

27<sup>th</sup> May 2019

## State Budget - What does it mean for the Housing Industry?

The Victorian Government has today delivered its 2019/20 state budget.

The Government has presented the state as being in a strong economic position with employment growth, big infrastructure spends and a surplus of over \$1 billion in 2019/20, growing to almost \$5 billion dollars over the next four years.

The Government has continued its focus on big infrastructure projects such as completion of the North East Link and its rail crossing removal program, together with suburban and regional rail projects. Despite acknowledging a slowing residential sector, there is little by way of specific home buyer relief or stimulus to support the housing sector.

A key factor for this years budget has been the \$5.2 billion write-down in state government revenue from stamp duty off the back of weakening property conditions. This stamp duty write-down is believed to be the largest ever and above what was anticipated late last year.

However, the Government has indicated in its budget papers that the current downturn in housing is expected to be modest compared with previous downturns, due to the underlying strength of the Victorian economy. The Government anticipates that due to low levels of dwelling completions per new resident, there is support for future growth in the residential building industry.

As a result of the write-down the following taxes have been announced:

- Stamp duty for foreign investors up from 7 to 8 percent as of 1 July 2019;
- The vacant property tax introduced last year will increase from 1.5 to 2 per cent from next January affecting about 3,000 property owners;
- A closing of an exclusion in tax for around 13,000 heritage listed properties;
- Removal of the land tax exemption for vacant land. About 1,700 metropolitan Melbourne property owners will face paying land tax on vacant blocks they own beside their homes.

Some other key announcements relating to the Housing Industry include the following:

### TAFE and Training

After announcing some 30 free TAFE courses in last year's budget, the Government has pledged to continue its commitment to TAFE and free training with an additional \$5.6 million for higher apprenticeships to support the delivery of the Governments infrastructure programs and the growth in the Human Services Sector. \$4.7 million has also been allocated for apprenticeship support officers and \$57 million for capital works to TAFEs. Also \$82 million is allocated for training places at TAFE's, learn locals and private training organisations.

### Payroll Tax

In a follow up to last year's payroll tax cuts, the Government has announced \$260 million to allow for an increased threshold for payroll tax and includes concessions for some regional businesses.

### Strategic Redevelopment Sites

Detailed planning and development of key urban redevelopment sites will occur including Parkville, Arden, Fisherman's Bend, Sunshine and the Richmond to Docklands Corridor. The newly created Priority Precincts Portfolio supports this.

### Growing Suburbs Fund

A further \$50 million will be allocated to this fund to build and upgrade new community facilities in Melbourne "interface" Council areas.

### Building Better Homes and Apartments

Funding of \$4.6 million over 3 years to support new apartment standards which are aimed at making changes to apartments outside the CBD. HIA is already providing comment on the proposals.



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#### **Growth Area Infrastructure Contributions (GAIC)**

An increase to the forecast amount of GAIC to be collected in 2019/20 will see potentially \$285 million garnered. This is then forecast to increase up to an amount of \$413 million by 2022/23.

#### **Domestic Building Dispute Resolution Victoria (DBDRV)**

Whilst the Government's compulsory domestic building disputes resolution service will continue with its high level of demand, there does not appear to be any plans to increase the funding levels.

#### **Cladding and the Victorian Building Authority (VBA)**

\$46.4 million in 2019/20 will be spent on rectifying cladding on government buildings and \$4.5 million will be provided to the VBA to undertake further pro-active inspections.

#### **Solar Housing and Energy**

\$1.3 billion is allocated to roll out over many years for the next phase of the Solar Homes package with rebates for solar panels and hot water systems etc. primarily aimed at consumers.

#### **Cutting Red Tape in Planning and Building**

Ongoing funding is allocated to continue the Red Tape Commissioner's review of the Planning and Building Systems, already underway.

#### **Public Housing**

A commitment of 1,000 new public housing homes over three years, many of which will be in regional Victoria.

**For Further Information please contact  
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