

Dear Sir / Madam

Property Developer Network is a community of approximately 700 small scale property developers who predominantly are creating the very stock that your policy is aimed at addressing. Whilst we aren't a formal industry body perse, our community shares ideas, insights and learnings of each developer to the benefit of all.

In our experience, one of the most crippling impediments and greatest costs to our projects and hence the end consumer is the sheer volume of TAX that applies to any property development project both direct and indirect by all levels of Govt (Federal, State, Local).

By way of example on a basic \$1m project creating 4 blocks of vacant land the direct tax's alone are:

- Initial purchase - Developer pays State Stamp Duty / Transfer Duty
 - Qld = \$38,025
- Local Govt charge "Infrastructure Charges" or Headworks charges per dwelling
 - Qld = \$28,000 per new lot = \$84,000
- Sale of the 4 Lots would generate GST obligations
 - 4 * @\$300,000 = \$120,000
- Ultimate buyer - Again they pay Stamp Duty / Transfer Duty
 - Qld = 4 * \$300,000 = \$8925 each = \$35,700
- Total = \$277,725 or \$69,431 per property

Add into this the indirect tax's of fuel, GST on materials, payroll tax for the builder / contractors, etc and this figure quickly grows another order of magnitude.

To put this into perspective, the direct tax's alone are more than 1/4 of the original purchase price of the original property. This is a cost that the end consumer must fund, pay interest on, source additional deposit for, etc.

Not only do these tax's impact upon the consumer, but their very existence impacts the profitability of our projects and hence many sites that are developable become unprofitable which then impacts upon the amount of stock that we are able to bring to the market.

What is needed instead is incentives to the development industry to create this stock and not penalties for doing so. By way of example:

- Why are developers needing to pay Local Govt Headworks or Infrastructure charges when we are creating additional properties that the council can then charge rates for. Surely they can claw this back over tens of years through the rates on the new properties and not directly up front from the developer?
- Why are developers paying for stamp duty to purchase a property when we are creating additional stock that in turn generates additional stamp duty, surely this is double dipping?
- Why is Stamp Duty charged at all when the promise back when GST was introduced was that Stamp Duty was meant to be removed from the states (but this never happened). Surely it is one or the other and not BOTH as it currently is

Outside of Property Development and back to basic sales by the end consumers and these Tax's are still impacting upon the affordability of the market. Allow me to explain:

When a property eventually gets sold the owner will seek to at least break even on his costs for the property (nobody wants to make a loss), such costs include stamp duty on the original purchase & potentially capital gains tax, so likely the sale price of the property needs to be at min \$20-50k higher than the original purchase just to break even. Plus the new purchaser is then also paying Stamp Duty (add another \$20k min) to purchase the property again (repeat process).....See a problem here?

This overtaxing at all levels of Govt has to stop if we as an industry are going to stay in business creating the very product that you are expecting consumers to afford. It is affecting our ability to find sites that are profitable hence impacting upon the amount of stock that we can bring to market. These costs directly driving up the costs to the consumer plus the scarcity of stock also has an indirect impact on driving up prices due to demand. If you remove these cost then supply will increase and costs will go down.

We look forward to seeing the outcome of these findings and would welcome being part of any industry advisory panel representing the smaller end of the development market should your team require further information.

Many thanks

Regards

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Developer Network

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Property Developer Network

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