

Question on Notice

No. 1933

Asked on 25 November 2009

MR NICHOLLS ASKED THE TREASURER AND MINISTER FOR EMPLOYMENT AND ECONOMIC DEVELOPMENT (MR FRASER)—

QUESTION:

With reference to the Quarterly Economic Report released on 20 November 2009, the third quarterly decrease in business investment in Queensland and an annual decline of 10.7 per cent in private gross fixed capital formation—

- (1) Does the Treasurer expect business investment will increase with land tax assessments falling due between December and March 2010?
- (2) Will the Treasurer consider bringing forward the ability for businesses to pay land tax in quarterly instalments from the 2010-11 financial year to this financial year?

ANSWER:

- (1) & (2) Despite peaking in September quarter 2008, business investment recorded double-digit growth for the fifth consecutive year in 2008-09, resulting in the real level of investment being more than triple that of eight years earlier.

As outlined in the Mid Year Fiscal and Economic Review, business investment is expected to decline in 2009-10, largely as a result of the Global Financial Crisis, with restricted credit and rising vacancy rates expected to affect commercial property in particular.

However, the outlook for business investment has improved since the time of the 2009-10 Budget, with investment expected to decline by a lesser amount than originally predicted for 2009-10, and forecast to stabilise by 2010-11, rather than fall further.

The introduction of an instalment payment option in 2010-11 was announced in June 2009 as part of the 2009-10 State Budget. As an interim measure the payment period for land tax assessments has been extended from 30 days to 90 days for this year. This interim measure will provide around \$8 million in relief for land tax payers.

The Shadow Treasurer has a deeper appreciation of economics and the business cycle than the baseness of his question belies.

Two broader points must be made –

Firstly meaningful structural tax reform is only possible through an overarching approach, such as the Henry Tax Review. Secondly Queensland's land tax competitiveness is independently assessed by the Commonwealth Grants Commission. For 2007-08, the most recently available comparison, Queensland's land tax effort was judged to be 36% below the national land tax collection average.