# Reforming Windfall Gains Tax to Unlock More Housing

UDIA Victoria, 2026

# Contents


About UDIA 3

What is Windfall Gains Tax? 3

Why WGT is a problem? 3

UDIA's position 4

The impact of WGT on residential development 4

Case Study A: Regional Victoria 5

Case Study B: Metropolitan Melbourne 5

The disproportionate impact on regional Victoria and Melbourne's urban renewal 6

**Opportunities to improve WGT**

Recommendation 1: WGT should distinguish between speculators and developers 7

Recommendation 2: Expand exemptions to incentivise housing delivery 7

Recommendation 3: Simplify WGT through a GAIC-style model. 8

A no 'worse-off' principle 8

A capped GAIC-style contribution arrangement. 9

Recommendation 4: Establish a concept of 'net uplift'. 9

Recommendation 5: Improve transparency, education and access to review 10

Recommendation 6: Safe harbour, staging and alignment with GAIC 10

## About UDIA

The Urban Development Institute of Australia, Victoria (UDIA) is a not-for-profit research, advocacy and educational organisation supported by a membership of land use and property development entities, across the private sector and Victoria's public service.

UDIA is committed to working closely with industry, local, state and Commonwealth government, key housing sector stakeholders, and the community to improve access to diverse, high-quality and affordable housing in Victoria.

UDIA is focused on establishing the right policy, regulatory and taxation settings to enable the residential development industry to build more homes than ever before – consistent with the objectives of the State Government's Housing Statement and the National Housing Accord.

We apply a rigorous, research and evidence-based approach to developing policy advice for decision-makers, at all levels of government. UDIA research tracks market trends, construction costs, regulatory changes, and prevailing economic conditions, providing a comprehensive picture of Victoria's development industry. Our detailed research has informed this submission.

## What is Windfall Gains Tax?

Windfall Gains Tax (WGT), a "Victoria Special" with no equivalent elsewhere in Australia, applies when a rezoning lifts a property's value by more than $100,000. The tax is levied on the uplift in the land's capital improved value (CIV) as determined by the Valuer-General.

A rate of 50 per cent applies to taxable value uplifts of $500,000 or more, with the full uplift taxed. For taxable value uplifts between $100,000 and $500,000, a rate of 62.5 per cent then applies to the amount above $100,000. The tax is charged to the person who owns the land when it is rezoned.

Critically, this gain is theoretical at the time of taxation. The uplift is assessed on rezoning alone, not any actual transaction, leaving landowners exposed to tax on gains that only exist on paper.

Payment can be deferred, with interest, which generally becomes payable when the land is sold, there is a significant change in ownership of the company or trust that owns the land, or after 30 years, whichever comes first.

Any unpaid tax attaches as a debt to the land itself and must be cleared before sale.

Key exemptions and exclusions include up to two hectares of residential land, land rezoned to public land zones, land rezoned to specified rural zones other than the Rural Living Zone, and rezonings to or from the Urban Growth Zone within the Growth Areas Infrastructure Contribution area (GAIC). Where multiple parcels are rezoned under the same WGT event, aggregation rules can apply when calculating the total liability.

## Why WGT is a problem?

WGT is undermining housing supply and development viability across the state. The tax creates an uncertain and unquantifiable cost burden that cannot be assessed before a rezoning decision is made. When the cost of a project cannot be determined with confidence, it becomes exceedingly difficult for projects to proceed.

Unlike other levies, WGT falls on an unrealised gain before any revenue from development is generated, significantly increasing holding and financing costs and pushing many projects past the point of feasibility. The tax also fails to distinguish between speculators and genuine developers, and its deferral structure perversely rewards those who sit on land rather than those who build homes.

Its impact falls disproportionately on regional Victoria and Melbourne's middle-ring urban renewal sites, the very locations the government is relying on to deliver new housing supply, while Growth Area Infrastructure Contribution (GAIC) areas in metropolitan greenfields remain exempt.

The numbers speak for themselves: WGT has missed its budget forecast by $75 million in 2024-25 and by a further $51 million in 2025-26. This is not evidence of a tax working as intended. It is evidence of a tax deterring the rezoning and development activity Victoria urgently needs.

## UDIA’s position

UDIA opposes the WGT as a levy that directly inhibits the development of new housing in Victoria. Our position is that the best outcome for the development industry and the delivery of housing supply is to abolish WGT.

Notwithstanding that position, we recognise that the tax is unlikely to be abolished in the near term and encourage a review of its operation to ensure it functions as efficiently, equitably and transparently as possible. In its current form, WGT is having a material adverse impact on housing delivery across the state.

Targeted reforms, particularly to how the tax is calculated and when it falls due, would go a long way to addressing its structural deficiencies and better align the tax with the Government's own ambition to deliver 70 per cent of new housing in established areas. We make six key recommendations: distinguish between speculators and genuine developers in how the tax is applied; expand exemptions to incentivise housing delivery; simplify the tax through a GAIC-style model with a no worse-off principle; introduce a concept of net uplift so that rezoning, holding and development costs are deducted before the tax is calculated; improve transparency, education and access to review; and introduce safe harbour, staging and alignment with GAIC.

## The impact of WGT on residential development

The 2024-25 Financial Report of the State of Victoria confirms that only $15 million in WGT revenue was collected, well below the $90 million budget forecast and down from $114 million in 2023-24.

Our members who are most exposed to WGT have been clear in stating that adding WGT on top of the existing taxes, charges and levies is impacting project viability. As such, the investment, planning and development activity needed to deliver new land supply has significantly declined, as reflected in the latest figures. When the feasibility of projects is reduced, fewer proceed to construction, affecting both housing supply, regional and urban renewal jobs and the State’s own revenue.

WGT adds a significant and uncertain cost to the process of rezoning land for housing. Unlike other levies such as the GAIC or stamp duty, WGT cannot be accurately quantified before a rezoning decision is made. This makes it difficult for developers and investors to assess land value, secure finance, or commit capital with confidence.

The tax on an unrealised gain in land valuation also becomes payable long before any revenue can be generated from developing lots or dwellings, which significantly increases holding and financing costs. For many regional and urban renewal projects, this has proven a material barrier to feasibility, reflected in the sharp decline in rezonings across 2024-25.

### Case Study A: Regional Victoria

A UDIA member owns a parcel of land in regional Victoria, with the potential to create 375 lots. The developer acquired the land for $10 million, with the purchase price taking into account the potential for the land to be rezoned for residential use. The developer has invested $1 million towards the cost of having the land rezoned at significant risk, given that if the rezoning is unsuccessful the estimated underlying value of the land is $2 million.

If the land is rezoned, the developer now calculates it will be required to pay a $13 million WGT liability. This cost was not factored into the original feasibility analysis for the project because the tax did not exist at the time of acquisition and cannot now be absorbed. Accordingly, the developer has two options: to redeploy capital to other projects or to pass through the cost of the rezoning tax (an extra $35,000 per lot).

If the project cannot proceed, regional Victoria will lose 375 potential dwellings, hundreds of direct and indirect jobs and it will cost the State over $6 million in stamp duty receipts.

### Case Study B: Metropolitan Melbourne

A UDIA member has a contract to purchase a parcel of land in Melbourne's north, in a locality that will be subject to the WGT. The parcel of land is located adjacent to a major metropolitan train station and plans for the land include up to 800 dwellings, including up to 80 social and affordable dwellings, and some mixed-use (retail) on a busy intersection at the edge of the parcel.

Having spent considerable time and expense dealing with environmental approvals necessary before a rezoning can take place, that rezoning will not occur for between 12-18 months.

Given WGT applies at 50 per cent where the taxable value uplift is $500,000 or more, the developer is now considering whether the project can proceed, either in its proposed form or at allIf the project does not proceed, the land will remain vacant and underutilised, 800 dwellings will not be built in a location supported by public transport options costing the State over $35 million in stamp duty receipts.

WGT remains payable even if the land is not developed. Owners have the ability to defer payment of the tax for up to 30 years, or until a dutiable transaction occurs, whichever comes first, but deferred WGT continues to accrue interest during this period. The right to defer WGT only once, also means a non-developer owner of rezoned land will always use up the single deferral right. Thereby, a developer interested in acquiring the rezoned site will be required to pay 100 per cent of the deferred WGT liability at settlement of the acquisition and will have no ability to align payment of the tax with the actual delivery of the land in question (as currently occurs with GAIC staging). The current deferral regime therefore only benefits non-developer owners and speculators.

Genuine developers, however, do not have access to deferral unless they behave more like a speculator and acquire unzoned land and sit on it until it is rezoned. Given the tax was originally conceived as a measure to deter speculators, the single deferral right perversely operates as a structural feature to encourage genuine developers to behave more like speculators.

## The disproportionate impact on regional Victoria and Melbourne's urban renewal

Although it is appropriate that GAIC areas are not also subject to WGT, given GAIC collected $184 million in 2024-25, this creates a scenario where the rezoning tax falls disproportionately on land outside the Urban Growth Boundary – particularly across regional Victoria, and larger metropolitan brownfield or industrial sites in the inner and middle rings.

While few individual residential landowners or small infill projects in established suburbs are directly captured due to the two hectare residential exemption, the tax nevertheless increases the cost and complexity of major urban renewal and redevelopment projects that rely on rezoning to deliver new housing and employment land. In regional Victoria, where most rezonings occur on larger parcels, the financial impact is far more pronounced and will significantly constrain new land supply.

The rezoning tax is in direct policy conflict with:

- the government's aim of encouraging new housing supply throughout regional Victoria; and
- the objectives of Plan for Victoria.

Data prepared by Research4, one of Australia's leading residential greenfield market research houses, shows that housing affordability across regional Victoria has reduced significantly in recent years. In Geelong it has reduced by 85 per cent since 2018, in Ballarat it has reduced by 55 per cent since 2019 and in Warragul it has reduced by 45 per cent since 2020.

Housing demand in regional Victoria has been increasing in recent years, a trend that was brought forward significantly with the onset of the pandemic. Without a commensurate increase in housing supply across regional Victoria, current land supply levels are low. Research4 suggests that greenfield land supply in Bendigo could be as low as 4.2 years. Analysis in by Ethos Urban's *Greater Bendigo Residential Assessment*, found that development feasibility in Bendigo is already constrained by rising infrastructure and holding costs, with WGT expected to further limit the capacity to bring new lots to market.

The imposition of a rezoning tax across regional Victoria will not dampen demand for new homes across the State but will stifle supply. The inevitable result is further upward pressure on regional house prices, pushing home ownership increasingly out of reach and locking many regional Victorians out of buying a home in an area they can afford or in the community where they grew up.

In respect of metropolitan Melbourne, achieving Plan for Victoria's new and ambitious housing targets in each municipality, the successful intensification of key Activity Centres and Suburban Rail Loop Precincts, and delivering major urban renewal projects, all require significant amounts of rezoning.

Central to the Plan for Victoria, is the need to increase the supply and density of housing in the inner, established areas of our city. If the re-development of a significant brownfield infill sites throughout Melbourne's middle ring is abandoned because it is no longer viable, then communities will be starved of the opportunity for urban regeneration, and other potential revenue flows from property transactions will also be curtailed.

## Opportunities to improve WGT

We understand Government is committed to WGT and that its budget position is reliant on its forecast revenue. However, UDIA modelling shows how critical it is to ensure the administration of this tax does not adversely impact future state revenue streams in a manner contrary to its intentions. With this in mind, UDIA makes the following recommendations.

**Recommendation 1: WGT should distinguish between speculators and developers**

When the WGT was introduced, it was described as a measure to capture “windfall profits” from rezonings. In practice, the tax does not adequately distinguish between speculators, who profit purely from land value increases without delivering housing, and developers, who invest capital, carry risk and create homes, jobs and community infrastructure.

A speculator typically engages in land banking, where they acquire land in anticipation of a future rezoning, contributing little or nothing to the planning process, and sell immediately after the uplift is realised. Their profit is derived purely from planning decisions made by government.

A developer, by contrast, purchases land for the purpose of delivering housing and employment land. They fund and manage complex rezoning processes, take on the risk, holding and financing costs, and reinvest in local infrastructure. Developers create tangible economic value and help meet housing supply targets.

Under current arrangements, speculators can defer payment of WGT until sale, while developers, who buy rezoned land to deliver projects, must pay the full deferred liability immediately. This structure discourages genuine development and rewards passive speculation.

UDIA recommends amending the WGT framework to recognise this distinction. This could be achieved by:

- Introducing a “substantial commencement” test, where WGT becomes payable only if land is sold or remains undeveloped within a set period after rezoning; or
- Providing an additional deferral right for developers who progress to subdivision or construction, allowing payment to align with project delivery.

These changes would preserve the integrity of the WGT while aligning it more closely with its policy intent of targeting speculative gains rather than productive investments that support the Government’s goal of accelerating housing supply and affordability.

**Recommendation 2: Expand exemptions to incentivise housing delivery**

Similar to the approach taken under Victoria’s foreign purchaser additional duty exemption framework, where relief can be granted for projects whose commercial activities significantly add to Victoria’s housing stock, UDIA recommends that the WGT framework be amended to provide targeted exemptions or partial exemptions to achieve similar policy goals.

. These should apply in circumstances where development demonstrably contributes to new housing stock, including:

- significant residential developments
- build-to-rent projects
- land lease communities
- projects delivering a mandated proportion of affordable or social housing.

Such exemptions could be legislated directly or provided for through a published set of guidelines, administered by the State Revenue Office on a case-by-case basis. This would align the WGT regime with broader housing affordability objectives and ensure the tax does not act as a disincentive to developments that clearly deliver public benefit.

## Recommendation 3: Simplify WGT through a GAIC-style model and ensure no 'worse-off' outcomes.

### Complex valuation-based model

As a valuation-based model, WGT is reliant on the measurement of unrealised and hypothetical gains. As such, it is inherently uncertain, proving confusing to industry and is administratively burdensome.

### A simpler method

A GAIC-like contribution could serve to alleviate many of these complexities. It will also make each individual project less sensitive to the imposition of a new tax, somewhat mitigating the negative effects on housing supply and affordability.

A GAIC-like contribution could trigger a liability on affected land in a manner known and understood by both industry and the State Revenue Office, being:

- Transfers of title - transactions resulting in a change of ownership and are subject to land transfer duty, including contracts of sale, sub-sales and any other transfers of the title of the land.
- Subdivisions - the issue of a statement of compliance for a plan of subdivision.
- Building permits - an application for a building permit in the contribution area.
- Significant acquisitions - involving an acquisition in a landholder that owns affected land subject to landholder duty. A landholder is a private unit trust, private company, wholesale unit trust, a public unit trust or a listed company that has land holdings in Victoria with an unencumbered value of $1 million or more.

The GAIC is imposed when the first of these events takes place and affects the land until it is paid. Once fully paid, the GAIC recording over the land title is removed and the contribution will not apply to any subsequent GAIC events.

### A no 'worse-off' principle

Project proponents should be no worse off than if within a GAIC locality. Given the WGT will not apply to areas already affected by GAIC (primarily metropolitan greenfields), it is not equitable for landowners in regional areas or urban regeneration areas already serviced by transport and other infrastructure, are required to pay a per hectare tax rate higher than GAIC contributions. This distorts the market, placing regional Victoria and Melbourne's inner-middle ring at strategic disadvantage. As well as reducing land supply in these locations and increasing lot prices, it will eventually apply more pressure on moving the Urban Growth Boundary (rather than directing growth to areas where existing capacity for growth exists).

In the context of Government housing policy, it is justifiable that levies on regional Victoria and metropolitan Melbourne should be less than the GAIC. In the context of regional Victoria, this reflects the low retail price and sales rate when compared to metropolitan greenfield areas; in the context of inner-middle Melbourne, this reflects that these locations are better served by existing infrastructure and require less investment by government. GAIC rates are currently $118,830 per ha for Type A land and $141,150 per ha for Types B-1, B-2 and C land. UDIA submits that the contribution levied in these locations be the lower of the following two, to provide the greatest certainty as to the maximum liability:

a. No more than 50 per cent of GAIC levels.
b. The assessed WGT rate (whichever is lower).

**A capped GAIC-style contribution arrangement will collect greater revenue and the balance above $40 million should be hypothecated.**

We estimate that the introduction of a statewide GAIC-style contribution, with regional and urban regeneration areas capped at 50 per cent of current GAIC rates, would raise in excess of $65 million each year. This could also pave the way for Works-in-Kind agreements.

The GAIC is a hypothecated fund, designed to contribute to the funding of essential state infrastructure in Melbourne's growth areas.

Residential development contributed approximately $7.3 billion to the 2024-25 Victorian Budget, comprising $2.9 billion in development charges and $4.4 billion in state taxes on residential development. It is therefore essential that the industry is not subjected to additional layers of taxation, such as a GAIC-style contribution under WGT, only to then be required to pay further infrastructure levies in the same areas.

UDIA also recommends that all revenue collected under the WGT be hypothecated to fund infrastructure that supports housing delivery in the areas where it is collected. This would align with the Government's stated intention to reform Development Contributions Plans (DCPs) and Infrastructure Contributions Plans (ICPs) to improve consistency and transparency in infrastructure funding. Without such coordination, WGT operates as a duplicative levy that captures uplift intended to fund infrastructure, despite the DCP/ICP framework already serving that purpose. Clear delineation between these mechanisms is critical to avoid compounding costs on housing delivery.

## Recommendation 4: Establish a concept of 'net uplift'.

WGT is intended to capture 50 per cent of the uplift in value brought about by land being rezoned. This figure alone is significant and substantially erodes the commercial incentive for a developer to invest in projects in where it applies. Before WGT, developers also need to consider myriad other State property taxes; Commonwealth tax obligations, including company income tax (set at a rate of 30 per cent for any englobo or retail sales); and statutory contributions, fees and charges.

Given the impost of the 50 per cent WGT liability and the adverse impact it will have on development across Victoria, UDIA recommends that any tax must be applied on the net uplift achieved through a rezoning, being the gross value of the uplift less costs related to the holding, rezoning and development of the land.

The *Windfall Gains Tax Act 2021* already contemplates the concept of "allowable deductions" when determining taxable value uplift (see Section 10). However, no deductions have yet been prescribed in regulation. The State Revenue Office confirms that while the framework permits deductions, none are currently available to reduce liability. UDIA submits that this is an immediate opportunity for reform and invites further engagement with government to identify appropriate allowable deductions, such as documented rezoning costs, remediation and expert fees, which would provide a fairer reflection of net uplift and maintain project feasibility.

### Recommendation 5: Improve transparency, education and access to review

The current regime places substantial information risks on landowners and councils, which is contributing to delayed investment decisions. UDIA recommends a targeted package of administrative reforms to improve certainty, educate stakeholders on their options and reduce unnecessary disputes:

- Require every WGT notice to include a plain-English statement of rights and timeframes, with a direct link to the State Revenue Office objection page, noting that objections must be lodged within 60 days of an assessment or reassessment.
- Publish an SRO Practice Note clarifying valuation mechanics for WGT. This should confirm that taxable value uplift is measured using capital improved value determined by the Valuer-General Victoria through a supplementary valuation following a rezoning, and explain acceptable evidence for objections and partial objections with worked examples.
- Standardise the content of WGT notices so each assessment sets out: the capital improved value (CIV) before rezoning (CIV 1), the CIV after rezoning (CIV 2), the calculation of uplift, the applicable rate and any exemptions or exclusions applied, together with clear instructions on objection, review and deferral options.
- Provide a public WGT calculator that shows how uplift, rates and interest on deferral are calculated, including that deferred liabilities accrue interest at the relevant 10-year Treasury Corporation of Victoria bond rate and that deferral ceases on a dutiable transaction, a relevant acquisition, or after 30 years.
- Establish a single point of contact within the SRO for complex rezonings to facilitate early engagement on valuation inputs, parcel apportionment and staging.

UDIA welcomes the opportunity to partner with the Department of Treasury and Finance, the SRO and the Valuer-General to deliver joint education programs for landowners, councils and practitioners, focused on rights of review, valuation evidence and financing implications. This could be delivered via webinars and regional briefings, with all materials publicly accessible.

### Recommendation 6: Safe harbour, staging and alignment with GAIC

If the Government retains a valuation-based WGT, UDIA recommends the following settings to provide certainty and maintain feasibility to give lenders and proponents a predictable ceiling while preserving incentives to pursue appropriate valuation outcomes.

UDIA recommends a safe-harbour rule that limits any WGT liability to the lower of:

a) the amount that would apply if an equivalent GAIC rate were imposed on the land, or

b) the assessed liability after any successful objection or review.

This approach would cap exposure at a level that is well understood in the market, while continuing to recognise legitimate valuation challenges. GAIC is a one-off contribution triggered by defined events such as transfer, subdivision or building permit, and its framework is familiar to both industry and the SRO.

In addition, to better match tax timing to delivery:

- Enable staged assessment and payment of WGT aligned to endorsed subdivision stages or development phases, with parcel-level apportionment clearly shown on the assessment.
- Permit partial deferral by stage, with transparent interest accrual on the deferred component only, consistent with the existing deferral settings referenced above.

These changes would materially improve feasibility, reduce the risk premium priced by equity and debt, and accelerate the delivery of well-located housing while preserving the State's revenue intent.

## Next steps

UDIA would welcome the opportunity to work with Government to provide a roadmap for reforming Windfall Gains Tax.  Through its extensive membership and expert committee members, UDIA is well placed to bring together leading subject matter experts on this issue to develop reforms that meet the Government's overarching policy objectives without acting as a deterrent for development on investment in Victoria.

**UDIA Victoria General & Policy Enquiries**

Email: info@udiavic.com.au
(03) 9832 9600

**Mailing Address**

UDIA Victoria
Level 1, 55 Collins Street,
Melbourne, VIC 3000

**udiavic.com.au**