

Tuesday May 1, 2018

Victorian State Budget 2018/19

Key changes affecting Victoria's urban development industry

UDIA Position

The Labor Government has recognised that booming population growth demands significant investment in roads, rail, health and education with the 2018/19 Victoria State Budget, handed down on 1 May 2018.

This budget tells us that approximately 47 per cent of Victoria's tax income is derived from property, making it the most fundamental plank of our economic future. There's no doubt that property will play a huge role in funding the evolution and improvement of our communities, our cities and our regional areas through the raft of major investments announced in today's State Budget, which includes record investment in infrastructure for our newest and fastest growing communities.

UDIA Victoria applauds Government's foresight shown through the \$172 million investment to help fill skills gaps, which is a live issue for the urban development industry.

While the 2018/19 Victorian Budget lays good foundations for our state's future, the absence of meaningful funding towards increasing housing supply is a shortfall that can't be ignored. UDIA will continue engaging with the Andrews Labor Government to ensure more is done to facilitate development and in turn balance up supply and demand, which will be enormously beneficial for the affordability pressures affecting so many Victorians.

Key Points

- Taxes on property now represent approximately 47% of the State Government's taxation revenue, yet there is relatively minor spending on planning and housing in this budget
- No new taxes
- Major investments in roads, rail, health and education across the state, including:
 - o \$13.7 billion in infrastructure investment
 - o \$4 billion on roads
 - o \$1.9 billion for public transport
 - o \$1.3 billion for schools
 - o \$4.3 billion for regional VIC, focused on roads, rail, schools and healthcare
- \$172 million to help fill skills shortages, with particular focus on the skills required to build Victoria
- \$14.7 million to slash red tape by putting an end to protracted permit applications for simple projects, \$9.7 million to process more planning permits, and \$3.5 million to help councils do faster subdivision approvals
- Estimated book value of over \$1 billion of GAIC funds over the next five years; Over \$115 million committed through GAIC funds to land acquisition for school sites, with a planned \$205 million committed to projects in the next four years.

Victorian Economic Overview

- 2018/19 Victorian State Budget will deliver an estimated operating surplus of \$1.4 billion, and an average surplus averaging approximately \$2.5 billion over the forward estimates

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- Taxes on property now represents approximately 47% of the State Government's taxation revenue and 16% of its total revenue
- Employment growth will strengthen with the unemployment rate forecast to remain at 5.75% and drop to 5.5% in forward estimates
- Population is growing at a rate of 2.3% a year, the strongest growth rate in the nation
- Net debt as a proportion of the economy is expected to be 6% of GSP by 2020

Property Taxation

Taxes on property now represents approximately 47% of the State Government's taxation revenue and 16% of its total revenue from transactions.

Land Transfer duty

Land Transfer duty (stamp duty) remains the largest property tax revenue source, representing 62% of the revenue from property taxes and 10.2% of total revenue from transactions. Stamp duty revenue for 2018-19 is expected to increase by 3.8% from 2017-18 and to continue to increase through the forward estimates.

Growth Area Infrastructure Contributions

2018-19 budget estimates \$238 million in GAIC revenue will be booked and an additional \$911 million in the forward estimates to 2021-22. This represents average annual growth of 12.1 per cent over forward estimates.

The Government's capacity to spend the booked value in the same period is largely dependent on staged payment agreements with land developers.

According to information provided to UDIA Victoria by State Government, the government has widely increased GAIC spending, with over 58% of funds collected in 2016-17 committed or spent. The nature of spending since 2016 is providing much needed infrastructure through land acquisition and building, as opposed to projects such as expansions and updates of public transport platforms. However, approximately 74% (over \$447 million) of collected GAIC funds remain with the State Revenue Office; these funds should be spent on areas that are desperate for more necessary infrastructure in the areas from which they are collected.

The 2018-19 State Budget identifies the following projects to be funded by GAIC:

Building New Communities Fund (\$185 million)

- \$116.1 million to acquire land for schools in the growth areas, , including:
 - o Clyde North P6 (\$15.7 million)
 - o Clyde Primary School- Site Extension (\$4.7 million)
 - o Cranbourne West Proposed 7-12 & Special School (\$32.1 million)
 - o Thoroughbred P6 (\$15.7 million)
 - o Merrifield West P6- Land acquisition (\$11.3 million)

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- o Cobblebank 7-12 (\$16.2 million)
 - o Grasslands P6 (\$11.3 million)
 - o Wollhara P6 (\$9.1 million)
- \$67.9 million to fund construction of new schools in the growth areas, including:
 - o Clyde North East Proposed P6 (\$20.8 million)
 - o Casey Fields (Five Ways) Proposed P6 (\$20.1 million)
 - o Botanic Ridge Proposed P6 (\$3 million)
 - o Craigieburn South Proposed 7-12 (\$24 million)
- Greening the Pipeline (\$1 million)

Growth Areas Public Transport Fund (\$20 million)

- \$20 million to fund an improved public transport system in the growth areas, including:
 - o Train station car parking (\$15.9 million)
 - o Metro bus service improvements (\$4.1 million)

UDIA welcomes the increased and more strategic spending of the GAIC fund, which has been the result of our strong and consistent advocacy efforts to ensure that developer contributions are spent appropriately and efficiently on behalf of the industry and our growing communities.

Land Tax

Land tax revenue is expected to increase by 23% to approximately \$3.1 billion following a land tax revenue of \$2.5 billion in the previous financial year.

Forward estimates show that land tax revenue is expected increase an average of almost \$259 million per annum from 2018-19 to 2021-22, reflecting the strength of the property market and an update to the revaluation estimates.

Forward estimates include assumptions about the effect of introducing annual land tax valuations in 2019.

Additional note on tax

Fire Services Property Levy: The 2018-19 revenue estimate is \$20 million lower than the 2017-18 Budget Update due to the Government's decision to cap the levy collection for 2017-18 and 2018-19 at \$662 million, the amount collected in 2016-17. This will result in returning the 2017-18 overcollection

through reduced rates for the 2018-19 levy year. From 2019-20 the forecasts assume that revenue will be collected as per the provisions of the Fire Services Property Levy Act 2012. Levy rates for 2019-20 will be determined by the Treasurer in May 2019.

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Funding

Infrastructure

- \$13.7 billion in infrastructure investment, including:
 - \$50 million to kick-start work for a high-speed rail link between Geelong and Melbourne, with detailed planning work and technical investigations to determine a preferred option set to begin.
- \$50 million over two years to boost the *Growing Suburbs Fund*, so it can deliver more vital community infrastructure projects across Melbourne's booming outer suburbs, in line with local council priorities.
- \$4 billion on roads, including:
 - \$2.2 billion package to upgrade 13 arterial roads across the northern and south-eastern suburbs; the biggest investment in suburban roads in Victoria's history. These high priority upgrades will be delivered within five years and will be overseen by the Major Road Projects Authority – a new dedicated authority to deliver the Labor Government's more than \$14.9 billion pipeline of major road projects.
 - \$572 million to upgrade Melbourne's busiest rail corridor, which spans the Cranbourne, Pakenham and Sunbury lines.
- \$1.9 billion for public transport

Education

- \$1.3 billion for schools, including:
 - \$353.2 million to build 12 new schools as part of a massive funding boost for in the fastest growing parts of the state
 - \$180.8 million to build, plan and upgrade 60 regional schools, including \$46 million for planning and building five new school projects in some of Victoria's fastest growing regional communities
- \$172m to help fill skills shortages through an innovative TAFE and pre-apprenticeship program, with particular focus on the teaching the skills required by Victoria's urban development industry.

Planning & Construction

- \$14.7 million to slash red tape by putting an end to protracted permit applications for simple projects
- \$30 million for a new community building fund, which will see Victorians nominate and decide on their own funding priorities
- \$9.7 million to process more planning permits
- \$3.5 million will help councils do faster subdivision approvals
- \$1 million to Land Use Victoria for a new online portal that will give communities better access to information on public land
- \$25 million to give authorities the resources they need to check more buildings for cladding and other dangerous and combustible materials

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- \$12.7 million for the Earth Resources Regulator (ERR) to ensure access to the rock, gravel, sand and other resources required to build the projects our state needs.
- \$4 million to complete planning at Fishermans Bend for schools, public transport, open space and affordable housing. \$590,000 will fund new exterior design standards to make sure new apartments are built with the highest quality of materials and the best standards of sustainability. An additional \$5 million allocated to complete the planning and begin the delivery of the services and infrastructure for Fishermans Bend, including public transport planning for a new connection between Fishermans Bend and the CBD.

Additional Resources

- [UDIA Victoria media release: Victorian Budget future-proofs state economy with property taxes](#)
- [2018/19 Victorian Budget Papers](#)

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