Queensland’s property levy scheme could backfire

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7:00PM SEPTEMBER 5, 2022

An unprecedented move to launch a nationwide property tax from Queensland could backfire quickly, as the industry warns collecting the new levy could cost more than what it raises for the Palaszczuk government.

The Queensland government has blindsided property investors with an audacious plan which will see land tax assessed on the combined value of all land held anywhere in Australia.

Now the property industry is campaigning to have the law repealed. It is set to kick in just as a price downturn hits the Queensland market and a rental shortage threatens to worsen

Antonia Mercorella, the chief executive of the Real Estate Institute of Queensland, has sharply criticised the law – due to kick in next June – suggesting it had been rushed through the parliament without proper legal or tax advice.

“It is irreconcilable that the Treasury expects to legitimately raise tax on the basis of value of property held outside of Queensland for the purpose of funding infrastructure within Queensland,” Mercorella says.

Leisa Rafter, chair of the Tax Institute’s Queensland committee, has gone one step further, saying: “The changes to land tax are likely to increase the compliance costs for taxpayers as well as the administration costs for the Queensland revenue office – there is a potential for the combined compliance and administrative costs to outweigh the revenue collected.”

The move has sent tremors though the national investment market – almost one-third of the entire housing stock in Australian is held by private investors.

“It’s a dangerous move and if other states see Queensland pulling in revenue from around the country they could follow it. It has never been done before and for good reason,” says Hayden Groves, the president of the Real Estate Institute of Australia.

Industry analysts suggest any move that will scare off interstate investors will only accelerate price falls. Brisbane price falls in August were second only to Sydney. Meanwhile, rents are rising in Queensland faster than anywhere else in the country.

Brisbane rents rose by 2.6 per cent from July to September, the fastest pace of any city in the national market.

Rental vacancy rates in the Queensland capital are tighter than Sydney – Brisbane has a vacancy rate of 1 per cent against 1.5 per cent in Sydney.

Brisbane prices had struggled to keep pace with other cities throughout most of the last decade as demand lagged and the city was twice hit by major flooding.

Nevertheless, the state is popular with non-Queensland resident investors due to its affordability.

Brisbane prices are considerably lower than rival cities, with a median price currently near $762,000, while Sydney is $1.07m.

Investors have been willing to deal with state issues in the past by hiring a Queensland-based lawyer to deal with the state’s particular rules.

But the latest move raises the real possibility that investors will be stopped in their tracks – it also follows a recent federal crackdown on property-related expenses, where investors who travel interstate to visit an investment property can no longer claim expenses on the visit.

“I think anyone who has different properties around the country and was weighing up these changes would consider selling in Queensland first,” says Groves of the REIA.

The REIQ has called for repeal of the “illogical” new land tax regime, while the Tax Institute has also warned that the “increase in compliance costs may disproportionately impact individual and smaller taxpayers, especially those who reside in other states and now find themselves liable to land tax in Queensland.”

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James Kirby, The Australian's Wealth Editor, is one of Australia's most experienced financial journalists. He is a former managing editor and co-founder of Business Spectator and Eureka Report and has previousl... Read more