

28th June 2023

Minns Government forces through new tax on housing supply

CEO of Urban Taskforce, Tom Forrest, today expressed disappointment that the Minns Government has ignored the concerns of the development and construction sector by introducing a new “Housing Productivity Contribution” (HPC) which will increase the cost of new homes.

Urban Taskforce opposes the introduction of this new tax on housing supply. The building and construction sector is struggling. ASIC data shows that builders are leaving the industry at a record rate. Many through enforced liquidations, others by choice.

The new tax, passed in the Upper House last night with the support of the Greens and Animal Justice Party, will add \$10,000 to the cost of delivering a new apartment and \$12,000 to delivering a new house.

In the spirit of constructive compromise, Urban Taskforce offered support for the Bill if the Government agreed to accommodate the recommendation of the NSW Productivity Commission, that the timing of the payment of infrastructure charges be shifted from the commencement of construction (CC), when cash flow was at its tightest, to the end of construction (OC) – when settlement (and therefore cash flow) is imminent.

At a time of tight building margins caused by increased holding costs (interest rates), labour shortages and building material costs, the introduction of this new Housing and Productivity Contribution (HPC) in the *Environmental Planning and Assessment Amendment (Housing and Productivity Contributions) Bill 2023* is poorly timed and will threaten the production of housing at a time when housing supply has already collapsed.

Put simply, this new tax will result in many projects stalling before construction starts. It will not deliver the anticipated revenue and worse, it will work against the Government’s stated commitment to deliver on housing supply.

The former Coalition Government cynically included the projected revenue from this new tax in their half year budget forecasts just prior to the State election. However, to give the Opposition credit, they did support an amendment moved by Tania Mihailuk, which would have shifted the payment of the tax from “CC” to “OC”. The Government rejected this change.

This decision will make it all the more difficult for NSW to achieve the 314,000 new homes required under the National Housing Accord. Consistent with the NSW Productivity Commission’s report (part of the NSW Treasury), Urban Taskforce will continue to push for these infrastructure taxes on housing supply to be abolished and, at worst, for their payment to be moved to just prior to occupation and settlement.

End

*The **Urban Taskforce Australia** is a property development industry group, representing Australia's most prominent property developers and equity financiers.*

Media Enquires: Tom Forrest, Chief Executive Officer: 0429 460 863

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