

Wednesday 3 May 2017

State Budget: VIC Government sitting on property industry's tax money while nothing new for housing affordability

Taxes on property now represent approximately 45% of the State Government's taxation revenue and 15.5% of its total revenue, according to the Victorian Government's 2017-18 Budget.

"The property industry continues to underpin the State's economy here in Victoria. The question is, what is the State Government doing to re-invest that money back into the housing market?"

"It's very important for us to look at how all this money is being spent. The Budget includes some good infrastructure projects; in particular the funding for the land acquisition of school sites in growth areas. However there's still a lot of tax being collected from the property sector that's not being used," said Danni Addison, Victorian CEO of the Urban Development Institute of Australia (UDIA).

According to information released with the 2017-18 Budget, less than 4.5% of the money collected under Government's Growth Areas Infrastructure Contribution (GAIC) scheme has been spent since its introduction in 2010. Of that, approximately 34% has been allocated to the SRO for administration with an additional \$226,602 invoiced.

"When it comes to spending the tax revenue being collected through GAIC, the Government is still behind the mark and has not shown any signs of real spending commitment.

"In this year alone, the Government expects to collect \$175 million. That's a big honey pot of money being collected but not being spent in the communities who are footing the bill.

"It's time the State Government started to take the growth areas seriously by spending the money on key infrastructure items like roads and public transport which will unlock opportunities for the people living in Melbourne's fastest growing communities," said Ms Addison.

Government's *Homes for Victorians* strategy is the only core plank in the 2017-18 Budget to address housing affordability.

"What this tells us is that State Government's stamp-duty changes for first home buyers and investors will be its primary solution to the housing affordability situation here in Victoria.

"This is a real cause for concern as the *Homes for Victorians* strategy is extremely flawed.

UDIA (Victoria) Media Release



There are three main unintended consequences that UDIA sees with the stamp duty changes, each associated with skewing the supply/demand balance and therefore negatively impacting upon housing affordability.

1. Impact on house prices

“The demand for houses in Melbourne’s growth areas and established suburbs will increase but supply will not, which will drive up house prices rather than making them more affordable,” said Ms Addison.

2. Impact on rental affordability

“A decline in investors purchasing and leasing out new housing will limit rental supply and push up prices for renters,” said Ms Addison.

3. Impact on new housing supply

“If the number of investors purchasing off-the-plan properties decreases, so will the supply of new housing, pushing up costs for home buyers,” said Ms Addison.

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UDIA (Victoria) Media Release



ABOUT

Urban Development Institute of Australia (UDIA) – Victorian Division

The Urban Development Institute of Australia (UDIA) is a nationally recognised advocacy body that supports Australia’s urban development industry. The UDIA informs and engages government, key policy makers, and industry members, **enabling better policy and better business decisions.**

With a primary focus on the residential property sector, UDIA’s Victorian Division protects and promotes over 50,000 individuals from over 350 member companies across the state. UDIA members are property developers, consultants and a range of other professionals involved in producing, financing and marketing residential property.

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