base that Government was looking to generate revenue from.

Most alarmingly, the “foreign” taxpayers that have borne the brunt of these tax increases are not (as they are depicted to be) foreign buyers looking to crowd Queenslanders out of housing, or faceless investment funds looking to move capital offshore.

Many of the companies that pay foreign taxes are household names that have been based in Queensland for decades, they employ Queenslanders and, critically, are at the coalface creating housing for Queenslanders.

This has sent a clear message to institutional and international capital – your investment isn’t welcome here and instead should seek out another home.

Queensland is in a race to the bottom with Victoria only just holding the ignominious title as the least competitive Australian state to invest in (refer to page 15).

As this report will show, we now have eight years of evidence that our “foreign” tax regime does not benefit Queenslanders.

We must do things differently – the economic and social prosperity of our state hangs in the balance.

The only way we can do this is by attracting and retaining the investment that will be critical to delivering the housing we need.

Off the back of the Property Council’s advocacy earlier in the year, the Queensland Treasurer on the 1st of July committed to review tax settings if re-elected in October.

However, this commitment does not go far enough.

There has been no clarity or engagement with industry as to the details of this review and with 12 new or increased taxes on property introduced by the Queensland Government since 2016 and given the penchant for taxing the very industry tasked with delivering critical housing supply, we are calling on the Government to commit that the review will:

- Be conducted independently of Treasury and chaired by an independent tax expert
- Include appropriate peak bodies in setting the Terms of Reference and;
- Include a commitment to no new or increased taxes or charges across the entire property sector.

Further, we seek the same commitment from the Opposition ahead of October’s state election.

Committing to these commonsense asks will do much to instill confidence back in an industry that has been taxed out of Queensland.

If these investors return, it will only be because they believe that once again, they will get a fair go.

Jess Caire

Jess Caire
Queensland Executive Director
Property Council of Australia

Executive Summary

In 2016 the Additional Foreign Acquirer Duty (AFAD), and Foreign Land Tax Surcharge (FLTS) were introduced to Queensland, designed to stop individual overseas buyers from pushing out Australian residents from the property market.

These taxes have been applied in a way that has actually captured Australian based developers - household names - who use a portion of international capital or who are owned in part by international entities.

The impact of these taxes has driven out critical investment from Queensland, the very capital that builds our apartments, Build to Rent towers, Retirement Living homes, purpose built student accommodation, industrial and commercial office developments – into the waiting arms of more competitive jurisdictions.

It is no accident that concurrently our apartment pipeline has all but dried up.

Queensland has not delivered the quantum of apartments required under the South-East Queensland Regional plan since 2019. This looks set to continue for the foreseeable future, with future supply set to fall short of the targets stipulated by the regional plan by between 800 to 1000 dwellings annually.[1] This analysis is potentially optimistic given the feasibility challenges being experienced in the multi-residential construction sector.

Given the state government's regional plan prioritises high density infill development to respond to population growth this is extremely problematic.

Alarmingly it is the local families who rent who will be most impacted with investors critical to building the extra apartments needed to drive down rents for the more than 30 per cent of Queenslanders who rent. Apartment developments largely rely on institutional capital, and as Queensland becomes less and less competitive so does the number of projects being built.

Despite collecting a staggering **$3.5billion windfall from Transfer Duty**[2] alone over the last three years, in this year's budget, the Treasurer announced yet another increase to both AFAD and FLTS with the former being increased to eight (8) per cent and the latter to three (3) per cent.

This is an irresponsible move, and our research as detailed in this report shows that these taxes have cost Queenslanders, not just homes, but economically.

Since 2016 these prohibitive taxes - Additional Foreign Acquirer Duty and Foreign Land Tax Surcharge has seen Queensland lose:

- 32,872 new dwellings – (that is nearly an entire year of dwelling targets)
- An estimated value of $17.8 billion
- Between 23,129 and 37,972 jobs
- Approximately $99.5 million in stamp duty and land tax including $16.3 million from the 2023-24 Queensland Budget.

Other key findings include:

- International capital in Queensland real estate dropped by 83.9 per cent from 2015-16 to 2023-24
- AFAD/FLTS has increased the cost of building a $750,000 dwelling by 11 per cent
- Brisbane has not delivered the level of apartment supply required by the regional plan since 2019 and will undershoot apartment targets by 800-1000 a year for the foreseeable future. This is despite increasing Development Application approvals - highlighting the disconnect between development assessment and delivery.

The recommendations and data included in this report are intended to illustrate to both major parties that we simply cannot build our way out of the housing crisis alone while turning our back on the capital needed to do so.

The time is now to welcome the investment Queensland needs.

[1] Brisbane Apartment snapshot, Urbis
[2] Stacked Against Us, Property Council of Australia

Taxes and housing: the real impact

Since 2016 international capital into new housing in Queensland has been effectively shunned following prohibitive increases to international property taxes. This has rendered us uncompetitive in comparison with other states, led to an under investment in new projects and exacerbated supply and affordability pressures.

Recent research undertaken by QEAS reveals Queensland's missed opportunity, highlighting the number of dwellings, investment and jobs that have been lost through increasingly prohibitive changes to Queensland Foreign Land Tax Surcharge (FLTS) and Additional Foreign Acquirer Duty (AFAD) framework.

History of Additional Foreign Acquirer Duty (AFAD)

On 1 July 2016 the Queensland Government introduced a new three per cent surcharge on stamp duty for international investors purchasing residential property in Queensland. The Queensland Government then increased the surcharge in Queensland to seven per cent on 1 July 2018. As part of the latest State Budget delivered 11th June 2024 AFAD was increased to eight per cent.

History of Foreign Land Tax Surcharge (FLTS)

A foreign land tax surcharge of two per cent applies to international corporations and trustees of international trusts and was announced as part of the Queensland State Budget in June 2019 and was initially intended to take effect from 30 June 2019 but was subsequently delayed to 30 June 2020. The surcharge generally applies to taxable land valued at $350,000 or more owned by "international companies", "international trusts" and absentees. From July 2024, the Queensland Government increased the surcharge from two per cent to three per cent.

Research undertaken by QEAS on the economic impact of Queensland's Additional Foreign Acquirer Duty (AFAD) and Foreign Land Tax Surcharge (FLTS) identifies that ongoing increases to international property taxes have adversely impacted dwelling supply, deterred much needed investment and reduced Gross State Product (GSP).

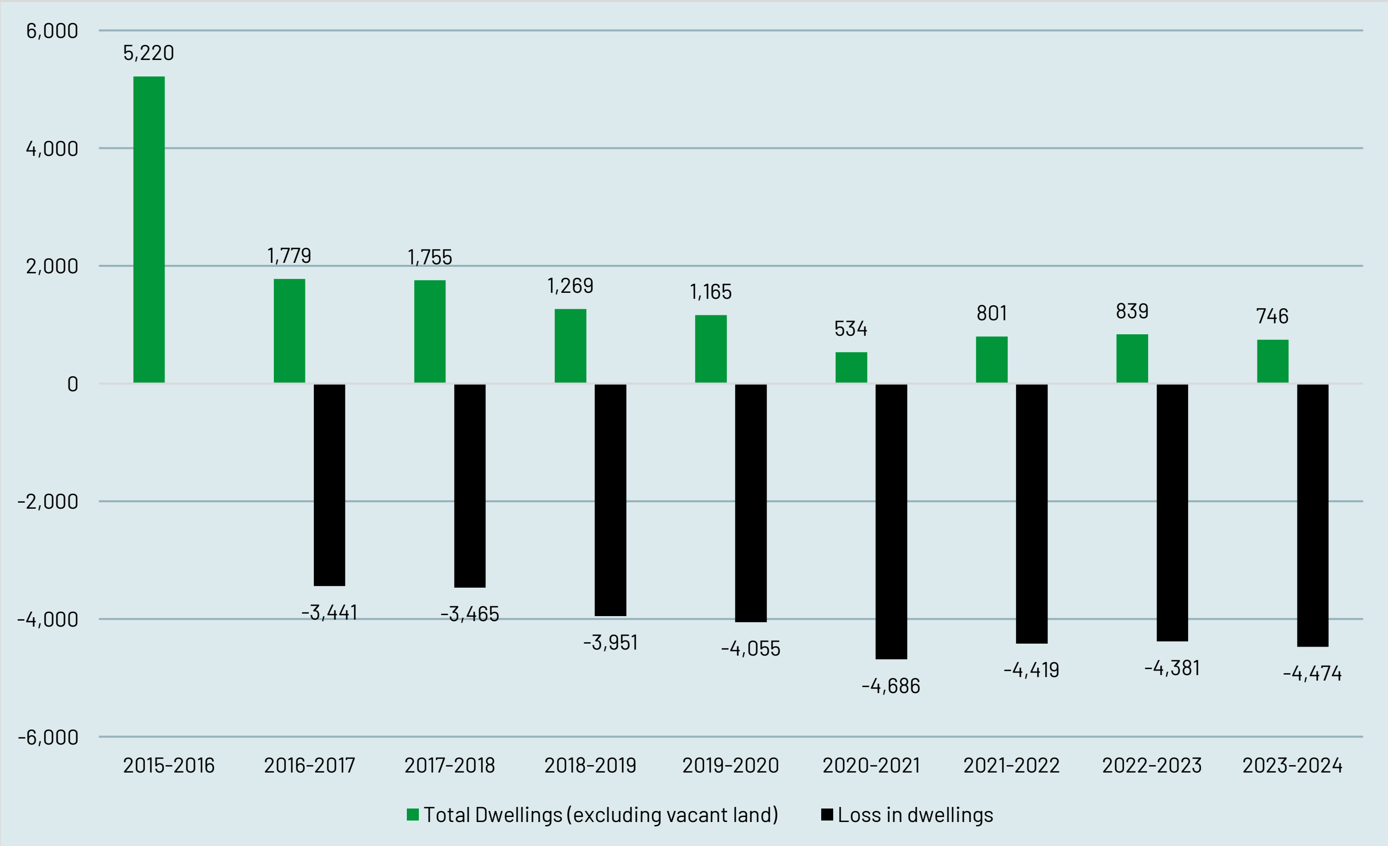
Impact on housing

According to QEAS's research, since the introduction of AFAD in 2016 (and also the introduction of the FLTS in 2019) Queensland is estimated to have forgone 32,872 new dwellings (worth approximately $17.8 billion).

The lost houses are equivalent to almost an entire year of dwelling supply with Queensland delivering 34,000 dwellings in 2023.

Furthermore, the clear and sudden drop in international-investor supplied dwellings since the introduction of AFAD in 2016 paints a stark picture that cannot be ignored in the context of the ongoing housing crisis.

Loss in international investor supplied dwellings in Queensland (number)



Source: FIRB and Australian Government Treasury.

Taxes and housing: the real impact

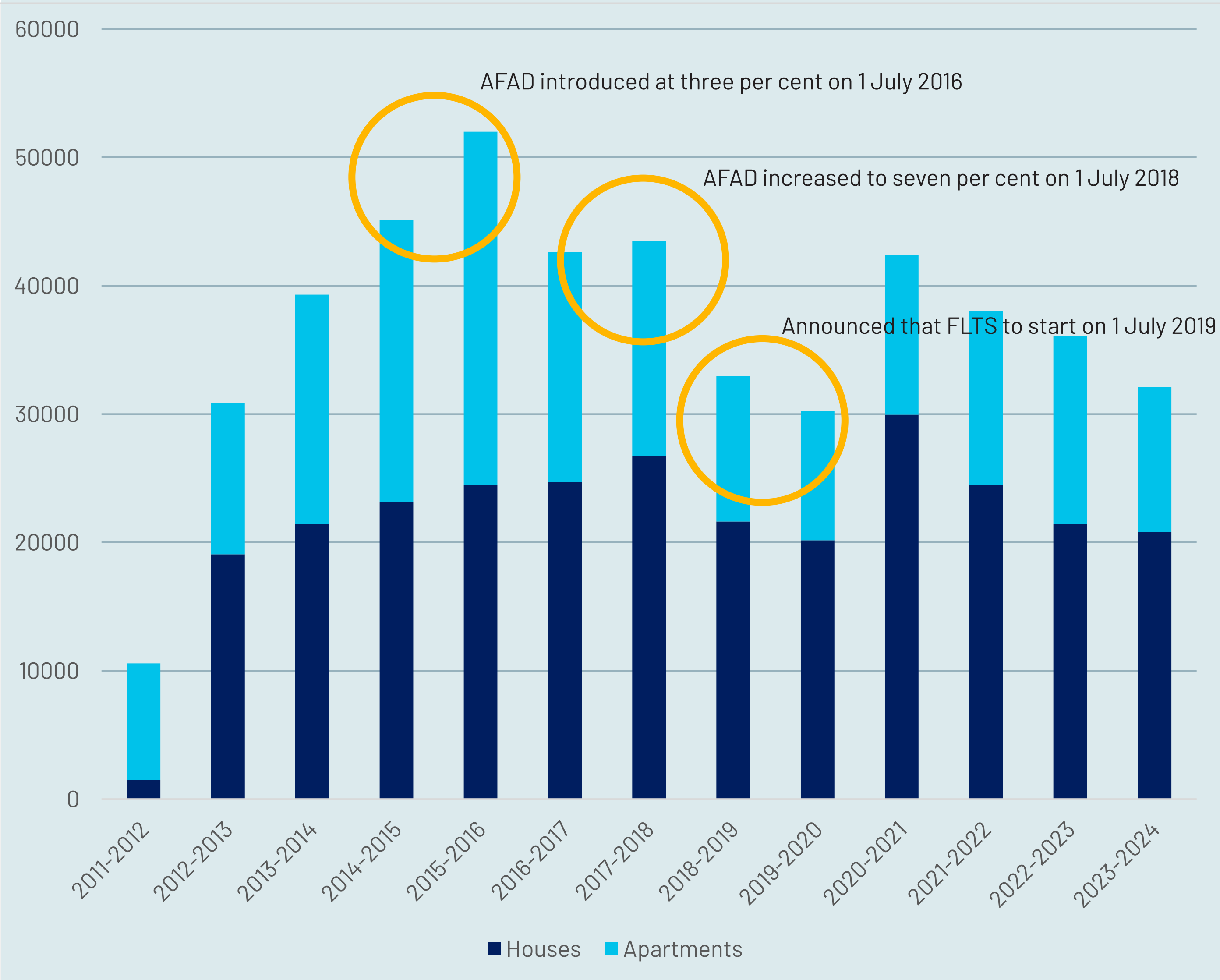
The number of international investor-supplied dwellings in Queensland collapsed from 5,220 in 2015-16 to 1,779 in 2016-17 as a result of the implementation of the AFAD. The number of international investor-supplied dwellings again noticeably reduced in 2018-19 when the AFAD was increased to seven per cent. The announcement and commencement of the FLTS also caused a noticeable reduction in 2020-21.

In 2022-23 the latest year of available data from the Australian Government, Treasury confirms there were just 839 dwellings approved – down 4,381 approvals or 83.9 per cent since 2015-16.

This is unsurprising given that the QEAS research estimates that the impact of AFAD and FLTS has increased the cost of building a $750,000 dwelling by 11 per cent.

Examining overall housing and apartment approvals reveals that approvals have largely flatlined after steadily increasing on an annual basis prior to the introduction of AFAD. This is despite increasing population pressure and the concerted efforts of policy makers to respond to the housing crisis.

Queensland Building Approvals - Number (Houses and Apartments)



Source: Australian Bureau of Statistics.

Apartment Supply Outlook

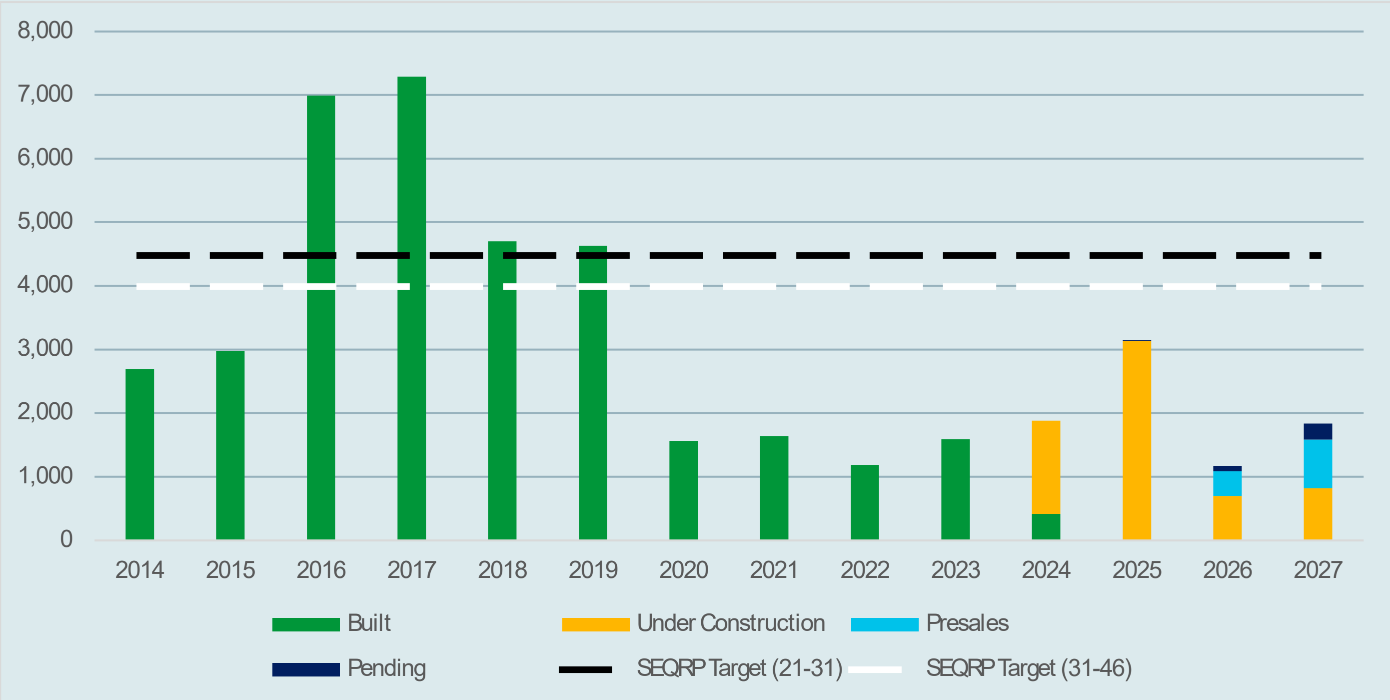
The impact of Queensland's increasingly regressive international tax regime is apparent when examining apartment supply levels in Brisbane. Projects of scale - such as apartments - require significant institutional capital and are most heavily impacted by dwindling levels of international capital.

The latest analysis of the Brisbane apartment market by Urbis highlights that Brisbane will struggle to deliver the apartment supply needed to make a dent in the housing crisis. Brisbane has not met the required targets for apartments (as outlined in the regional plan) since 2019 – in many cases falling well short.

Brisbane experienced record years of supply in 2016 and 2017, something that could be attributed to the Queensland's previously competitive foreign tax settings prior to the introduction of Additional Foreign Acquirer Duty (AFAD) in 2016. It is worth noting that while this record level of stock was delivered after the initial announcement of AFAD, it would have been proposed, planned and potentially developed prior to its introduction.

Since then, the level of apartment supply in Brisbane has drastically deteriorated.

Historic and Future Apartment Pipeline by Est. Completion Date



Source: Urbis Apartment Essentials. [5]

While supply is projected to increase in 2025 it will remain 800 to 1000 dwellings below the pipeline stipulated in the regional plan.

It is also worth noting that accurately predicting future project delivery is fraught with risk. As the construction crisis has illustrated, Queensland is in the midst of an extremely volatile environment in terms of feasibility for large scale residential development.

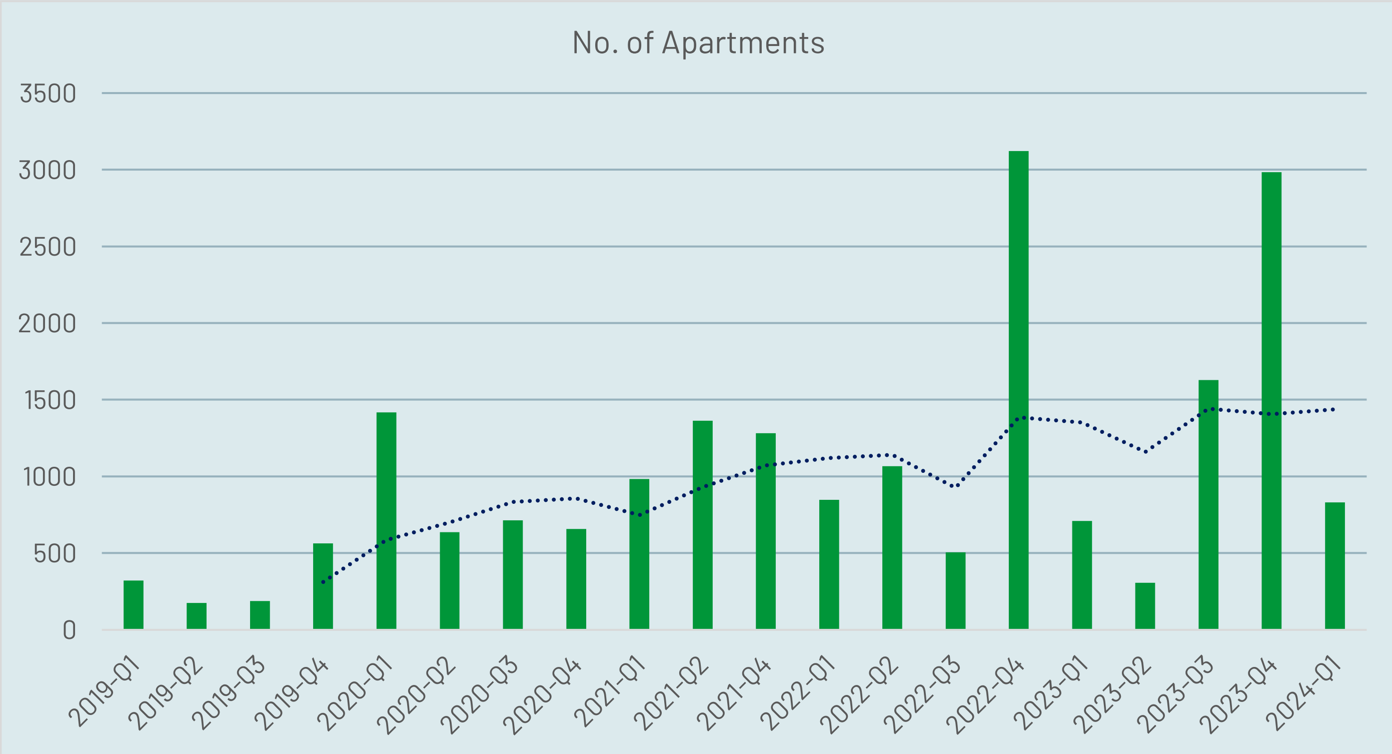
These feasibility challenges have resulted in significant swathes of approved apartment stock not launching despite having approvals in place.

While a multitude of factors will have impacted Brisbane's inability to meet apartment supply targets since 2019, the stark and sudden drop off in international capital since 2016 means that the impact of foreign property taxes cannot be ignored.

[5] Brisbane apartment snapshot, Urbis, 2024

Taxes and housing: the real impact

Apartment Approvals



Source: Urbis Apartment Essentials. [6]

[6] Brisbane apartment snapshot, Urbis, 2024

The benefits of international capital

International capital has been identified to bring the following benefits to Queensland.

Improved housing supply: In markets facing housing shortages such as Queensland, international capital has helped increase the supply of housing units, thereby helping alleviate housing shortages, providing more options for residents and addressing housing affordability issues. There is a direct link between housing supply and affordability, increasing housing supply will put downward pressure on the market and make buying and renting more affordable.

Economic growth: International capital injects significant capital into the Queensland economy, which can stimulate economic growth and development.

Job creation: Real estate projects funded by international investors can create jobs in construction, architecture, engineering, property management, maintenance, and related industries.

Infrastructure development: Investments in Queensland real estate have often included ancillary infrastructure improvements such as roads, utilities, parks and public facilities, which have benefited the local community and enhanced the overall quality of life for residents. This infrastructure has either been directly provided by the developer or paid for by infrastructure charges to Council.

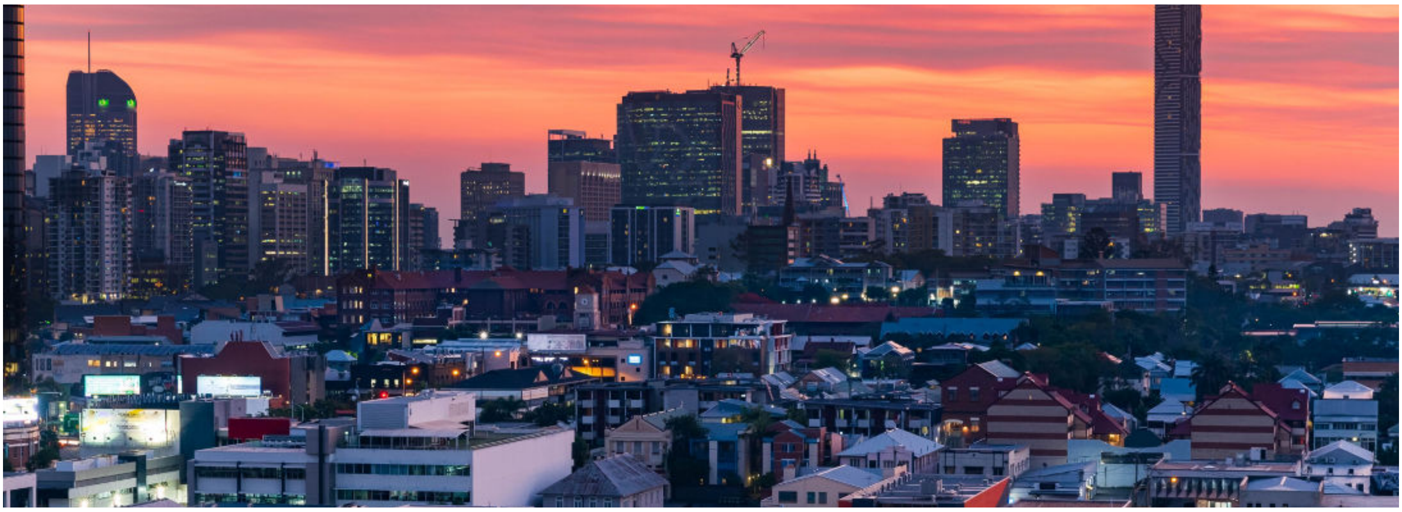
Improved properties: International capital can lead to improved property values in the surrounding areas due to renovations, upgrades, and overall economic development.

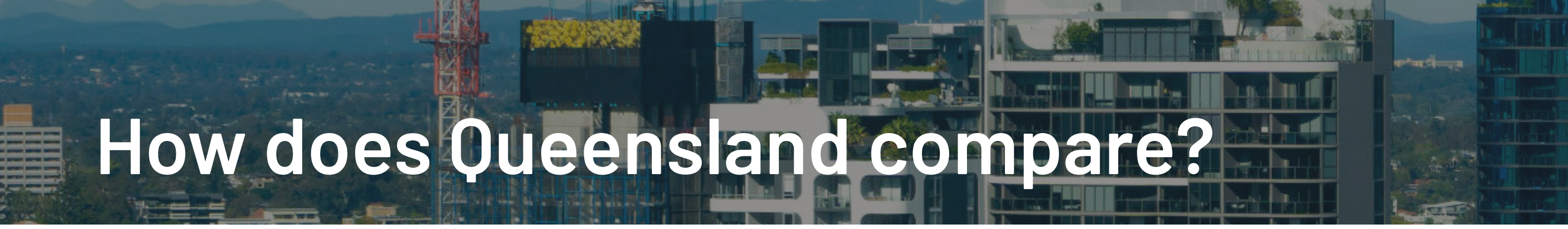
Technological transfer: International investors have brought new technologies, construction techniques, design concepts that improve efficiency in housing production and management practices that have enhanced efficiency and innovation in Queensland's real estate sector.

Tax revenue: The Queensland Government previously benefited from increased tax revenue generated from property taxes, income taxes from new jobs, and other related taxes. These funds have been used to improve public services such as schools, healthcare, and public safety. This report details how excessive Additional Foreign Acquirer Duty has had a negative impact on revenue to the Queensland Budget due to global participation in Queensland's property market collapsing.

Cultural exchange and diversity: International capital can bring cultural diversity to Queensland communities, as investors and tenants from different countries and backgrounds contribute to the local social fabric. This has enriched Queensland's community life through cultural events, cuisine, and new perspectives.

Revitalisation of neglected areas: In some cases, international capital targets neglected or underdeveloped areas, leading to urban revitalisation. This can transform previously underutilised neighbourhoods into vibrant, desirable places to live and work. Recent examples include Brisbane's Spring Hill, Fortitude Valley, Teneriffe, Newstead and Bowen Hills.





How does Queensland compare?

Who is a foreign investor?

The “foreign” taxpayers that have borne the brunt of these tax increases are not (as they are depicted to be) foreign buyers looking to crowd Queenslanders out of housing, or faceless investment funds looking to move capital offshore.

Many of the companies that pay these taxes are Australian-based and household names that have been based in Queensland for decades. They employ Queenslanders and, critically, are at the coalface creating housing for Queenslanders.

The Queensland Government has a far broader definition for foreign investors than many other states such as NSW. Unlike some other states, currently Queensland does not exempt companies (or trusts) based in Australia that have a proportion (50 per cent) of international ownership or institutional investment.

Case Study - Who is an international investor?

The following case is based on an actual company that is judged as a “foreign investor” in Queensland.

The company:

- Has been based in Australia for over a century
- Directly employs over 500 Australians and employs countless more indirectly
- Has head offices around the world including in major capital cities such as Brisbane
- Is a leading contributor to affordable housing
- Develops higher density product including emerging asset types such as Build-to-rent
- Is publicly listed

Despite all of this - this company would be deemed “ foreign” and pay the additional fees and charges!

Trustee of a foreign trust

You are a trustee of a foreign trust if at least 50 per cent of the trust interests are held by:

- an individual who is not an Australian citizen or permanent resident
- a foreign company
- a trustee of a foreign trust
- a related person of any of the above.

Your interest in a trust as a beneficiary is the percentage of the value of your entitlement under the trust. There are special rules for discretionary trusts where only ‘takers in default’ (i.e. people whose entitlements as beneficiaries result from the trustee not exercising their discretion) of an appointment by the trustee have a trust interest.

Foreign Trust - Your company is foreign if:

- it is incorporated outside Australia
- foreign persons or related persons of foreign persons have at least 50 per cent controlling interest

This results in Queensland being far less competitive than States such as NSW despite the overall tax rates being comparable.

Simply put, Queensland casts a wider net, capturing those companies that invest in and contribute to a better Queensland. [11]

Ex Gratia Relief

Government may consider ex gratia relief from this surcharge for international entities that make a significant contribution to the Queensland economy and community. An international entity that essentially holds land passively as a landlord or property investor is not considered to be undertaking activities that make a significant contribution.

The relief only applies to the foreign surcharge component of the land tax liability.

If approved, you must send government a statutory declaration to confirm that you continue to meet the conditions for relief each financial year.

Applying for these concessions are challenging, and do not instill confidence for investment. Awarded on a case-by-case basis, Property Council members have experienced a standard 18-month delay in processing times for a standard application and live applications in the “fast track process” are still in queue after 6 months.

[11] Queensland Revenue Office

Queensland – The second worst performing state

Policy makers will often highlight Queensland's competitiveness with other states by quoting the tax rate. But when you dig a little deeper, it is clear we are far from competitive when it comes to attracting and retaining this critical investment.

When analysing the tax liability via a hypothetical case study it is clear that Queensland has the second highest taxation liability for international property transactions and the second highest liability for international land tax surcharges.

The Property

- The property is 100 per cent international owned and that a 100 per cent interest in the building is acquired
- The purchase price of the property is $200 million
- The underlying land value used for determining land tax is $20 million in all states
- The property is long term rental so held by the entity for an extended period.

Below is a breakdown of the same asset's taxation liability across various jurisdictions. In the table below we have ranked states based on 1 being the least expensive and 4 being the most expensive – both for acquisition, ongoing and the combination of both.

The table also shows how expensive each state is as a percentage.

Denominated in AUD '000	South Australia	New South Wales	Queensland	Victoria
Transfer (Stamp) Duty				
Transfer Duty - base	0	10,982	11,481	12,980
Transfer duty - FOS	0	0	16,000	16,000
Total Acquisition Tax	0	10,982	27,481	28,980
Ranking (Acquisition)	1	2	3	4

Land Taxes				
Land Tax - Base	455	374	463	482
Land Tax - FOS	0	0	590	800
Total ongoing tax	455	374	1,052	1,282
Ranking (ongoing)	2	1	3	4

Total year one	455	11,356	28,533	30,262
Ranking (overall year one)	1	2	3	4
Ranking per cent of most expensive	2 pc	38 pc	94 pc	100 pc

The benefits of global investment

Economic impact

Global investment into the delivery of Queensland homes peaked in 2015-2016 with investment in this period calculated to have contributed between $1.2-$2 billion to Queensland's Gross State Product (GSP).

This investment in Queensland generates significant flow on benefits for the state's economy (mainly through residential construction) and is estimated to have contributed between $3.6-$5.9 billion to the GSP in 2015-16.

To help calculate the economic impact of international capital in Queensland's residential development sector the report applies an assumption of between 30 per cent and 50 per cent of Foreign Investment Review Board approvals being actioned.

The 30 per cent and 50 per cent figures are based on analysis from the Reserve Bank of Australia and ANZ Research (2017).

Economic contribution of international investors $ millions

30 per cent Conversion	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Direct Contribution	$1,171.50	$399.30	$393.90	$284.80	$261.50	$119.80	$179.80	$188.30	$167.40
Flow On-Contribution - Production Induced	$987.40	$336.50	$332.00	$240.00	$220.40	$101.00	$151.50	$158.70	$141.10
Flow On-Contribution - Consumption Induced	$1,485.20	$506.20	$499.30	$361.10	$331.50	$151.90	$227.90	$238.70	$212.30
Total Contribution	$3,644.10	1,241.90	$1,225.20	$885.90	$813.30	$372.80	$559.20	$585.70	$520.80

50 per cent Conversion	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Direct Contribution	$1,959.90	$667.90	$658.90	$476.50	$437.40	$200.50	$300.70	$315.00	$280.10
Flow On-Contribution - Production Induced	$1,585.60	$540.40	$533.10	$385.50	$353.90	$162.20	$243.30	$254.90	$226.60
Flow On-Contribution - Consumption Induced	$2,403.80	$819.20	$808.20	$584.40	$536.50	$245.90	$368.90	$386.40	$343.50
Total Contribution	$5,949.30	$2,027.50	$2,000.20	$1,446.30	$1,327.80	$608.60	$912.90	$956.20	$850.20

Source: QEAS 2024.

In 2016-17, following the introduction of AFAD the number of dwellings invested in by international buyers dropped significantly and across the period until 2023-24 is estimated to have reduced by 83.9 per cent.

Loss in economic contribution of international investors $ millions as a result of AFAD and FLTS

30 per cent conversion	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Direct Contribution		$772.20	$777.60	$886.70	$910.00	$1,051.70	$991.70	$983.20	$1,004.10
Flow on Contribution - Production Induced		$650.90	$655.40	$747.40	$767.00	$886.40	$835.90	$828.70	$846.30
Flow on Contribution - Consumption Induced		$979.00	$985.90	$1,124.10	$1,153.70	$1,333.30	$1,257.30	$1,246.50	$1,272.90
Total Contribution Lost		$2,402.20	$2,418.90	$2,758.20	$2,830.80	$3,271.30	$3,084.90	$3,058.40	$3,123.30

50 per cent conversion	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Direct Contribution		$1,292.00	$1,301.00	$1,483.40	$1,522.50	$1,759.40	$1,659.20	$1,644.90	$1,679.80
Flow on Contribution - Production Induced		$1,045.20	$1,052.50	$1,200.10	$1,231.70	$1,423.40	$1,342.30	$1,330.70	$1,359.00
Flow on Contribution - Consumption Induced		$1,584.60	$1,595.60	$1,819.40	$1,867.30	$2,157.90	$2,034.90	$2,017.40	$2,060.30
Total Contribution Lost		$3,921.80	$3,949.10	$4,503.00	$4,621.50	$5,340.70	$5,036.40	$4,993.10	$5,099.10

Source: QEAS 2024.

The benefits of global investment

Impact on Employment

In 2015-16 it is estimated a total of between 26,985 and 44,304 full time equivalent (FTE) jobs were supported by international residential investment (including direct and flow-on jobs).

Employment contribution of international investors (persons)

30 per cent conversion	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Direct Contribution	10,591	3,609	3,561	2,575	2,364	1,083	1,625	1,702	1,514
Flow On - Contribution - Production Induced	6,769	2,307	2,276	1,646	1,511	692	1,039	1,088	967
Flow On - Contribution - Consumption Induced	9,625	3,280	3,236	2,340	2,148	985	1,477	1,547	1,376
Total Contribution	26,985	9,197	9,073	6,560	6,023	2,761	4,141	4,337	3,856

50 per cent conversion	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Direct Contribution	17,689	6,028	5,947	4,300	3,948	1,810	2,714	2,843	2,528
Flow On - Contribution - Production Induced	10,981	3,742	3,692	2,670	2,451	1,123	1,685	1,765	1,569
Flow On - Contribution - Consumption Induced	15,634	5,328	5,256	3,801	3,489	1,599	2,399	2,513	2,234
Total Contribution	44,304	15,099	14,895	10,770	9,888	4,532	6,798	7,121	6,332

Source: QEAS 2024.

As a result of the number and value of dwellings delivered by international investors declining considerably, the employment contribution has also declined. Applying the reduction in the level of investment approvals indicates a reduction in employment supported by international investors of between **23,129** and **37,972 jobs**.

Loss in employment contribution of international investors (persons) as a result of AFAD and FLTS

30 per cent conversion	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Direct Contribution		6,982	7,030	8,016	8,227	9,508	8,966	8,889	9,077
Flow On - Contribution - Production Induced		4,462	4,493	5,123	5,258	6,077	5,730	5,681	5,802
Flow On - Contribution - Consumption Induced		6,345	6,389	7,285	7,477	8,640	8,148	8,078	8,249
Total Contribution Lost		17,788	17,912	20,425	20,962	24,224	22,844	22,648	23,129

50 per cent conversion	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Direct Contribution		11,661	11,742	13,389	13,741	15,879	14,975	14,846	15,161
Flow On - Contribution - Production Induced		7,239	7,289	8,311	8,530	9,858	9,296	9,216	9,412
Flow On - Contribution - Consumption Induced		10,306	10,378	11,833	12,145	14,035	13,235	13,121	13,400
Total Contribution Lost		29,205	29,409	33,534	34,416	39,772	37,506	37,183	37,972

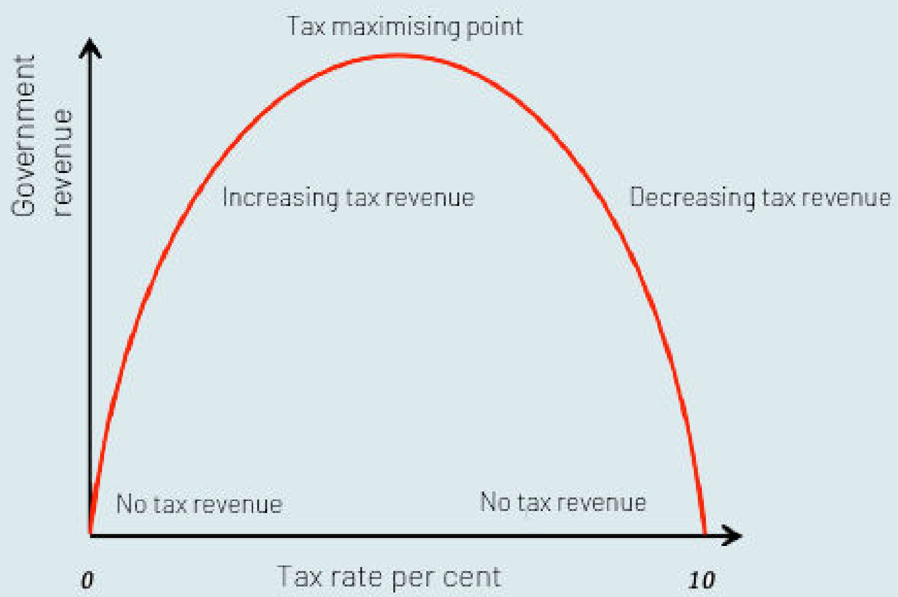
Source: QEAS 2024.

The benefits of global investment

Impact on Government Revenue

As international capital declines, so too does the revenue stream to the State's budget. These foreign property taxes have had an adverse impact on State revenue by disincentivising investment to such a point that the overall tax base has been diminished.

In economics – this theory is known as the Laffer Curve. The Laffer Curve is intended to demonstrate the relationship between taxation rates and government revenue and identifies that there is an optimal taxation rate and any taxation above this will disincentivise business growth and investment and instead result in diminished revenue for government.



The clear decrease in international capital (an 83.9 per cent decrease since 2015) highlights that global real estate has been taxed to the point that there has been a marked decrease in overall government revenue as a result.

QEAS's analysis indicates that:

- From 2016-17 to 2023-24 the Queensland Budget is worse off by a net $99.5 million as a result of AFAD and FLTS compared against the counterfactual base of no foreign property taxes being introduced.

- In 2023-24 the Queensland Budget is worse off by a net $16.3 million as a result of AFAD and FLTS compared against the counterfactual base of no foreign property taxes being introduced.

These net losses in revenue to the Queensland Government arise due to the dramatic reduction in internationally owned property transactions each year and the loss of normal stamp duty and land tax that they otherwise would have paid.

Capital from global investors is critical to the entire property sector in particular the specialist housing that support students and retirees.

Queensland's restrictive tax regime has the potential to negatively impact on the lifecycle of a Queenslander, from student right through to our retirees.

It's an impact on generations of Queenslanders.

Student Accommodation

The property sector impacts every sector of Queensland's economy. Above and beyond dollars and cents, it provides the homes Queenslanders need at every part of their life cycle.

Purpose Built Student Accommodation (PBSA) is a sector that provides young people with safe, fun, connected living options as they focus on their education. It provides a critical housing option for students in a very tight rental market.

The PBSA sector in Queensland is nearly entirely underpinned by foreign capital. Without international capital in student accommodation there would be an extra 17,300 young people competing for homes in the general rental market.

With PBSA buildings clustered in the Brisbane CBD, the students who live in these buildings typically fulfill critical jobs in the city's service and hospitality industries. They also inject critically needed spending into the nighttime and daytime city economy – with Student Accommodation Council research showing the average PBSA resident in Brisbane spends $3,450 per month on shopping, eating out, tourism and services, with this expenditure overwhelmingly targeted towards local businesses.

Queensland's student accommodation system is in scarce supply and high demand, but recent increases in international investor fees has seen capital flee to other states like NSW and SA, slowing the growth of new projects and putting further strain on the broader housing market.

Retirement Living

Another sector that delivers a range of economic and social benefits that cannot be simplified into a set of numbers is Queensland's retirement living sector.

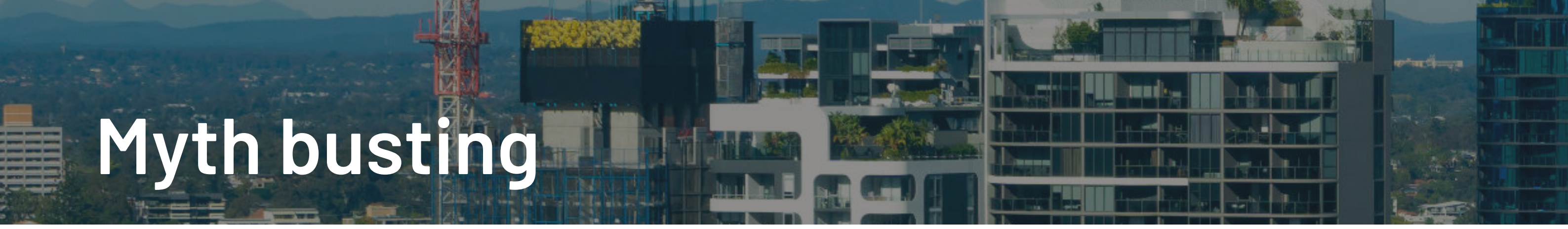
This sector plays a crucial role providing much need accommodation for older Australians – reducing their impact on the residential aged care system, facilitating right sizing and improving health outcomes and longevity for residents.

Queensland is ageing at a faster rate than other states with ABS national population figures from December 2023 showing a 4.9 per cent jump in the median age of Queenslanders compared to a national average increase of 2.9 per cent.

However, development is not keeping pace with this demand with the PWC/ Property Council Retirement Census indicating that there are only 1,240 retirement units planned development in Queensland over the next three years.

As is the case with student accommodation, retirement villages are overwhelmingly funded by investors classified as "foreign" in Queensland.

These fees on international investors is seeing capital on an already under pressure market recede and find a home in more welcoming states, slowing the delivery of new projects and adding more pressure to the wider market.



Myth busting

Over the last decade in Australia all states have introduced or increased taxes on international property investors – ostensibly to protect local buyers by deterring global competition. However, nearly a decade of evidence and a worsening housing crisis illustrates that these taxes have an adverse impact on housing supply and affordability.

This is because international capital is largely channelled into the new homes and businesses which are required to respond to growth. All international investors are required to gain approval from the Foreign Investment Review Board (FIRB) with all applications considered in light of the overarching principle that their investment should increase Australia's housing stock and provide economic benefit.

The benefits of international real estate investment and its negligible role in increasing property prices is supported by analysis from the Reserve Bank of Australia (RBA), Australian Treasury and ANZ.

"The majority of approvals have been granted for investment into new, as opposed to existing dwellings. This suggests that foreign demand is being channelled into increasing the property supply as intended."
Reserve Bank of Australia

"In principle, the residency of a developer should make little difference to the magnitude of the supply response following an increase in demand for new housing. In practice, foreign developers may introduce new technology and skills to the Australian market and increase competition. In addition, foreign developers often fund projects using offshore financing, which diversifies the source of funding and at times may increase the overall level of funds available for dwelling investment in Australia."
Reserve Bank of Australia

"While some commentators have argued that foreign demand is pricing out first home buyers, it is not clear that this is the case. Foreign demand has accounted for only a small proportion of the increase in property prices in recent years."
Australian Treasury

"Foreign buyers have supported dwelling investment through the current cycle, but have not been the main cause of the rapid price growth."
ANZ Research

Recommendations

Declining housing affordability has been a challenge that policy makers have been trying to address for decades. In Queensland, there are a multitude of entrenched issues that are contributing to the housing crisis. Many of these issues are deeply embedded and will unfortunately take years to resolve.

Re-examining how we treat international capital is a comparatively quick fix.

This report provides significant evidence that the introduction of the Additional Foreign Acquirer Duty and Foreign Land Tax Surcharge has adversely impacted our ability to build new houses, hurt Queensland's economy, pushed up the cost of housing and impacted the State Government's own bottom line.

As the second most expensive state for institutional investors to do business, Queensland faces an uphill battle to deliver our lofty but necessary housing targets.

Fortunately, capital is agile and will go where it is welcome. The investment that has shunned Queensland due to regressive foreign tax increases will just as quickly return if the State signals that we welcome the investment and we are the global city we want to be.

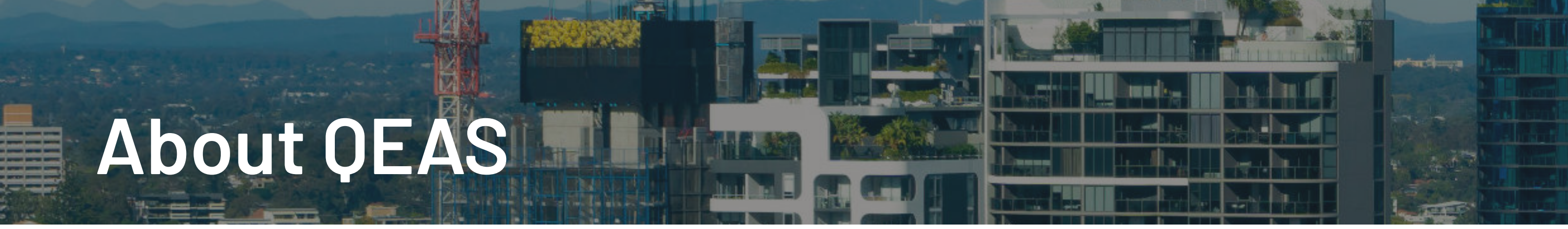
The benefits of this will not only help us respond to the housing crisis but will enable growth across all property sectors and the broader economy.

As such, the Property Council is calling upon both the Government and Opposition to commit that a tax review that will:

Be conducted independently of Treasury and chaired by an independent tax expert;

Include appropriate peak bodies in setting the Terms of Reference and;

Include a commitment to no new or increased taxes or charges across the entire property sector.



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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of Australia