Property Council of Australia
ABN 13 00847 4422

Level 1, 11 Barrack Street
Sydney NSW 2000

T. +61 2 9033 1900
E. info@propertycouncil.com.au

propertycouncil.com.au
@propertycouncil

31 August 2020

The Hon Josh Frydenberg MP
Treasurer
Parliament House
Canberra ACT 2600
By e-mail: prebudgetsubs@treasury.gov.au

Dear Treasurer

Property Council of Australia Pre-Budget Submission 2020/21

Thank you for the opportunity to provide an update to our 2020/2021 Pre-Budget submission.

Since providing our original submission in February, Australia has suffered the biggest health and economic crisis of the past 50 years. The Australian Government and the National Cabinet have acted quickly and decisively in protecting the health of Australians, although the impact of the second wave in Victoria has dealt a heavy blow.

The Property Council and our members share your strong interest in economic recovery. Pre-pandemic, the property industry employed 1.4 million Australians – more than mining and manufacturing combined. Property is the nation's largest industry, representing 13% of Australia's GDP. We are the stewards of so much of the nation's collective investments, including 14.8 million Australians who invest in commercial real estate through their superannuation. And the industry shapes the future of our cities, suburbs and towns for future generations.

There can be no economic recovery without a strong property industry.

Economic recovery must be the centrepiece of this Budget and this must encompass further short-term stimulus measures and reforms that will drive growth and prosperity over the medium to longer term.

The key recommendations outlined in this submission are:

1. **Extend HomeBuilder** to support more housing construction jobs
2. New initiatives to stimulate activity: **Built-to-Rent** housing, **affordable housing** incentives and a **seniors rightsizing grant**
3. A permanent productivity dividend through **planning and zoning reform**
4. Reactivate Australia's **central business district economies**
5. **End the commercial leasing codes of conduct** to cut red tape and remove financial system risk
6. **No 'chapter 11' style US insolvency changes** for Australia
7. Invest in **catalyst projects** to accelerate growth
8. **Tax settings** to drive productivity
9. **Harness offshore capital** to support recovery and investment
10. A '**Welcome to Australia' migration plan** to provide the skills, people and growth our economy needs.

The property industry has kept construction sites open safely and are now tackling the challenge of getting people safely back into CBDs, office towers and keeping jobs going on private and public projects. Resetting our economy will require the same strength of leadership and decision making from government and industry as we have demonstrated together in the face of the health crisis.

No sector has been asked to do more, with Commercial Leasing Codes mandating that property companies provide financial support to tenants – an extraordinary obligation that no other advanced economy has implemented.

This Pre-Budget Submission builds on and compliments the Property Council's seven-point plan for economic recovery presented to National Cabinet in May 2020, see attached.

The property industry will continue to play a vital role in boosting community confidence, Australia's economic recovery and our ongoing prosperity and we look forward to continuing to support the work of the Government to these ends.

Please do not hesitate to have your office contact Richard Lindsay on 0422 022 746 or rlindsay@propertycouncil.com.au.

Yours sincerely

Ken Morrison
Chief Executive

Property Council of Australia
Pre-Budget Submission 2020/21

1. Extend HomeBuilder to support more housing construction jobs

Purpose

Maximise the huge economic multiplier of the construction industry – nine jobs created for every million dollars spent[1] – to extend the economic kickstart provided by *HomeBuilder 1.0*. **Challenge**

The Federal Government's leadership in developing the *HomeBuilder* program has been a welcome and essential support to continued demand for new construction and thereby keeping many tens of thousands of people in jobs.

And yet, the likelihood of weak future housing construction risks our economic recovery in 2021.

Creating new homes, apartments and retirement living units together constitute one of the most powerful job keepers and job multipliers in the Australian economy.

We need to get housing right by extending and broadening *HomeBuilder*, boosting the retirement living sector, supporting Build-to-Rent housing and growing social housing. **This will keep people in jobs and cranes on our city skylines until a vaccine is found.**

The Plan

1.1 Extend the duration of the successful HomeBuilder program

- Extend the duration of the HomeBuilder scheme to July 2021, with a six-month unconditional window to 31 December 2020.
- Announce the extension in the October Budget, in advance of the scheme's scheduled end (not in late 2020).

The Victorian lockdown has meant that the Government's HomeBuilder scheme will have limited effect in that state within the period that the scheme was originally scheduled to run.

A HomeBuilder extension is essential in the light of Deloitte forecasts showing falling population growth will mean 250,000 fewer people living in Australia by the end of next year than would have occurred prior to the pandemic. This will have dire consequences for construction activity through 2021 if not addressed.

1.2 Adjust the HomeBuilder program to support apartment construction and jobs

- Adjust the three month from contract signing requirement to support jobs in the struggling apartment sector.

While it is clearly the Government's intention to support as many jobs as possible through the HomeBuilder program, the scheme's current duration and design means that this will not be of benefit to otherwise eligible purchasers seeking to buy off-the-plan apartments.

[1] National Housing Finance and Investment Corporation, *Building Jobs: How Residential Construction Drives the Economy, July 2020.*

With nearly half of housing construction coming from multi-unit dwellings, this is a very large employment and activity base that is not supported by the HomeBuilder scheme.

The requirement that construction commencement must occur within three months of contract signing means that the program has provided little or no support to construction activity and jobs in that sector.

A simple amendment to the scheme design, coupled with an extension of the scheme, would address this issue and help support many tens of thousands of jobs.

1.3 Extend the scope of the successful HomeBuilder program to include further backdated 'spec' stock to January 2020 as a major source of industry jobs

'Spec' building refers to the practice of building houses without a purchaser contracted to purchase the dwelling, with the dwelling produced for sale post construction. It is common practice to include some 'spec' build homes in many development projects. The sale of such a dwelling then releases capital to immediately allow the construction of the next dwelling. By way of example, one of our members currently has $90m in capital tied up in completed and unsold new homes, another $60m. These numbers will be the tip of the iceberg across the industry.

HomeBuilder has rendered homes completed post 1 January 2020 and pre 4 June "overpriced" and difficult to sell. This effectively freezes production of new stock and therefore current jobs in this part of the sector. Such builders are keen to engage and retain their trades but are unable to invest new capital while significant capital is tied up in newly completed but unsold homes. They seek to unlock this capital to put more homes into production.

2. New initiatives to stimulate activity: Build-to-Rent housing, affordable housing incentives and a seniors rightsizing grant

Purpose

To leverage institutional investment and the housing construction sector to stimulate economic activity and support jobs.

Challenge

Housing markets remain a powerful tool to stimulate the economy and provide the built outcomes that Australians need.

The Plan

2.1 Level the investment playing field for Build-to-Rent housing to boost counter-cyclical jobs and construction backed by institutional investment

Getting Build-to-Rent housing settings right provides an opportunity to stimulate a new form of housing supply and construction jobs that is not dependant on normal pre-sales to commence and therefore can boost economic activity alongside traditional housing construction.

Build-to-rent housing is purpose-built accommodation for people who rent, with the apartment building held in one ownership by institutional investors (not strata titled into individual units). Build-to-rent provides tenants with longer leases, access to shared amenities, pet friendly accommodation, professional management and a better quality lifestyle than much traditional rental accommodation.

While this is common in many other comparable countries, the emergence of build-to-rent housing in Australia is curtailed by several policy roadblocks. Pleasingly the NSW Government has acted to level the playing field on land tax and planning frameworks and we understand Victoria will soon follow suit.

At the Commonwealth level, investment in Build-to-Rent housing is subject to withholding tax of 30%, twice the tax rate of investment in office buildings, shopping centres or other commercial property. A level playing field – in conjunction with state policy resets – would support a strong investment pipeline as we have seen in other countries including the UK and the US.

2.2. Incentivise the private sector to create affordable housing for key workers

Incentivise the private sector to create affordable housing for key workers and older people at risk of homelessness, and to do this at scale.

We recommend bringing together the community housing sector, the development sector, institutional investors, state governments and Federal Treasury to create a new framework, leveraging existing tax settings, learning from the US tax credit scheme and developing a reformed successor to the former National Rental Affordability Scheme (NRAS).

Along with equalising the withholding tax settings for at-market build-to-rent housing, the affordable housing withholding tax rate also needs to be recalibrated. At 15%, this tax rate is equivalent to that paid by most offshore investors in office buildings, shopping centres and other commercial assets. By definition, this provides insufficient incentive to invest in sub-market housing. The Property Council recommends that this be recalibrated to 10%, in line with the clean energy MIT arrangements already in legislation.

2.3 Seniors Rightsizing Grant – a $25,000 incentive to rightsize into retirement

The Government's *HomeBuilder* program largely excluded retirement housing, such as retirement villages and land lease communities, despite an evidence-based need to construct more age-appropriate accommodation for Australia's growing older population.

New research suggests that the pandemic has heightened older peoples' desire to live in a community of their peers and recognise the benefits of retirement housing. Analysis by Grant Thornton shows that retirement village living saves government $2.38 billion in reduced spending on health and aged care costs every year. This equates to a saving to government of $12,600 per resident living in a retirement village per year. The sector also delivers around $12.6 billion to GDP.

The Property Council recommends the grant be paid to each older person who rightsizes to a retirement community with a secure, long-term tenure such as a lease, licence, freehold title, or other similar holding.

A $25,000 Seniors Rightsizing Grant would:

- assist people afford the move into retirement communities
- stimulate the economy through new construction and refurbishment, and through seniors using their released equity on care services and other consumables and
- help younger families access newly available housing stock.

3. A permanent $3b productivity boost through planning and zoning reform

Purpose

To make a substantive impact on an issue the Productivity Commission ranks as one of the five big opportunities to 'shift the dial' on productivity in Australia.

Challenge

The Productivity Commission's 2017 report, *Shifting the Dial*, highlighted better functioning towns and cities as a top five reform priority that could deliver a $29 billion increase in Gross Domestic Product.

Over the past decade the Property Council's Residential Development Council has commissioned successive research reports that measure the economic benefits of planning reform. These research reports have laid out consistent recommendations to improve planning frameworks and have shown that there remains an immense opportunity to improve planning and zoning processes in Australia.

In 2016 the Property Council commissioned Professor Ian Harper AO and Deloitte Access Economics to consider how the 1990s style National Competition Policy could be utilised to drive change in planning systems. The Federal Incentives for Housing Supply study found that providing financial incentives to the states to improve their planning systems could deliver around $3 billion a year in potential GDP gains.

However, state and territory governments continue to underestimate the economic harm done by poor planning processes. In so doing, governments often pass over reforms allowing new housing supply to meet demand and help grow the economy. When plans are out of date, new housing hasn't been zoned, rules are complex or uncertain and assessment is slow, the result is less housing supply than Australia needs at higher prices and with fewer jobs created.

The Property Council commissioned Urbis to undertake research into the economic benefits that can easily be realised if state and territory governments prioritise planning improvements that will improve the productivity of the residential development sector in the short term.

The report, *Planning to Prosper – Boosting productivity, jobs and housing supply,* found that if each state and territory implements just one of the reforms identified in the report, each year the Australian economy has the potential to gain up tens of thousands of additional jobs and more than $5 billion in added value. A copy of the report is attached.

A brief analysis of the Australian housing market reveals many endemic challenges:

- Australia's housing prices are very high by international standards
- there remains a long-term failure of housing supply to meet demand for both greenfield and brownfield development – driving the cost of homes ever upward
- there are very few financial incentives in place which encourage the private sector to create 'key worker' affordable housing at any scale
- governments have historically failed to create appropriate and productive density around job and transport corridors – denying Australians access to opportunity
- 25% of the cost of a new home consists of government taxes and charges[2] – this sunk cost denies people the flexibility to follow employment and other opportunities

[2] ACIL Allen Consulting, Taxes and Charges on New Housing, June 2018

- our planning systems are under-resourced and prone to unnecessary delay – reform them and we can pursue a growth trajectory when health constraints allow
- we lag similar global markets in providing Build-to-Rent housing – a form of quality rental accommodation that can be constructed and provide jobs even when demand for build-to-sell housing is falling.

The Plan

3.1 Identify best practice planning system design that should be adopted by each state and territory. This permanent improvement to planning systems should be designed to lower house prices by producing outcomes that are faster, cheaper and better.

3.2 Provide federal incentives to state and territory governments to implement these reforms in the form of bilateral Housing Deals. These would provide incentives only when specific report priorities have been put in place by the jurisdiction.

4. Reactivate Australia's central business district (CBD) economies

Purpose

Get people safely back to work in our CBDs and bring city centres back to life and supporting jobs.

Challenge

The Sydney and Melbourne CBDs each contribute around 7% of national GDP and collectively support one million jobs. All our CBDs are significant generators of economic activity.

The current stage 4 lockdown in Melbourne is having a devastating impact on all businesses that operate in and around the city, but even in states where there has been little or no community transmission and it is safe to do so, activity levels in our CBD areas remain very subdued.

A recent Property Council survey of office occupancy in August compared with the same period pre-COVID across every capital city puts Perth at 55% and Brisbane at 45% (compared to 60% and 43% in July), with Sydney at 30% (down 2% from July) and Melbourne at just 7% compared to 18% in July.

While many areas of the economy are re-opening with the easing of restrictions, more than 75% of those surveyed did not expect to see a material increase in occupancy for three months or longer. While government shutdowns accounted for the largest reason for low occupancy in July (35%), the issue of public transport capacity or safety is increasingly becoming a significant concern with 35% identifying this as a material issue in August, on par with Government public health restrictions.

In cities like Sydney, Melbourne and Brisbane which are more reliant on public transport, continued and increased concerns around the availability and safety of public transport demand stronger action be taken to instil greater confidence. This is despite the unheralded success of very few cases or transmission of COVID-19 being linked to public transport.

The revitalisation of our CBDs matters not only for those businesses which are located there but also for all of the businesses which depend on people travelling to and from and around the CBD: cafes, restaurants, retail outlets, arts and entertainment venues, transportation services, couriers and other service providers.

The Plan

4.1 Government leadership.

- A National Roadmap for the Reactivation of Australia's CBD economies approved through National Cabinet that sets out an agreed range of measures by all states and territories
- Strong, positive messaging from Government leaders encouraging a safe return to cities and workplaces
- Ensure Government staff lead by example and safely return to their workplaces

4.2 Ensure confidence and capacity on public transport.

- Mandate the use of masks by all commuters when travelling on public transport
- Increase the signage and communication of enhanced cleaning measures and advice on personal hygiene
- Boost enforcement of capacity limits on public transport services with increased numbers and more visible presence of COVIDSafe transport staff
- Increase the number of peak period services combined with heavily discounted travel

4.3 Partner with the business community to support COVIDSafe spaces and make our CBDs an attractive and vibrant place to be.

- Establish taskforces in all capital cities comprised of city councils, industry and business leaders to guide recommendations on place activation
- Support domestic tourism campaigns
- Use our CBDs to drive our national training agenda using COVIDSafe facilities and workspaces

5. End the commercial leasing codes of conduct to cut red tape and remove financial system risk

Purpose

End the Commercial Leasing Codes of Conduct which legally obligates one part of the business community to provide financial support to another part of the business community, regardless of relative need. While this extraordinary measure may have been justified in the extraordinary time in which it was conceived, it is not appropriate for this to continue beyond September 2020.

Challenge

A report commissioned by Deloitte Access Economics for the Property Council in August 2020, *Extending the Code for commercial leasing: risks and consequences*, shows large and small owners of property have already contributed disproportionately more, $6.8billion and counting, than any other sector to the support of the economy and other businesses of all sizes during the pandemic.

No other advanced economies around the world have made a single sector disproportionately shoulder the cost of recovery. A copy of the report is attached.

The Report notes that:

> "Data from a survey of 28 Property Council members covering both listed and private commercial landlords indicates that 40.9% of rental waivers have been provided to businesses not eligible for a rental waiver under the Code. Accounting for these additional waivers, the cost to commercial landlords over a five month period is estimated to be $6.8 billion, rising to $14.9 billion over an 11 month period[3]

The Code was perhaps the most extraordinary business support measure adopted by the National Cabinet in that it involved one part of the business community being legally obligated to provide financial support to another part of the business community.

There is no other business sector that was legally obligated to provide financial support in this way. While the banks have agreed to defer loan repayments, this has not extended to waiving interest and has not been imposed as a legislative requirement. We are also not aware of any other international jurisdiction that has taken a similar approach.

While the Code has provided a framework for owners to support affected small business tenants, it is important to note that commercial owners had already begun providing financial and other support to their affected tenants by the time that National Cabinet began consideration of commercial leasing issues.

Commercial owners continue to be heavily motivated to support their small business tenants through this period as their viability is essential to their own business survival. Retention of existing tenants will remain a priority for owners in the business conditions that are likely to prevail across Australia for some time. We also note the broader property industry has acted very reasonably in taking an empathetic and supportive approach to working with tenants who have a viable future during this challenging time. However, the combined effect of the Code and the no evictions measure has led to perverse behaviour by some tenants.

Media reports of owners acting inappropriately have been few and far between (as opposed to the frequent reports of larger well capitalised businesses who have arbitrarily decided to cease paying rent).

The Plan

5.1 End all the state and territory versions of the Code in September 2020.

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[3] Deloitte p.iv *Extending the Code for commercial leasing: risks and consequences,* March 2021, p.iv.

6. No ‘Chapter 11’ US-style insolvency changes in Australia

Purpose

Urgently review any consideration of ‘Chapter 11 style’ debtor-in-possession changes which have the potential to create mass confusion in the property sector and an explosion of court cases and legal expenses as companies ‘phoenix.’

Challenge

There have been media reports regarding the possibility of the Government implementing ‘Chapter 11 style’ insolvency reforms in Australia.

Any potential Australian Government policy changes modelled on Chapter 11, to the extent they relate to tenant and owner relationships around the rental of property, are ill-advised and have the potential to devastate property owners and investors of all sizes.

Any such changes will threaten the sustainability of future domestic and international investment in Australia’s already struggling central business districts, the largest of which, Sydney and Melbourne, are operating at less than 50 per cent of pre-pandemic capacity.

They would lead to a spiraling devaluation of property and hurt investment across the central business districts of Brisbane, Sydney, Melbourne, Hobart, Adelaide, and Perth – the powerhouses of the Australian economy.

It will also disproportionately impact SME owners and investors as well as superannuants already hurt by the Commercial Tenancy Code of Conduct and create structural risk for the broader economy

The 13 key risks posed by potential Chapter 11 changes are:

1. Chapter 11 would allow companies to easily ‘phoenix’, wipe debts and restructure into a new entity, as occurs routinely in the United States. This would directly contradict the anti-phoenixing measures passed by the Federal Government in 2019
2. All insolvency proceedings filed under Chapter 11 must be dealt with through the courts – swiftly leading to massive time delays, large costs for all involved parties and clogging up the Australian court system for years to come
3. Debtors would have full control of insolvency proceedings, allowing them to surprise creditors (including owners) by filing for Chapter 11 before creditors are aware of the financial risks
4. Once a Chapter 11 insolvency case is filed, there is an automatic stay of all assets and debts – this would restrict the ability of creditors to receive any debts owed to them until the finalisation of the court case
5. Chapter 11 laws in the United States limit the amount of financial compensation that an asset owner can recoup from a business who files under this law, leaving them substantially out of pocket regardless of how much time was left to run on the lease agreement
6. The Chapter 11 laws are overly complex and can only be navigated by highly paid legal teams, leaving SMEs unable to access this measure
7. Chapter 11 style changes would create mass confusion for the Australian business and property sectors, at a time when certainty is lacking from the market due to global pandemic conditions

8. The current laws that protect employees in the event of bankruptcy may be overwritten by Chapter 11 changes, which could leave vulnerable employees without legal protections in the event their employer files for insolvency under Chapter 11 style changes
9. Property owners are often small and family owned businesses, Chapter 11 style changes risk the livelihoods of smaller owners by allowing the larger multinationals who tenant their assets to simply walk away from their leases without paying a proportionate amount of their owed debts back to landlords. They could send many property owners bankrupt. At the same time they are open to exploitation and we have already seen too many recent examples of appalling behaviour by large tenants relying on government support and refusing to pay rent to owners of all sizes while turning a pandemic profit
10. Ordinary investors and those with exposure to property portfolios through their superannuation would be left financially exposed due to Chapter 11
11. Australian lenders have structured their loans under the existing regime, and any changes in their ability to recoup debts would likely lead to an increase in the price charged for loans (ie interest rates and fees) at a time when businesses are already struggling to repay their debts
12. While the Code that has underpinned rent relief negotiations during the pandemic is hopefully temporary, Chapter 11 style changes would be a permanent and random tax
13. The cost implications to install a scheme that relies so heavily on court processes would be mammoth – in the US, the system is administered through the United States federal court system and relies upon approximately 350 dedicated bankruptcy judges. There is not the capacity in the Australian legal system to support this.

Property Council members have grave concerns that if implemented ill-advised Chapter 11 style changes would allow these companies to avoid paying their debts to creditors (of which owners are often a significant part) only to restructure and phoenix themselves.

The Plan

6.1 Do not implement any 'Chapter 11 style' debtor-in-possession insolvency reforms in Australia.

7. Invest in catalyst projects to accelerate growth

Purpose

Fast-track property and infrastructure projects from the public and private sectors that have the greatest potential to catalyse further economic growth.

Challenge

One key lesson from the GFC was that, while government stimulus projects were very welcome, they did not ‘switch on’ the job creating machine of the non-government construction sector.

The escalation of government infrastructure commitments over recent months have been welcome and will help support recovery. Governments have generally also recognised the important economic potential of their land-use planning systems.

We urge governments to search out and accelerate those projects – both public and private – with the greatest potential to catalyse further investment and stimulate more growth. These actions not only stimulate recovery, they provide long-term productivity benefits to the economy and help lift living standards over time. The Productivity Commission has declared ‘better functioning cities and towns’ as one of the five big levers to ‘shift the dial’ on long term productivity growth and help to deliver a $29 billion long term increase in GDP[4]. Similarly, Prof. Ian Harper and Deloitte have estimated that incentivising efficiencies to land-use planning systems would lift GDP by $3 billion.[5]

The Plan

7.1 Fast track approvals for shovel-ready institutional and private sector projects – housing, retirement living units, commercial, industrial, mixed use and other projects that support many more jobs than government projects alone.

7.2 Prioritise government property projects that will catalyse further urban renewal and private sector investment in key city precincts, towns and suburbs.

7.3 Fast track surplus government land for disposal to help stimulate further activity, urban renewal and investment.

7.4 Prepare a new wave of major infrastructure projects from those assessed as high priority by Infrastructure Australia. Federal, state and territory governments should deploy their balance sheets and borrowing capacity in support of this, including via asset recycling.

7.5 Bring forward shovel-ready smaller infrastructure projects, including social housing and infrastructure maintenance, to support employment and economic recovery.

[4] Productivity Commission, Shifting the Dial: 5 year productivity review, August 2017.
[5] Deloitte Access Economics, A Federal Incentives Model for Housing Supply, April 2016.

7.6 Incentivise upgrades and maintenance works for infrastructure, social housing and commercial properties that create immediate employment for SMEs by providing tax incentives, rates and charges relief, density bonuses and floor space concessions linked to increased energy efficiency, resilience and cladding rectification.

7.7 Provide financial and regulatory support for capital improvements that enable retirement community residents to age in place and eliminate, or delay, a need to move into a residential aged care facility.

7.8 Identify and fast track high-impact City Deals.

8. Tax Settings to Drive Productivity

Purpose

Reshape the tax system to drive productivity and economic growth.

Challenge

Australia's tax settings have a big impact on the ability to get business investing, boost household prosperity and create a stronger economy. There is a high degree of consensus among economists and policy experts on the extent to which different taxes harm the economy through their tax design. Stamp duties and company tax are the most inefficient taxes, with stamp duty costing the economy 72 cents for every $1 of revenue it raises and company tax 50 cents in the dollar[6].

Achieving the Prime Minister's goal of a stronger economy post-crisis requires a focus on Australia's tax settings. Equally, harmful tax changes can have a disproportionate impact on economic recovery.

The Plan

8.1 Embark on a broad-based tax reform agenda designed to enhance productivity and increase living standards for Australians.

8.2 Boost economic welfare, economic activity and household wealth by abolishing stamp duty and replacing this revenue by broadening the GST base. Such a revenue-neutral change would boost consumption by $6.0 to $9.6 billion per year according to Deloitte Access Economics modelling[7].This reform is in line with the recommendations of the Henry Tax Review[8] and recognises the reality that broad-based land taxes will not be sufficient to replace stamp duty revenue as has been demonstrated by the ACT's unsuccessful attempt to do so[9].

8.3 Retain existing negative gearing and capital gains tax arrangements to underpin new construction and GDP. Construction activity and economic growth would have borne the brunt of the Opposition's 2019 election policy to significantly reshape these taxes according to Deloitte Access Economics, with construction falling by $766 million and GDP $1.5 billion worse off, with almost negligible housing affordability benefits[10].

8.4 No new taxes and no increases in any existing taxes and charges for 12 months – including no increases to business land taxes as a result of any stamp duty abolition.

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[6] Understanding the economy-wide efficiency and incidence of major Australian taxes – Treasury Working Paper, Treasury, April 2015, p 50.
[7] Deloitte Access Economics, The economic impacts of stamp duty, prepared for the Property Council of Australia, December 2015
[8] Recommendation 51 of the Henry Tax Review recommended that stamp duties be abolished, with one option to replace this revenue with taxes levied on consumption.
[9] After eight years of the ACT's reform process to abolish stamp duties, total stamp duty revenue has only fallen by 1% in nominal terms
[10] Deloitte Access Economics, Analysis of changes to negative gearing and capital gains taxation, prepared for the Property Council of Australia, July 2019

8.5 Adopt immediate tax improvements to drive productivity and build economic confidence:

- Remove counter-productive foreign tax surcharges for commercial property and new developments that make it more expensive to create the housing and commercial properties the country needs.
- Make the stimulus-based instant asset write-off and accelerated depreciation deduction permanent tax system features.
- Drive accelerated update of energy efficiency and distributed energy technologies in new and existing buildings through financial incentives across all three levels of government.
- Reduce the corporate tax rate to 25% and align the non-concessional MIT withholding rate to the same level.

9. Harness offshore capital to support recovery and Investment

Purpose

Ensure Australia can harness the local and international capital essential to create the housing and commercial real estate the nation needs, from retirement living villages to office towers to industrial parks.

Challenge

Creating housing, shopping centres, offices, industrial parks, hotels, retirement villages and other real estate for Australians requires a lot of capital. As a country, we are heavily reliant on wholesale capital from Australia and overseas for this necessary economic infrastructure.

A synchronised global downturn suggests a relatively synchronised global recovery, with countries competing for quality wholesale capital to kick-start their economies. Australia's policy settings will be crucial to harnessing this capital to fund the real estate projects and investments that will support local jobs and businesses.

Unfortunately, some key competitive advantages that have made Australia an attractive investment destination for years – our above-average population and GDP growth rates – will be significantly weakened as a result of the crisis.

Furthermore, we have tightened foreign investment requirements, making it difficult for global capital to invest in Australia, and the RBA has warned Australian banks to be cautious of the risks arising in the commercial property sector.

In the current economically constrained global economy, any policy change which unintentionally limits the ability for institutional investment to flow into Australia should be addressed. We are in a competition for global capital and must ensure that our investment framework is comparable to other nations with similar foreign investment review systems, economies and assets.

The Plan

9.1 Make it clear that Australia is open for business and open for investment by:

- Clear consistent messages and policy settings from federal, state and territory governments, including a strong marketing campaign to reinforce this message.
- Ensure the Foreign Investment Review Board approvals are processed within 30 days and immediately remove the remaining temporary hurdles to foreign investment introduced during the pandemic period for routine non-sensitive transactions.
- Provide certainty to international investors by tightening up the FIRB definitions around 'national security business' to ensure data centre real estate assets are not captured in the classifications.
- Ensure the new fees framework for international capital doesn't unduly burden investors with disproportionate fees or additional taxes, at a time when Australia is in a competition for global capital.
- Provide investor-level exemptions or streamlined approval for low risk institutional investors who are appropriately regulated and have a track record of investment in Australia.
- Remove counter-productive foreign tax surcharges for commercial property and the creation of new developments, which harm productivity and add costs to businesses and new housing.

9.2 Strengthen access to competitive credit for large and small property groups by ensuring Australian and foreign banks and lenders play a strongly supportive role with their real estate customers.

9.3 Monitor conditions in commercial property sector closely as the impact of reduced rental income, lower valuations and other risks work through the industry.

9.4 Reclassify Build-to-Rent as a commercial property asset rather than residential to incentivise investment from local and international REITs, driving capital into this structure and increasing housing supply. Under current settings, offshore investors who wish to invest in Build-to-Rent pay double the rate of withholding tax than those who invest in traditional commercial real estate. This degrades the viability of Build-to-Rent in Australia, a sector which maintains a strong investment pipeline in other countries including the UK and the US.

10. A 'Welcome to Australia' Migration Plan to Provide the Skills, People and Growth our Economy Needs

Purpose

Safely restore Australia's traditional migration settings as a key driver for Australia's economic recovery.

Challenge

As Reserve Bank Governor Philip Lowe observed in 2018, "Australia's faster population growth [is] one of the reasons our economy has experienced higher average growth than many other advanced economies."

Australia's population was forecast to grow by 1.7% per annum over 2020 and 2021,13 however it is now estimated a quarter of a million fewer people will call Australia home over this period. This will create an enormous economic drag.

Getting our economy going again will be impossible without the international students, visitors, skilled workers and the underlying population growth that temporary and permanent migration provides. Australia's traditional migration program does far more than just add more people, it boosts our overall productivity by bringing in skilled and relatively younger people.14 Without migration, we won't have a strong economy.

Key to Australia's economic recovery will be robust and secure quarantine arrangements that are able to cater for increasing numbers of international arrivals.

Normalising these settings will be greatly challenged in a COVID-19 world, with extended limits on international travel and the dangers of international transmission. We believe Australia should create a safe pathway to begin to normalise migration settings and support economic recovery.

The Plan

10.1 Ensure that Australia has enough highly secure but welcoming quarantine, testing and tracing arrangements to cater for increasing numbers of international arrivals to protect Australians from reinfection that also facilitate economically important travel. This may require supplementing existing hotel quarantine arrangements with purpose-built government run facilities.

10.2 Establish a major international advertising campaigning – promoting Australia as a safe and healthy destination to visit, study, work and make a new life. Multiculturalism built Australia. Let's keep it that way.

10.3 Target temporary visa classes that can make an immediate and positive impact on economic growth, including students and skilled and semi-skilled workers. New Zealand would be an obvious pilot partner for opening up tourism and other working engagements.

10.4 Incentivise permanent migration via a temporary lowering of the points system for permanent skilled migration classes, similar to the recent government initiatives for regional population growth but applying to the whole country.