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Hon David Janetzki MP
Treasurer; Minister for Energy; Home Ownership
Parliament of Queensland
George Street
BRISBANE QLD 4000

Via email: treasurer@ministerial.qld.gov.au; budgetsubmissions@treasury.qld.gov.au

Dear Treasurer,

2025-26 State Budget Submission

The Property Council of Australia is pleased to make this submission in advance of the 2025-26 State Budget. As you know, the Property Council is the leading advocate for Australia's property industry. Here in Queensland, we are proud to have more than 400 member companies who invest in, design, build and manage places that matter. Our members have a long-term interest in the future of our places and spaces, and are committed to creating great cities, strong economies and sustainable communities.

In Queensland, property has the largest economic footprint of any industry, producing $44 billion of Gross State Product, employing 290,300 Queenslanders and generating $34.3 billion in wages. Our industry also makes a major contribution towards tax revenues in Queensland, paying $16.8 billion in taxes, rates, fees and charges every year.

The significant contribution of the property industry has helped lay a strong foundation for our economy and provided immense opportunities for Queensland. However, while exciting opportunities await our state, industry continues to grapple with considerable challenges, and ever-escalating costs; making it more difficult than ever to deliver the critical infrastructure to accommodate the needs of our growing State.

This submission focuses on how responsible reform in relation to tax settings would assist in alleviating these challenges by improving the feasibility of projects, whilst simultaneously attracting investment to Queensland, resulting in economic and social prosperity for all Queenslanders.

As outlined in January's Mid-Year Financial and Economic Review, the government is facing significant headwinds in being able to deliver the essential projects and services Queenslanders need. The role the private sector can play in alleviating this challenge should not be underestimated. Brisbane and Queensland are emerging as attractive investment offerings to patient global capital - the very capital that builds our apartments, build-to-rent towers, retirement living homes, purpose-built-student-accommodation, industrial and commercial office developments.

Despite the exciting opportunities ahead for Queensland, over the last decade this capital has been targeted through knee-jerk policy reform that has resulted in a tax regime that has taken the shine off Queensland as a location of choice for investment.

We're seeing the effects of this in our declining apartment pipeline and the slow take up in the build-to-rent sector at a time when there has never been greater demand or need. It will take bold policy reform to entice this investment back to Queensland, and it is the view of our members that now is the time to welcome the investment Queensland needs.

We acknowledge the balancing act required when managing state finances to contain spiraling debt, while ensuring government can deliver the infrastructure and services that Queenslanders depend on.

The attached factsheet outlines Queensland's current property tax settings and their impact on investment. The advice and recommendations included in the following pages and attached *Time for A Fair Go* report reinforce our longstanding position that applying Additional Foreign Acquirer Duty (AFAD) and Foreign Land Tax Surcharge (FLTS) to Australian-based companies is not only harming the property sector, but also hurting Queenslanders by deterring investment in more homes, businesses, infrastructure and ultimately reducing state revenue. Now is the time to grow the state revenue pie by changing the way these taxes and charges are applied, which will ultimately attract more investment and deliver ongoing fiscal and social benefits for decades to come.

In the attached we also detail our recommendation regarding improvements in land tax concessions for build-to-rent projects in order to make Queensland more attractive for patient capital looking to invest in this burgeoning sector, which would boost supply for the 30 per cent of Queenslanders who rent.

We would like to acknowledge and thank you for the strong and meaningful engagement we have had with you and your office since your appointment. We also commend measures the government has already taken since October, moving quickly to re-establish the Queensland Productivity Commission, abolish stamp duty for first homebuyers who purchase new homes, and the recently announced Queensland Building Regulation Renovation.

While these measures are welcome, we believe the recommendations outlined below will ensure Queensland's tax settings will help attract much-needed investment and restore confidence in Queensland as we seek to leverage the opportunities before us.

As always, the Property Council would be happy to provide further advice and assistance as you require. If you would like to discuss this matter further, please do not hesitate to contact me on 0499 181 366 or jcaire@propertycouncil.com.au.

Yours sincerely,

Jess Caire

Jess Caire
Queensland Executive Director

Attachment1 – Time for a Fair Go

The Impact of foreign-investor-repelling-surcharges and taxes

The property sector is unique in that it is taxed by all levels of government and at all stages of an asset lifecycle including acquisition, construction, operation and disposal. At a state level, the main taxes levied on the property industry include transfer duty and land tax, with surcharges on both for transactions and property that accesses international capital.

In the 2024-25 Mid-Year Financial and Economic Review (MYFER), forecast transfer duty receipts were revised up to $6.8 billion, while land tax was expected to raise $2.49 billion. Combined, that $9.29 billion in receipts equates to 37.2 per cent of total state tax revenue for the year. The proportion of property taxes as a share of total state taxes is forecast to gradually increase until 2027-28.

Transfer duty take alone is tipped to overtake total royalties and resource rent revenues from 2025-26 onwards, reflecting continued pressure on property markets and highlighting the heavy lifting the sector is doing when it comes to funding state infrastructure and services.

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

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

The way these foreign surcharges are applied has resulted in them capturing many Australian-based businesses and transactions depending on the company's ownership structure or equity holdings. The Property Council is aware of iconic Queensland businesses, employing thousands of Queenslanders and delivering much-needed houses, that are subject to these taxes because they access certain levels of foreign investment or are partly foreign owned.

Additional Foreign Acquirer Duty

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 last State Budget in June 2024 AFAD was increased to eight per cent.

The imposition of AFAD represents a significant additional cost when a business considers site acquisition to develop a new building, influencing the feasibility calculations for any projects on that land and whether those transactions proceed.

Foreign Land Tax Surcharge

A foreign land tax surcharge of two per cent on international corporations and trustees of international trusts 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

FLTS is particularly problematic as it is levied each year, meaning unlike AFAD – which is only levied on a transaction at the point of acquisition - relevant entities are required to pay FLTS for the duration of their ownership, including during the project's planning, development and operation. That liability impacts all property types including industrial, commercial, retail, purpose-built-student-accommodation, retirement villages and build-to-rent assets. For new developments or redevelopments, that can mean owners are paying land tax and FLTS for years before a project commences.

Like AFAD, current arrangements mean FLTS is levied on Australian-based businesses and funds that access foreign investment to operate, generate economic activity and employ Queenslanders.

Whilst there are certain avenues to seek ex-gratia relief from these prohibitive taxes, the delay in processing applications adds to industry's frustration with red tape. Awarded on a case-by-case basis, our 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 the queue after 6 months.

How Queensland compares to competitors

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 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.

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 tax liabilities via a hypothetical case study, it shows Queensland has the second highest taxation liability for foreign property transactions and the second highest liability for foreign land tax surcharges.

An example of tax application on a hypothetic property

- The property is 100 per cent foreign owned and that a 100 per cent interest in the building is acquired.
- The purchase price of the property is $200m.
- The underlying land value used for determining land tax is $20m in all states.
- The property is a 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 on a scale from 1 (being most expensive) to 4 (being the least 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 results: higher costs and less development

The combined impact of these two foreign investment taxes, has been to halt or delay the delivery of crucially needed projects across Queensland. In the housing market, Commonwealth Treasury data demonstrates that dwelling approvals involving foreign capital in Queensland has fallen by 83.9 per cent since AFAD was first introduced. Further analysis shows that lost investment pipeline has cost Queensland 32,872 dwellings and between 21,129 and 37,972 jobs in that time.

These tax surcharges represent increased costs and impact feasibility calculations, which determines whether a project proceeds or not. It is worth noting that in circumstances where housing projects do manage to proceed, the costs are ultimately absorbed by homeowners or tenants of the properties affected, meaning Queensland households end up paying the price for foreign investment surcharges.

Recommendation: Make appropriate amendments – either through legislation or Queensland Revenue Office guidance - to exempt Australian-based businesses from AFAD and FLTS where those entities:

- Contribute to the economy through the development and delivery of property for Queenslanders; and
- Utilise the land for construction of new housing (including but not limited to subdivisions for new house and land product, apartment developments, retirement villages, land lease communities and purpose-built student accommodation), commercial office, industrial, retail or hotel uses.

Land tax on build-to-rent projects

Build-to-rent projects are typically new apartment and infill developments where an entity will own the entire premises, lease units on the private market and provide a series of other services to residents. They differ from build-to-sell developments, where a developer will dispose of apartments pre, during and post-construction for buyers to own themselves.

Australia's emerging build-to-rent sector has spurred investment from patient capital who make investments on the basis of smaller, but longer-term returns. With many foreign pension funds and developers seeking to grow the sector in Australia, a race for the best build-to-rent conditions has emerged as different states seek to attract that investment and new housing.

Currently, build-to-rent projects in Queensland can access land tax concessions to the value of 50 per cent per year for up to 20 years, provided they meet certain criteria. Those criteria require projects to have at least fifty dwellings, include a proportion of discounted rental dwellings, and that the premises is used solely or primarily for residential purposes.

While these concessions are welcome, they remain uncompetitive with those offered in other States including New South Wales and Victoria, resulting in Queensland's build-to-rent sector languishing. For Queensland to become the home of build-to-rent and provide much-needed secure rental accommodation, our incentives must compete with other Australian-markets, as well as more established global jurisdictions.

Recommendation: Expand land tax concessions for build-to-rent projects from 20 years to 30 years to provide a competitive advantage over other jurisdictions, including New South Wales.