

Inquiry Revenue Legislation Amendment Bill 2024

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Revenue Legislation Amendment Bill 2024

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Michael Roberts
Executive Director - Queensland
Housing Industry Association
17 Byres Street
Newstead QLD 400
Phone: [REDACTED]
Email: [REDACTED]



Introduction

Unfortunately, no single reform can fix our current home shortage in Queensland overnight.

There is no silver bullet. But every step toward improvement is valuable, and there are many steps that must be taken if we are to collectively improve rental availability and housing outcomes, and to urgently address the need to increase new housing supply in our state.

HIA supports the *Revenue Legislation Amendment Bill 2024* and its dual purpose to abolish stamp duty for new first homebuyers, and to legally enable renting of rooms by first homebuyer grant recipients.

Targeted support aimed at helping new first home buyers, and increasing rental availability should rightly form part of the broad suite of reforms needed to address the current housing crisis in Queensland over the coming decade.

However, it is important that the government does not lose sight of the urgent need for significant ongoing reform in several additional policy areas that will enable our industry to work as efficiently as possible. Aggressive action in reducing costs and red tape with the aim of reaching absolute peak industry efficiency across all of our diverse industry sectors is essential if we are to hit the target to build more than 50,000 new homes each year in Queensland.

HIA will continue to work with government to develop and implement additional urgent reforms and strategies.

Abolishing stamp duty for new first homebuyers

Recent HIA economic analysis confirms previous reports showing that government taxes and charges make up approximately one third of the cost of a new house and land package in Brisbane.

Any action to reduce the impact of taxation on the delivery of new homes in our state is welcomed by HIA and its members.

Even amongst the gamut of excess taxes imposed on the delivery and purchase of new housing, stamp duty stands out as an inefficient, inequitable and outdated tax.

There are few things that economists agree on, but stamp duty being one of the worst taxes imposed by state governments is one of them. It is both highly inefficient and inequitable.

Legal renting of rooms in first homebuyer homes

Rental availability in Queensland remains at record lows.

The government's initiative to be implemented through this Bill to legally enable homebuyers the choice to rent out rooms without forfeiting the benefit of transfer duty home concessions is sensible.

While the real impact of implementing this initiative on rental availability is likely to be minimal in HIA's view, all moves aimed at providing opportunities for homeowners to increase rental availability are worthy of support.



Taxes high on housing in Queensland

In 2019, HIA commissioned an economic analysis of new home building costs which shows that housing is one of the most heavily taxed sectors of the economy

The conclusions of this analysis are consistent with research undertaken by the Reserve Bank of Australia in 2018, considering all known costs incurred in the construction of a new home starting from land through to the hand-over of keys to the customer.

The key finding was that housing is one of the most heavily taxed sectors of the economy. In fact housing generates approximately 10 per cent of all revenue raised across the three tiers of government in Australia, and that the great majority of the tax burden is transferred to the homebuyer / household.

In Queensland terms, it demonstrated that the red tape and tax incurred in the construction of a house and land package as a percent of the purchase price was 32 per cent in Brisbane, while the comparable portion of tax incurred in the construction of an apartment home was 34 per cent.

This means that a \$900,000 new house and land package would cost only around \$600,000 in the absence of government red tape, taxes and charges.

The dollar cost of stamp duty

Nationally, the typical stamp duty bill for the median priced property in October 2024 was \$30,300, based on an average across the states and territories, weighted by transaction volumes. This is the first time the stamp duty bill has exceeded \$30,000.

Stamp duty bills have increased dramatically since the pandemic began, up by 42.6 per cent compared to the same time in 2019. This is roughly consistent with the 37.5 per cent increase in dwelling prices over the same period, on the back of pandemic demands for housing, home building constraints, and subsequent record population growth.

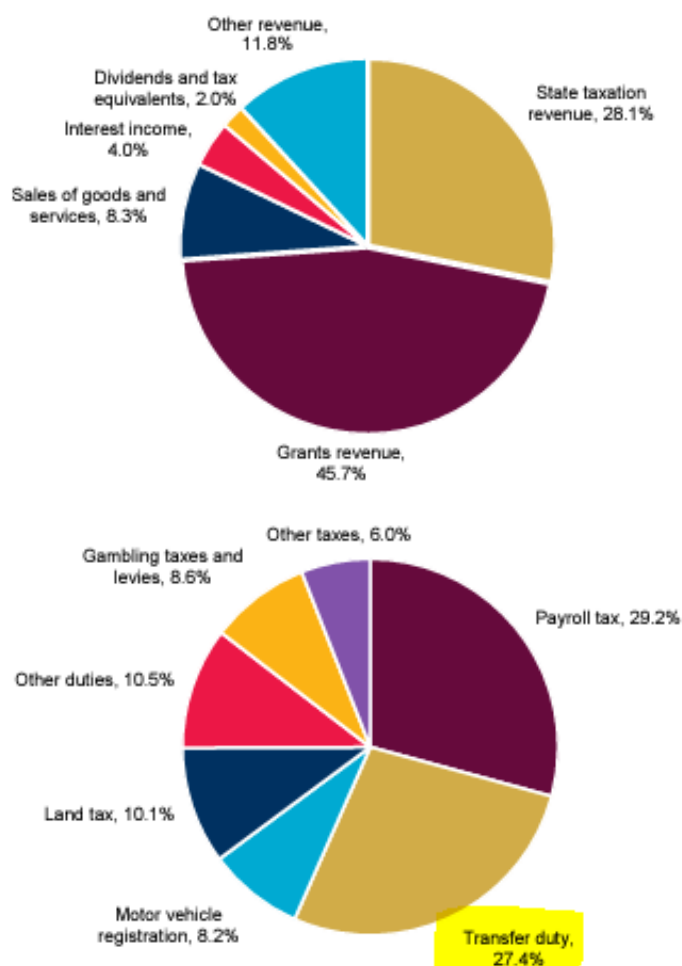
Queensland has seen, by far, the fastest rate of increase in stamp duty bills, up by 167 per cent since 2019, compared to dwelling price growth over the same period of 61.3 per cent. This reflects the significant impact of higher dwelling prices pushing people into higher stamp duty tax brackets over time.



HIA's policy stance on stamp duty

Action to cut stamp duty is welcome and should not be limited to new first home purchases. Relief from stamp duty should rather be extended to all home transactions. HIA posits that stamp duty should be abolished or phased out in Queensland.

The recognised dilemma for government is that stamp duty is currently a key revenue stream, projected by Queensland Treasury to constitute 27.4% of government taxation revenue, or around 8% of total revenue. This adds up to a staggering \$6.7 billion in 2024-25, rising to an estimated \$7.8 billion in 2027-28.



Graphs from QLD Budget 2024-25 – BP2

Recognising this reliance, and the impact general abolition of stamp duty would have on the Queensland budget, HIA's election priorities document released prior to the 2024 Queensland State election (*Building the Homes that Queensland needs ATTACHMENT 1*) confirms a willingness to present solutions, and productively discuss ways for government to better meet its revenue requirements in the future, with a view to stamp duty being phased out and replaced with alternative revenue over time.

Notably, HIA does not support additional stamp duty surcharges being imposed on foreign investors, as these entities contribute significantly to the development and construction of much-needed new homes in Queensland.



Stamp duty is a bad tax. Here's why...

Stamp duty is inequitable and inefficient. It is one thing that economists generally agree upon.

The burden of stamp duty falls squarely on the small number of people who buy property each year, rather than being spread thinly and fairly across a much broader base of society.

Unreliable income source

As stamp duty revenue is determined by dwelling prices and transaction volumes, it is highly cyclical. As prices and market activity increases, revenue increases, but as the market turns down, so too does revenue.

This is the opposite of what a government's revenue source should be, which is stable and predictable.

Duplicative and compounding

Multiple points in the development and construction process are also hit by stamp duty, including the sale of the land to the initial developer and again at the point of sale of each new dwelling or allotment to every property owner. This undermines housing affordability by increasing the overall cost to deliver new homes.

Ever-increasing tax burden and reliance

Stamp duty was designed and imposed essentially as a cost recovery measure for government activity required in the transaction to transfer property title from one owner to the next. However, even as technology has enabled faster, more-efficient transfers, the dollar cost of stamp duty has risen astronomically in recent years, and far exceeds any estimation of transactional cost.

With stamp duty imposed on a percentage basis, sustained dwelling price growth over many years means the rate of stamp duty has produced increased revenue over time, especially as this price growth pushes people into higher-percentage stamp duty brackets. Stamp duty bills have blown out over recent decades from a few hundred dollars to tens, and sometimes hundreds of thousands of dollars – and state governments including in Queensland have become over-reliant on this revenue measure that was not designed or introduced for the purpose it currently serves.

Undue impact on foreign investment

HIA is against additional stamp duty being imposed on foreign investors in the form of additional surcharges.

From 1 July 2024 the previous government's additional foreign acquirer duty (AFAD), imposed on foreign owners directly and indirectly purchasing residential property in Queensland, increased from 7% to 8%. This is obviously a huge disincentive to foreign investors.

This constitutes an unfair and inequitable tax, on an already unfair and inequitable tax, and fails to recognise the huge contribution made, and social value created by foreign persons and entities investing to build new homes in Queensland.

The importance of foreign investors to the construction of new housing across Australia, especially apartments, is quite clear. It is not a coincidence that the number of multi-unit dwellings commencing construction across Australia started declining shortly after state governments started imposing surcharges on foreign investors. Last decade, foreign investment helped produce the biggest boom in national history in multi-unit construction. By 2023, multi-unit commencements were around half the level of 2016.



Imposed at worst time

Stamp duty is borne by homebuyers precisely when they can least afford it – when they are often borrowing near their maximum capacity, potentially needing to borrow between eighty and ninety-five percent of the cost of the home. Stamp duty means homebuyers have to borrow more money or spend more time saving up for a deposit, to afford to buy a home. Stamp duty increases the capital hurdle imposed on the buyer, which is particularly challenging for first home buyers.

Reduces mobility

Imposing stamp duty means that Queenslanders are restricted in terms of their housing mobility.

Queenslanders are less likely to move to different homes, regions, towns and cities in pursuit of better employment, education and training opportunities, with the cost to do so is tens of thousands of dollars greater than it would be in absence of punitive stamp duty. In this way, stamp duty places real barriers to Queenslanders achieving their full career and earnings potential, and paying increased taxes from earning a higher income (income tax), and potentially from additional spending on taxable products and services (GST).

- Stamp duty also acts as a hindrance to people changing their living environment when their life circumstances change.
- Young and growing families are less able to move into a larger home, resulting in a crowded living environment in a smaller home.
- Retirees are less able to downsize into a more manageable home, resulting in under-utilised homes by those who no longer want or need the space.
- Vulnerable people and families exposed to dramatic changes in health, family, employment or finances, are disproportionately penalised if they need to move somewhere else.

The cost of a stamp-duty supported lack of mobility on Australian productivity and economic growth as a result of the imposition of stamp duty on housing amounts to billions of dollars each year, before considering social costs.

More debt

If stamp duty were not levied, homebuyers would have the choice of buying the same home with less debt, as they could put down a larger deposit. Therefore, stamp duty potentially causes homebuyers to take on more debt. Put another way: some homebuyers are in many instances borrowing more, and consequently are likely to remain in debt for a longer period of time to cover the cost of stamp duty.

Less for more

Where homebuyers are not borrowing more to cover the cost of stamp duty, they are usually purchasing a less expensive home than they could if stamp duty was not levied. These homebuyers are likely covering the cost of stamp duty by forgoing a back garden, reducing the space of their home environment, increasing their commute to work, and/or reducing their proximity to friends and family.



Less density

The imposition of stamp duty also hinders and prevents necessary higher density redevelopments in well-serviced areas. At multiple points in the residential development supply chain is stamp duty imposed. Not only is a sizable stamp duty bill levied on the home buyer, but also at the point of sale of the land to the initial developer. Therefore there is a cascading taxation effect that is ultimately most acutely borne by the home buyer. This undermines housing affordability.

For developers, the additional cost of buying land (where stamp duty applies) may make some projects less financially viable, especially for smaller-scale developments. This can limit the supply of new housing developments, particularly in higher-value areas where the tax burden is larger.

Equal to the need for increased construction of detached and 'missing middle' housing (*townhouses, duplexes, triplexes, terrace homes and small unit blocks primarily delivered as infill*), significantly more higher density development is required to meet Queensland's current new housing targets (*target now 50,000+ new homes per year, with delivery of only around 35,000 new homes in 2024*).

The seller suffers too

Stamp duty also makes investment in new housing supply less profitable. A larger share of a seller's proceeds can be swallowed up by the tax.



Legalising first homebuyer room rentals

A welcome move

HIA fundamentally believes that any decision to rent a property, or part of a property to a tenant, or not to do so, is a decision for the homeowner, and should not be influenced by government.

First homebuyer grant recipients taking advantage of new arrangements under this Bill will presumably need to ensure that other general regulatory requirements for renting / tenanted houses are considered (eg *general tenancy rights and lease terms, fire alarm requirements, taxation compliance for generated income etc*).

Limited impact on rental availability

Every bit helps, and this is the right thing for government to do, but HIA believes that the impact of enabling first homebuyer concession recipients to rent out rooms from the date they take ownership, as is proposed under this Bill, will be minimal in terms of increasing Queensland's rental availability.

HIA believes that it is likely that many available room tenancy arrangements considered under the legislation will likely already be in place informally, and it is important to consider that it will likely only be a minor percentage of first homebuyers who wish to rent out one or more of their bedrooms in any case.

Again, while there will likely be no breakthroughs as a result of this concession, it represents one of the myriad small steps that will need to be taken in resolving the housing crisis in Queensland over the coming decade, and HIA supports the move.



Building the homes that Queensland needs

**HIA Queensland
Election Priorities 2024**



Building the homes that Queensland needs

HIA Queensland Election Priorities

Setting the scene

Every Queenslander deserves access to safe and secure housing.

Queenslanders should be able to aspire to own their own home, in whatever shape they choose.

Achieving this outcome will rely on the construction of 45,000+ new homes each year in Queensland over the next two decades, and this will in turn require government facilitating a new level of efficiency and productivity in Queensland's home building industry.

Queensland currently faces an unprecedented housing supply crisis. You only need to count the tents in city parks to understand the extent of the problem. It is an unacceptable

situation in a prosperous and generous state.

Rental vacancy levels are close to zero. The bottom line is we simply need to build more homes.

The residential building industry in Queensland has been through a period of unprecedented pressure. Builders are generally fatigued from a long period of extremely challenging market conditions. In addition, industry is continually being burdened with the weight of new ideology-driven regulation.

A necessary focus on increasing the number of multi-unit projects as a contributor to solving the housing crisis is required. But these projects are struggling for viability due to the significant increase in local government requirements and the massive and increasing impact of union agreements on cost and delivery times. There is also silence on the urgent ongoing need to continue to grow the number of detached homes being built in our suburbs and towns.

NIMBYs and environmentalists have councils responsible for many key aspects of planning, approvals and delivery of new homes running scared and afraid to take action on home development. Progressing much-needed projects that increase density in many Queensland neighbourhoods is verging on impossible.

Long-term neglect of the residential construction industry will not be fixed overnight. A courageous long-term approach is required.

HIA is requesting that an incoming government addresses eight key policy areas:

1. Unburden home builders
2. Industry skills and training, and more workers
3. Tax reform
4. Productivity reform
5. Government one-stop shop
6. Help new homebuyers
7. Build more public and social housing
8. Back local supply of natural materials.



Michael Roberts
HIA Executive Director Queensland

Recommendations:

HIA is requesting that an incoming government addresses eight key policy areas:



Unburden home builders



Industry skills and training, and more workers



Tax reform



Productivity reform



Government one-stop shop



Help new homebuyers



Build more public and social housing



Back local supply of natural materials



The construction industry employs **9.2%** of Queenslanders



The construction industry accounts for **10.6%** of hours worked in Queensland



In order to build Queensland's share of **1.2 million** homes, it needs to build on average 49,150 homes per year



Unburden home builders

Industry certainty is key to ensuring residential builders can move forward with confidence to deliver the 45,000+ new homes per year that need to be built in Queensland to address the current housing crisis.

The residential building industry in Queensland is exhausted from the extensive array of reforms introduced in recent years.

An incoming government should commit to stability through a 'Do no harm' commitment to the home building industry. A commitment to no additional unsupported regulation for a term of government would be well received by industry, and would make a real difference to the industry's ability to deliver more housing while keeping a lid on price increases.

Policy Initiatives



Minimal National Construction Code (NCC) changes in the next term of government – NCC changes proposed nationally should be properly considered for implementation in a Queensland context over time and should be amended to suit or rejected if necessary.



Two years' notice for NCC changes – changes only to be implemented in Queensland with a minimum of two years' notice, after national draft codes are finalised, education programs are rolled out, and implementation dates are set in consultation with industry.



Positive changes only – Proposed changes must be backed by the home building industry. Positive changes include:

- implementing a **state housing code**, and a **state housing infill code** that HIA has championed for more than a decade
- new planning **support for 'missing middle' / 'gentle density'** developments as required – more small unit blocks, individually titled terrace housing, townhouses, duplexes, triplexes. Reduce minimum lot sizes and setbacks
- empower **private certifiers** to take a greater role in planning approvals, especially where approval backlogs or delays exist.



HIA recommends the next Queensland Government:



Minimal National Construction Code (NCC) changes in the next term of government



Two years' notice for NCC changes



Positive changes only



More skilled workers

Home building presents diverse and lucrative work opportunities for all, and especially for those who succeed in obtaining key skills, qualifications and advanced education in the field.

Our industry provides opportunities that can begin with an apprenticeship and progress to expertise in various specialised fields, establishing a business, or using experience to secure advanced education in fields such as planning, certification, or design. Our industry accommodates everyone, from office administrators and salespeople to lawyers and architects.

We need to better promote opportunities within the residential construction sector so that more young Queenslanders choose home building as their career for the future.

Policy support in the following areas will help to attract new people to the home building industry.

Policy Initiatives



Industry attraction and promotion – develop a marketing campaign promoting the breadth of viable career and lucrative business opportunities within the construction sector for smart young people.



More home building apprentices and trainees – implement policies that attract and incentivise apprentices, reduce the cost of hosting an apprentice, and recognise the importance of mentoring as a tool for improving apprenticeship completion rates.



Targeted skilled immigration – support and advocate for immigration policies that focus on skills required in home building, and faster industry integration / access / licensing pathways.



HIA recommends the next Queensland Government:



**Industry attraction
and promotion**



**More home building
apprentices and trainees**



**Targeted skilled
immigration**



Tax reform

HIA research has demonstrated that taxes make up more than one third of the cost of building a new home in Queensland.

Stamp duty in particular is an outdated tax. Any moves to reduce or beneficially re-shape stamp duty on housing will support homebuyers, encourage growth in the industry, and promote downsizing and general flexibility in a consumer's ability to move homes.

As part of any stamp duty reform to be undertaken by an incoming government, HIA recommends abolishing the Additional Foreign Acquirer Duty (AFAD).

The AFAD increases stamp duty for foreign purchasers of Queensland dutiable property by seven per cent (7%) above the general applicable rate. There is also an additional two per cent (2%) land tax for foreign entities.

A level of foreign investment has historically supported Queensland's home building industry, and has played a significant role in the delivery of high-rise apartment projects. Additionally, many larger volume building companies are partially foreign owned.

At its root, the AFAD is a regressive and selectively discriminatory tax, and should be abolished by a courageous government.

Policy Initiatives



Reform stamp duty on homes in Queensland – a plan to abolish or replace this outdated, inefficient and regressive tax. This could occur over time to ensure budget continuity and preparedness.



Immediately increase the first homebuyer stamp duty concession threshold – from current \$500,000 to minimum \$800,000 to assist first homebuyers.



Abolish Additional Foreign Acquirer Duty imposed on home and land purchases as part of the broader stamp duty reform plan.



HIA recommends the next Queensland Government:



Reform stamp duty on homes in Queensland



Immediately increase the first homebuyer stamp duty concession threshold



Abolish Additional Foreign Acquirer Duty



Productivity reform

The government has estimated more than 45,000 new homes per year are needed over the next 20 years in Queensland if we are to catch up on demand and resolve the housing crisis in our state. To achieve this, all aspects of home building need to fire – detached housing, infill multi-residential and high-rise unit towers.

Traditionally the detached home building sector has done the heavy lifting to meet housing demand. However, without a significant increase in the number of multi-residential projects being delivered, the 45,000 target is simply a fantasy.

The increase in local government requirements in combination with changes in the industrial relations environment has resulted in a significant decline in the number of multi-residential projects being delivered. The simple fact is, these projects are no longer considered commercially viable.

We need policy action that will reverse productivity declines and release the tight stranglehold that unions have on project delivery.

Policy Initiatives



Establish an independent state-based Productivity Commission

to undertake inquiries, research, reviews and reports relating to productivity, economic development and industry in Queensland.



Task the new Commission as its first action to urgently investigate and make priority recommendations to improve workforce productivity in the construction of high-rise unit tower developments.



Commit to reform or abolish Best Practice Industry Conditions that evidence shows are dragging down productivity and output of new homes.



HIA recommends the next Queensland Government:



Establish an independent state-based Productivity Commission



Task the new Commission as its first action



Commit to reform or abolish Best Practice Industry Conditions



Government one-stop shop

The Queensland Government bureaucracy has failed when it comes to housing delivery.

Government departments responsible for various elements of housing-related regulation and delivery have often found themselves at cross-purposes, with departments routinely introducing requirements that create barriers to the delivery of more housing and increase cost.

Housing delivery has never been more important, yet our industry is facing unprecedented pressure due to onerous and contradictory government policies. The delivery of all forms of homes for Queenslanders needs to be appropriately prioritised and effectively managed across government.

Policy Initiatives



Government housing coordination – ensure a single authority is responsible for all key housing delivery issues – public housing delivery, home building industry regulation and planning – and responsible to a single Minister in Cabinet.



Guarantee and improve consultation – to ensure government and industry aims and expectations are aligned.



HIA recommends the next Queensland Government:



Government housing coordination



Guarantee and improve consultation



Help first homebuyers

As the cost of purchasing a new home continues to increase, putting the dream of owning a home further out of reach, measures beyond the traditional approach of offering first home owner incentives need to be considered.

A proven model for helping families achieve their home ownership dream can be found in Western Australia's *Keystart* program.

Policy Initiatives



Fix the Queensland housing finance loan program to more closely emulate the Western Australian *Keystart* model, in support of first homebuyers.



Immediately increase the first homebuyer stamp duty concession – from current \$500,000 to minimum \$800,000, to assist first homebuyers.



HIA recommends the next Queensland Government:



**Fix the Queensland
housing finance loan**



**Immediately increase
the first homebuyer stamp
duty concession**



Build more public housing

Now is the right time for governments to invest in new public housing stock. Home building volumes are down on mid-pandemic HomeBuilder-driven highs, and capacity is becoming available.

Better coordination and closer partnerships between government and industry in responding to a growing need for public housing, and addressing a long-term failure to increase public housing supply is essential to solving the housing crisis. A new approach is needed.

Policy Initiatives



Purchase or release suitable land, and enter contracted partnerships with Queensland builders to construct bulk public housing stock in identified areas of need.



Deliver initiatives that create confidence to attract investments from large institutions and superannuation funds that have been missing from the market.



Address IR concerns in partnership with industry to reduce building costs and increase productivity in the delivery of high-rise unit block development projects.



HIA recommends the next Queensland Government:



**Purchase or release
suitable land, and enter
contracted partnerships**



**Deliver initiatives that
create confidence**



Address IR concerns



Back local supply of natural materials

The supporting structures of most homes in Queensland are made of timber. Timber is a renewable, carbon-sinking, durable, natural and highly user-friendly building product.

The traditional Queenslanders was founded on the use of native timber species. The renovations and extensions market (approximately 40% of the total housing economy), as well as new housing and infrastructure projects, continue to extensively utilise hardwood timber products.

HIA is extremely concerned about failure by government to renew the South-East Queensland Forest Agreement (SEQFA) to ensure the ongoing resource security for the native hardwood timber industry.

More than 2000 regional jobs in the South-East region alone and \$142 million in new mill investments are currently at risk through failure to implement the Native Timber Action plan as agreed by government in 2019.

HIA urges all political parties to commit to ensuring continued availability of locally abundant and sustainably managed native hardwood supply for essential home building products such as flooring, decking, cladding and structural posts and beams.

HIA endorses the recommendations of Timber Queensland.

Policy Initiatives



Immediately renew the SEQFA in consultation with Timber Queensland.



Sign off on new 20-year State wood supply contracts to industry for the South-East Region immediately, and subsequently for the Central Queensland and North Queensland regions.



Provide certainty for private forestry owners to manage and invest in the responsible management of their forests by providing a long-term right to harvest, in accordance with the appropriate code of practice and/or management plan.



Demonstrate ongoing support for private forestry education and extension services so that farmers and landowners, including traditional owners, can implement best forest management practices to increase timber yields, profitability and related environmental benefits such as reduced land clearing for other uses.



HIA recommends the next Queensland Government:



**Immediately
renew the SEQFA**



**Sign off on new
20-year State
wood supply
contracts**



Provide certainty



**Demonstrate
ongoing support
for private forestry
education**



You're in **good hands**

QUEENSLAND REGION

Brisbane

14 Edmondstone Street
South Brisbane
QLD 4101 Australia

Sunshine Coast

Level 1, 84 Wisers Road
Maroochydore
QLD 4558 Australia

NORTH QUEENSLAND REGION

Townsville

25 Blackhawk Boulevard
Condon
QLD 4815 Australia

Cairns

2/185 Mulgrave Road
Bungalow
QLD 4870 Australia

GOLD COAST REGION

Gold Coast

Unit 4/2 John Duncan Court
Varsity Lakes
QLD 4227 Australia

Document authorised by Jocelyn Martin, HIA Managing Director