

9 June 2026

Committee Secretary
Economics Legislation Committee
Department of the Senate
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Dear Committee Secretary

Treasury Laws Amendment (Tax Reform No. 1) Bill 2026 and Income Tax Rate Amendment (Tax Reform No. 1) Bill 2026

I write to make a submission in relation to the *Treasury Laws Amendment (Tax Reform No. 1) Bill 2026* and *Income Tax Rate Amendment (Tax Reform No. 1) Bill 2026* and the taxation changes proposed as part of these Bills.

Urban Taskforce Australia is a not-for-profit peak industry organisation representing Australia's most prominent property developers and equity financiers. Our membership is made up of many of the largest property investors, developers and builders across the nation, with a focus on the industry in NSW.

Urban Taskforce Australia is supportive of the decision of the Government to exempt capital gains tax and negative gearing tax changes for new housing supply.

These exemptions support new dwelling construction and help to ensure the ongoing interest of investors in new housing supply.

However, we note with concern that even by the reckoning of the Commonwealth Treasury, these changes will have a negative impact on housing supply to the tune of 35,000 fewer homes over the next 10 years (because of the likelihood of a lower sale price when the property is sold by the original owner thus impacting on the feasibility of the investment).

Failure to tackle broader fiscal reform

Urban Taskforce is, however, disappointed that the Government did not take the opportunity for a more ambitious broad-based review of tax reform. While the government made much of the assertion that this Budget was pursuing intergenerational equality and equality between income types, it was in fact more a tinkering at the edges with only marginal economic impact (though the political impact has been massive).

Urban Taskforce members believe that the Government has missed the opportunity to undertake deeper fiscal reform to tackle key obstacles to increasing housing supply such as reducing GST for new housing or supporting the abolition of stamp duty.

Urban Taskforce calls on the Federal Government to work with the states and territories to transition away from inefficient taxes, such as stamp duty, and adopt more sustainable revenue systems. This is serious reform that takes hard work and careful modelling – but unlike the 1980s and early 90's, or with the introduction of the GST in 2000, this work appears to have simply not been done.

It is therefore unsurprising that the Budget has not produced the transformation towards intergenerational equality that the political rhetoric espoused.

While the Urban Taskforce is pleased to see the \$2 billion in the Budget for housing-enabling infrastructure, Urban Taskforce urges the Government to go significantly further in its fiscal reform agenda and shift the burden away from developers.

The \$2 billion allocation for housing related infrastructure represents a drop in the ocean in the context of the crisis we face. A fund of \$20 billion (plus) is needed to properly address this problem.

The reason for this is simple. The incidence (which has grown significantly in recent years) of infrastructure charges (local and State), and taxes on the development of new property, is driving up new dwelling prices, discouraging development and overall leading to less housing supply. While these costs vary from State to State, the cumulative cost of all federal, state and local fees, taxes and charges can be equal to one third of the sale price for a newly built home. This is not addressed by this budget.

Further, input costs for labour and materials have risen sharply since 2020, and the three increases in interest rates this year have all had a massive impact on housing development feasibility. In this context, the discussion and recommendations in this submission are focussed on measures that will result in increased housing supply and improved new dwelling affordability.

Temporarily reduce GST from housing sales

The GST places a considerable impost on housing production in Australia.

If the Commonwealth accepts that there is a crisis in housing supply, then it is incumbent on it to deal with the crisis by implementing **bold** policy reforms.

GST relief (a 50% discount) should be provided for housing supplied during the period of the Accord. That is one way to incentivise the rapid conversion of housing approvals into completed homes. It adds to the price paid by new home buyers.

A reduction in the GST on housing would require Commonwealth revenue support for the states, but it would demonstrate a serious response to what everyone calls a housing supply crisis but fails to act accordingly.

This would relieve pressure on affordability and improve feasibility.

This would enable more projects to proceed to construction, particularly at the mid-and lower-price points, where viability is presently most constrained. For first-home buyers and renters, the resulting uplift in supply would certainly moderate price growth.

From a fiscal perspective, the reduction in GST should be considered an investment in long-term housing system stability. Over time, expanded supply will support productivity and labour mobility—critical enablers of national economic performance. Revenue raised through income tax and company tax would offset part of the reduction in GST revenue from the Commonwealth government.

A targeted GST reduction for new housing, available for all projects completed by FY 2029-30 would represent a decisive, intergovernmental reform consistent with the Government's commitment to national housing affordability and sustainable urban growth, incentivising the development sector to deliver housing supply within the National Housing Accord period.

Recommendation 1: That the Commonwealth Government reduce the payment of GST by 50% on housing until 30 June 2029, to stimulate supply and place downward pressure on housing prices.

Treatment of “New Builds”

Urban Taskforce Australia has some significant concerns related to the detail of the Budget and its application to new dwellings, along with some likely unintended consequences:

1. the definition of “new build” and the application of the proposed changes to properties under construction but for which contracts have already been exchanged; and
2. the treatment of “new build” homes after 12 months.

In response to inquiries from Urban Taskforce, we have been advised that the cutoff date for a property being considered a “new build” of 12 May 2026, is for:

“a newly built dwelling built and purchased (contract signed)”.

However, a contract being signed is not a sale being settled, and the former may occur two to three years before the latter.

Purchasers of new properties generally buy off-the-plan, meaning that they sign a contract of sale and provide a deposit, but do not complete the sale until the property is constructed and the transaction is settled. Thus, a property for which a contract has been signed on 11 May 2026, may not be occupied until 2028 or later.

An investor who has made that purchase off-the-plan, only to find out that their tax arrangements have changed retrospectively, will be significantly disadvantaged by the tax proposals.

While we recognise and support the desire to encourage the delivery of new housing supply, the Government's proposed approach will penalise those who have already invested in new housing and in so doing have supported the Government's housing supply agenda, but who may not have settled their transactions.

This could lead to investors pulling out of their purchase on the basis that the changed conditions mean that it is no longer cost-effective for them to invest in their proposed new rental property. If this becomes prevalent, it will spell disaster for the property sector.

A new property that has not been occupied for more than 12 months, or that was completed post the 12 May 2026, cutoff date, should be treated as a “new build” for the purposes of the exemption, so as not to penalise those who have done the right thing (according to the Government's own policy) and purchased an investment property in a new building.

Recommendation 2: That all new properties for which contracts have been signed but have either not been settled or have only been settled within the 12 months prior to 12 May 2026, be treated as “new builds” for the purposes of the tax changes.

“New builds” held by developers

The Budget 2026-27 Negative Gearing and Capital Gains Tax Reform Explainer states that:

“A new build cannot have been previously sold, unless first owned by the builder and not occupied for more than 12 months.”

While the intent behind this restriction seems clear – that new builds cannot have been sold previously – it creates problems for the housing development sector.

New residential properties take years to develop. The market conditions at the time of commencement can differ significantly from those at the point of project completion, which means that some apartments may not be able to be sold for a period of time after construction is completed.

This is a particular issue for apartment projects delivering a large number of apartments (for example, 100+) or a larger project which makes up a staged development. In order to keep a project feasible, a developer may need to offer a proportion of new apartments for rent until conditions change and the apartment can then be sold.

While Urban Taskforce Australia members will generally seek to have every new dwelling occupied as a home as quickly as possible, in the case of apartments, many will rent some apartments out for a period of up to five years before market conditions change and the property can be sold, often with the tenant remaining in place, is sometimes a prudent approach. This is an effective “meanwhile use” which promotes housing availability for renters. This ensures that new apartments have high occupancy rates soon after completion, giving rental options.

However, the new maximum 12-month lease limit would discourage developers from providing much-needed rental stock, because they would effectively be punished when leasing apartments before selling them. It will reduce feasibility for many future projects, in the face of narrowing margins and rising costs.

Allowing apartments within large-scale developments to be leased for up to five years while still retaining “new build” status would help to reduce housing stress and encourage the ongoing delivery of new supply. This time period could be reduced for projects approved for development post 12 May 2026.

This recommendation is made in good faith. We assert that if this change is made, it would give developers more time to adjust to the new taxation rules and give greater them flexibility, improving feasibility and encouraging an increase in new supply.

Recommendation 3: That large-scale developments (100 homes or greater) be granted a longer leasing period before losing “new build” status of:

- **five years for projects that have received a construction certificate prior to 12 May 2026;**
- or
- **three years for projects with a construction certificate post 12 May 2026.**

BTR and Seniors Living tax – GST

Urban Taskforce Australia supported last year's changes to withholding tax for build-to-rent (BTR) developments, reducing the final withholding tax rate from 30% to 15% on eligible fund payments made to foreign residents from managed investment trusts.

The increase in capital expenditure deductions from 2.5% to 4% per year was also a welcome development. Notwithstanding that, there are still aspects of current GST treatment of BTR assets, which go beyond the scope of the *Treasury Laws Amendment Bill 2024: Build to Rent Developments* and the *Capital Works (Build to Rent Misuse Tax) Bill 2024*.

Rental income from residential properties is considered an input-taxed supply, so developers are unable to charge GST on the rent collected from tenants (ATO 2022). So, GST incurred on construction and related development expenses cannot be claimed back through input tax credits. This effectively increases the construction cost by the GST amount, with that amount only able to be offset after 5 years.

If a developer decides to sell a newly constructed residential property that hasn't been used solely and continuously for leasing for at least five years, the sale is subject to GST. Conversely, sales of existing residential properties (those that have been used for leasing for more than five years) do not have GST charged on the sale.

As developers of BTR residential assets do not benefit from immediate GST write-offs and cannot claim input tax credits due to the input-taxed nature of residential rental income, they must absorb the GST paid on construction and development costs. These GST implications must be factored in when planning BTR projects. While build-to-sell residential assets benefit from immediate GST write-offs, BTR projects have to be held for five years before any GST can be offset.

If the inability to claim input tax credits significantly impacts the project's financial feasibility, it will unfairly discourage new rental property development.

Aligning GST treatment of BTR developments by allowing offsets, subject to a minimum five-year holding period, would make BTR investments significantly more attractive to both foreign investors and Australian superannuation funds and help to increase the availability of affordable rental properties.

Given the chronic shortage of seniors living accommodation, the same concession should apply for housing developments that cater to seniors living and those meeting National Disability Insurance Scheme (NDIS) criteria, which are similarly affected.

Recommendation 4: That the Commonwealth allow for GST offsets for BTR residential assets, NDIA-compatible housing, and seniors living developments that have been held as rental properties for a minimum period.

Support the removal of state transfer duties

While stamp duty is the responsibility of state governments, the Federal Government has its own significant role to play in bringing property tax reform to the national agenda.

The last few decades have seen mounting criticism from every credible economist in the nation over the economy strangling impact of transaction charges or stamp duties.

In this crisis of housing undersupply, there is an overwhelming consensus, from public agencies to academic institutions to industry proponents to other authorities, that stamp duty is distorting the market, creating economic inefficiencies, and that it is generally no longer fit for purpose.

Stamp duty was one of the transaction taxes due to be abolished with the introduction of the GST, but following the compromises made in 1999 in order to see the GST pass the Senate, stamp duty remains and this has become a key and lonely source of revenue for the states. Stamp duty is highly inefficient. It effectively taxes mobility, forcing people to live significant distances from their workplace in cases where circumstances change. This impacts on commute time, environmental pollution and has social consequences arising from stress and loss of family time.

Finally, stamp duty acts as a barrier to downsizing as many seniors resist the stamp duty consequence of down-sizing, resulting in a significant under-utilisation of larger family properties or land with housing development potential.

These inefficiencies were quantified in the 2009 *'Henry Tax Review'* (Australia's future tax system, 2009, p.13), which estimated the reduction in productive activity caused by the distortionary effects of stamp duty at between 30-40%, with the underutilisation of the housing stock costing communities approximately \$375 million annually.

It is understandable why state governments have been slow to wean themselves off stamp duties. In boom times of high property inflation, state treasuries reap substantial revenue from transfer duties like stamp duty. However, the macroeconomic climate has shifted, and this transaction tax is working, more than ever, against the efficient allocation of housing.

Land tax is the only tax on property that keeps pace with economic growth and is directly linked to proximate infrastructure investment. It facilitates infrastructure contributions from everyone who benefits from economic growth and subsequent increases in general land value. Owners close to new infrastructure, who enjoy a higher value uplift, are required to pay more land tax for the privilege, which encourages development to maximise the benefits from any rezoning.

Stamp duty represents a significant impediment to the delivery of affordable and cost-effective housing. This needs to be addressed.

Recommendation 5: That the Commonwealth Government develop financial support options to facilitate the abolition of stamp duty.

Provide incentive payments to enable infrastructure delivery

As noted in the introduction, the \$2 billion housing related infrastructure fund proposed in this year's budget, while welcome, is underwhelming. To deal with the size and significance of the housing supply crisis, this number should be closer to \$20 billion.

At the very least, the Commonwealth's commitment to the National Housing Accord to provide \$3 billion in "performance bonus" payments through the New Home Bonus scheme should be brought forward. The states have lifted their performance across Australia, but the Commonwealth is hoarding this fund like *Smaug*, the dragon, from the *Hobbit*.

The lack of financial support from the Commonwealth is now the key factor preventing these targets being met. While only \$3 billion, it would make a difference to housing supply and should be allocated now.

Further, a review of the under-performance of Infrastructure Australia and its failure to prioritise housing related infrastructure would be a good place to start.

What is needed is both an expansion of the fund with an upfront allocation of the "New Home Bonus" to the states to deliver both hard and soft housing supply-related infrastructure.

Bringing these payments forward, instead of delivering them "ex-post" at the end of the Accord period, would stimulate housing investment (much of which requires funding commitments for the delivery of infrastructure) and could be used to deliver the infrastructure services needed in growth areas. This has been the principle underpinning previous large infrastructure announcements for growing regions like Western Sydney.

The delivery of infrastructure to support new suburbs and estates in growth areas like Western Sydney will help governments move much closer to the housing the Commonwealth Government is calling for.

Recommendation 6: That the Federal Government recalibrate and enhance the New Home Bonus scheme to:

- **bring forward incentive payments to provide stimulus for new infrastructure delivery;**
- **increase the housing related infrastructure funding pool to \$20 billion.**

Recommendation 7: That the Commonwealth Government refocus the work of Infrastructure Australia to the task of solving housing enabling infrastructure bottlenecks that impede new housing supply.

Extend the Scope of the Housing Affordability Future Fund to include market housing

The current focus of the HAFF on social and affordable housing is missing the point: affordability is a whole-of-market issue. The delivery of affordable housing dwellings, without an increased delivery in market housing, will never reduce prices.

Without new market housing, affordability is a pipe dream. While this has been recognised by the Federal Government through its rhetoric, the budget does not match this worthy intent.

While the HAFF was designed to deliver 30,000 new social and affordable homes over five years, this alone will not address the systemic affordability crisis that is crippling the broader housing market.

If the Federal Government is effectively going to combat Australia's housing affordability crisis, it will need to stimulate market housing supply as well as supporting affordable housing.

Middle-income Australians are increasingly being priced out of home ownership and rentals in major cities. Traditional workers – nurses, teachers, police officers, fire fighters, unskilled labourers, lower income IT and tech maintenance workers, non-executive public servants, full time retail employees, hospitality staff, and aged care and childcare workers – are having to travel further to get to their places of work, putting pressure on their health, budgets, and home lives.

While affordable housing initiatives are a step towards helping these segments of the community, it does not address general issues with affordability that risk making places like Sydney into cities without grandchildren.

The HAFF's scope should be expanded to support the delivery of lower priced market housing, in addition to social and affordable housing, to relieve pressure on both ends of the spectrum and stimulate the delivery of housing supply.

Further direct Federal Government investment in market housing will help to improve supply and halt the ongoing price escalation and rental stress being seen across the country.

With an increased Federal commitment to funding local or state infrastructure (recommended above) and to boosting the lower end of market housing supply through the HAFF, it will reduce risk, meaning that the private sector will be more encouraged to invest in delivering more homes at prices within reach of Australian households. The multiplier effect of such a shift in policy and funding would be considerable.

Expanding the HAFF to include market housing and committing a third round of \$5 billion in funding over the National Housing Accord period would unlock new housing supply, stabilise costs, and ensure that Australians at all income levels have access to housing that is affordable and secure. This is not just a budgetary matter; it is a social imperative for Australia's future prosperity.

Recommendation 8: That the Federal Budget extend the scope of the Housing Affordability Future Fund to include market housing and allocate \$5 billion over 5 years for a subsequent round of funding to target the delivery of affordable and market housing supply.

Boost the skilled migration intake

Australia has a housing supply crisis, not a housing *demand* one.

The Commonwealth's Jobs and Skills Australia Jobs and Skills Australia identified significant shortages in Australia's construction industry, particularly within the Technicians and Trades Workers major group, where nearly half of occupations remain in shortage as per the 2025 Occupation Shortage List (OSL). In fact, all occupations in the Construction Trades Workers category are in persistent shortage, even amid broader labour market easing, with low fill rates—such as 38% for Construction Trades Workers—highlighting chronic issues exacerbated by tight conditions.

These shortages, comprising roles like carpenters, electricians, and bricklayers, span Skill Level 3 (43% in shortage) and contribute substantially to the 139 occupations in persistent shortage from 2021-2025, driven by factors like insufficient qualified applicants and rising demand from infrastructure and housing projects.

Australia's construction workforce faces escalating demands through the National Housing Accord period, driven by a \$242 billion public infrastructure pipeline spanning housing, energy, and transport projects. Projections indicate a peak need of 521,000 workers by mid-2027, amid a shortfall escalating to 300,000 workers overall and 126,000 in trades and labourers specifically.

By 2029, the total workforce must expand to around 1.5 million—a net addition of about 130,000-168,000 workers beyond replacements—to meet the Accord targets.

Knee-jerk reactions to supply challenges, in the form of myopic calls to reduce migration, are not called for, and would have seriously negative consequences for the economy. They will not make housing more affordable. Building up domestic skills supply is important but will take time. What is needed in the short term is skilled migration.

Urban Taskforce opposes calls to cut the immigration intake. Our members want to see a larger intake of skilled migrants, particularly those with construction expertise. Even general unskilled construction workers will help to reduce construction costs.

In the balance of supply and demand, increasing skilled migration will expand the pool of available workers to supplement Australia's construction needs, which will help to reduce costs and, consequently, housing prices. Further, like all skilled migrants, they add to the productivity of the nation, increase the taxpayer base and promote economic growth.

Recommendation 9: That the Federal Government boost the immigration intake of skilled workers generally along with both skilled and unskilled construction workers where particular shortages prevail.

Conclusion

Urban Taskforce Australia was relieved to see the Government's proposed changes to capital gains tax and negative gearing support the delivery of new housing supply and improve housing affordability for new home buyers and those renting by ensuring the ongoing interest of investors in new housing stock. Nonetheless, the budget papers themselves show that even with these protections, it will have a negative impact on housing supply.

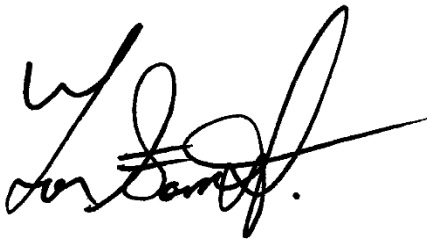
Urban Taskforce is however, disappointed the Government did not take the opportunity to undertake broader tax reform that would have encouraged the delivery of more housing and demonstrate its commitment to accommodating our growing population.

We believe the Government needs to have a sharper focus on fiscal reform that reshapes taxes and government funding arrangements, eliminates inefficient taxes and shifts infrastructure costs away from developers.

Taking a fresh look at the GST and stamp duty in the context of a crisis is just common sense. Any such fiscal reforms must be focussed on measures that will encourage new housing supply and improve economic productivity and housing affordability.

Should you wish to discuss any aspect of this submission further, please call our Economist and Planning Analyst, William Hughes, on 0418 286 530 or via email will@urbantaskforce.com.au

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tom Forrest', with a stylized flourish extending to the right.

Tom Forrest
Chief Executive Officer