

20 March 2020

The Hon Jackie Trad MP
Deputy Premier, Treasurer
Minister for Aboriginal and Torres Strait Islander Partnerships
1 William Street
BRISBANE QLD 4000

Dear Treasurer,



Retaining business through the Covid-19 Crisis

Given the on-going Covid-19 crisis and its worsening impact on Queensland's property industry and the wider state economy, we write to assure the Queensland Government of the Property Council's ongoing support and offer of assistance throughout these difficult times.

As the Covid-19 virus continues to spread, the risk of a significant economic downturn also increases. While there is no doubt the economy will be negatively affected in the immediate term, it is critical that action is taken now to ensure Queensland businesses stay afloat throughout the pandemic, thereby lessening the length and depth of the anticipated downturn.

The economic impact is likely to be felt by all sectors of the property and construction industries, with significant supply and labour shortages set to interrupt the pipeline of job-creating residential, commercial, retail and industrial projects in Queensland. The industry is strongly of the view that, given the scale of this interruption, it is imperative that construction sites must remain operational wherever possible. Similarly, the development assessment processes of state and local governments must also remain active to ensure that the pipeline of projects does not grind to halt.

Given the rapid pace at which the situation is evolving, the Property Council commends the Queensland Government on its strong response and proactivity in introducing numerous positive measures for both businesses and the broader community.

In addition to those measures already introduced, there are a range of other short-term opportunities the Property Council would encourage the Government to consider. These measures are designed to take the pressure off businesses during this crisis and to assist them in retaining staff.

Furthermore, there are a number of pending legislative issues that should be addressed to lessen the economic burden on business.

The recommendations outlined in this letter reflect the industry's initial positions in relation to potential stimulus actions. In the coming weeks we will provide the Government with a more detailed analysis of medium and long-term opportunities that should be considered to revive Queensland's economic trajectory.

As the peak body for Queensland's property industry, the Property Council is uniquely placed to tap into its position of leadership and strong industry networks to work with the Government to buffer Queensland from the economic headwinds anticipated by the Covid-19 crisis. The Property Council stands ready to assist the Government with anything it needs from us throughout this crisis.

Short-term options

In the short-term there are several simple measures that could be considered to alleviate pressure on business and ensure Queenslanders remain employed.

Relieve rental pressure on businesses by removing land tax

Refunding land tax paid on commercial properties would reduce business costs and subsequently, reduce the risk of redundancies throughout this crisis. Land tax is a major expense for the commercial and industrial tenants and owner-occupiers in which significant portions of Queensland's workforce operate. In most instances land tax is paid directly by an owner-operated business, or is passed-on - or paid directly- by the tenants of commercial buildings through their lease arrangements.

Refunding commercial property land tax paid this financial year will provide immediate relief to owner-operated businesses and will allow building owners to pass on the benefits to tenants thereby increasing the chances of survival for small and medium businesses. Many tenants are already seeking rent relief from our members, and land tax relief would bolster this. We acknowledge that there may be some reluctance to do this if the government was concerned that any relief would not be passed on to the tenant. To ensure the benefit is passed on to tenants, the Property Council would consider supporting a legislative amendment which required landlords to pass on the land tax relief proportionately to tenants.

In the case of foreign controlled land holdings, many land tax notices are yet to be issued pending the finalisation of the Foreign Land Tax Surcharge ex-gratia relief framework. The Queensland Government should scrap the surcharge and not issue the 2019/20 land tax notices to ensure the Queensland businesses who operate from these land holdings do not suffer an additional financial burden during the crisis.

Flag the removal of land tax for the next financial year

Removing- or even deferring- land tax for the 2020-21 financial year would significantly increase current business confidence. As noted previously, extra costs in land tax have a flow on effect to small and medium sized businesses that are renting commercial and industrial space subject to the tax. With land tax typically accounting for circa 18 per cent of the operating costs of a building, there is a significant opportunity to cut a cost that is borne by the Queensland businesses operating on these premises. With a bleak short-term economic outlook, removing land tax for a year would remove a major expense for business, providing them with confidence to persevere with operations and potentially encourage immediate investment without the risk of being exposed to land tax liabilities. Removal (or deferral) of this cost would free up capital and allow businesses to focus on retaining and investing in workforces.

Underwrite the deferral of local government rates

The Queensland Government could provide stimulus to local governments to defer the levying of rates on all businesses for the next six months. Like land tax, local government rates form a significant component of the operating expenses of businesses in Queensland and as such have a flow on impact to ratepayer's tenants and owner occupiers. Sparing Queensland businesses additional expenses at this critical time will be essential in helping them navigate the crisis and remain solvent once the crisis has passed. Importantly, this measure will alleviate pressure on both large and small businesses around the state, again allowing owners to focus on retaining their employees.

Remove payroll tax for the next six months

The Property Council acknowledges that the government has introduced a six-month deferral of payroll tax for all businesses across the state. The Property Council commends the government for implementing this measure but believes it could be expanded on by completely removing payroll tax payments for all businesses during this six-month period. This would ease financial pressure, reduce administrative costs and provide Queensland businesses with confidence to grow once the crisis recedes.

Payroll tax is a direct disincentive to business growth and investment. As employers may qualify for a higher tax threshold by employing more workers, they may limit their workforce to reduce the tax liability. This is extremely counter-intuitive in the current environment when governments need to be encouraging businesses to retain employees. While deferring payroll tax may mitigate some of this risk, businesses will still be cognisant that they are liable to be taxed for these six months at the end of the period. Removing payroll tax liability completely would provide businesses with the confidence to retain employees.

Legislative issues

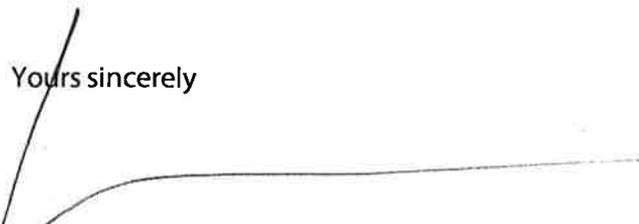
In discussion with our members a number of legislative issues are likely to arise as a result of restrictions being placed on business operations and face to face interactions. We acknowledge that the Government has moved and passed changes to the *Planning Act 2016* and *Economic Development Act 2012* to manage timeframes for development assessment applications. However, further issues will need to be addressed, for example the ability to execute electronic documentation if this not permitted under the law.

A particular concern is the likely impacts and pressure that will be placed on retirement villages. To date, a number of changes relating to Aged Care facilities have been implemented across the nation, however, retirement villages that operate under separate state-based legislation have not been provided with any similar instructions. A separate letter will be sent to the Minister of Housing and Public Works to further detail the concerns and issues being faced in the retirement living sector.

It is also important for the Government to be open to and respond to legislative clauses that are yet to commence. The recently amended Project Bank Accountant framework is due to have a staged implementation over the next 24 months. Given the likely disruption to be experienced by the construction industry the Government should scrap or suspend the staged implementation.

The Property Council is committed to working with the Queensland Government throughout the Covid-19 crisis. If you would like to discuss any of the measures suggested here or would like any assistance throughout this period, please do not hesitate to contact me on 3225 3000.

Yours sincerely



Chris Mountford

Queensland Executive Director

