

20 February 2026

Committee Secretary  
Select Committee on Productivity in Australia  
Department of the Senate  
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Dear Committee Secretary,

### Submission: Select Committee on Productivity in Australia

Thank you for the opportunity to provide industry's comments on Productivity in Australia (**Productivity Inquiry**).

#### About UDIA National

The Urban Development Institute of Australia (UDIA) National is the housing development industry's most broadly representative peak body with over 2,000 member organisations - spanning top tier global enterprises, professionals, small to large-scale & institutional developers as well as local governments.

UDIA's members, deliver new homes across the continuum, including the majority of affordable housing.

The Development and Construction industry is 10.5% of GDP (\$269.7bn) & 9% of fulltime employment. Each housing dollar supports 40+ sectors and generates \$2.90 in the wider economy.

#### Overview

**Given the broad remit of the Productivity Inquiry, we have focussed on the issues that most critically impact housing.** These are:

1. **Regulation impacts** – National Construction Code (**NCC**), environmental & planning approvals all significantly impact productivity, increasing costs and delaying delivery of housing by up to 10-12 years.
2. **Tax impacts** – Taxes are **up to 50%** of housing costs. We need to broaden the tax base to *reduce* tax costs, maintain negative gearing & the capital gains tax discount to support rental supply and affordability.

The only way to improve access to home ownership and affordable rental, is housing supply boosting initiatives. We are simply not building enough homes. The lack of land supply, slow environmental/planning approvals, restrictive development controls, high construction costs and property taxes are choking new supply.

Industry supports genuine, economy-wide reform that reduces property costs, improves productivity and growth. This means stimulating faster approvals, enabling infrastructure funding and a stable tax regime that encourages long term investment in housing. Many of the improvements can be made through better tax and regulation.

#### Regulation Impacts

The industry acknowledges the hard work done by Government on key regulatory roadblocks that increase costs and delay housing supply.

We note in particular that Government has started significant initiatives on industry's three key regulatory issues:

1. **Freeze NCC reform** ahead of a complete reform process re-design.
2. **Reform Environment Protection and Biodiversity Act (EPBC)**, and clear the decks of delayed housing projects.
3. Working with States & Territories to **fast-track & streamline planning approvals for housing**.

We refer to our [Pre-Budget Submission 2026-27 "Boosting Housing Productivity"](#) and our [February 2026 Submission on NCC reform \(the Submission\)](#), details issues and straightforward solutions to enhance those reform programs.

Below are summary remarks on each.

#### A. NCC reforms

Government acknowledges industry is under pressure from constant re-working of the NCC which has become counter-productive and unsustainable. For example, the NCC changes from 2022 significantly impacted builders by delays, 12 months of costly compliance that froze innovation and increased house prices by up to \$35,000+.

Industry welcomes the NCC freeze on future reform until 2029 and suggests any outstanding proposed reforms that create additional development cost, should also be frozen.

Reform of the NCC process must ensure any future reforms provide better impact assessment, addressing impacts to affordability, practical implementation and five year timeframes for changes. See the Submission.

#### B. EPBC Reform

Across the nation's major capital city regions, 40% of all undeveloped, zoned residential land is development constrained and 28% of this pipeline is held up by environmental approval and assessment issues. Tens of thousands of housing approvals are delayed – up to 5 years.

Industry supports a new EPBC Act, with Ministerial delegation of approvals/assessment.

Application of the new EPBC requires, eliminating misuse of information requests, subjective negotiation for objective metrics & straightforward processes with a single decision-maker. See UDIA Pre-budget Submission.

#### C. Fast-tracked & Streamlined Planning

It can take 18 months on average to get planning approval for moderately sized housing projects (75 units or 90 greenfield lots) and 7 & 10 years for Master Plan Communities. We need all Governments to drive faster planning.

The solve is to use the Government's \$10bn First Home Buyer initiative and (where possible), the \$3bn Accord Bonus to monitor (metrics), manage (KPI's) and incentivise supply boosting measures – Eg: satisfy 3 of (say) 5 incentives, like:

1. Upfront part bonus for housing construction certificates so funding can be used for housing now.
2. Halving planning approval times - no applications >12mths.
3. More code-based & State assessed planning pathways for small & large projects respectively.
4. Increase "by right" density/height, reduce lot size/project size restrictions, accelerated land release.

#### Tax Impacts

Taxes, statutory charges and levies add as much as 50% to the cost of new housing – ie: \$42,000 of every \$100,000, is taken as taxes, fees & charges which are predominantly State/Territory taxes.

In a housing affordability and supply crisis, this is an obvious area for significant reform and Government should be careful not to make changes that remove initiatives that encourage supply.

It is critical that the **Federal Government incentivise the States & Territories** in the short term to:

1. **halt any further increase in property based taxes** including developer contributions, stamp duty, land tax and other fees and charges.
2. **actively strip away taxes holding back affordability** – such as reducing development fees and charges, reducing stamp duty thresholds to ease rates on median priced housing.

**It is clear however, that lasting, long term property tax reform for affordability must involve:**

1. **Strategic review of all Federal and State/Territory property related taxes to *reduce* the burden** on property prices *rather than merely swapping one tax burden for another.*
2. **Acknowledging that negative gearing should be maintained as a feature of all investment types** as it is the only means for providing supply of rental property at rates *below commercial rentals rates.*
3. **Acknowledging that the capital gains tax discount is a feature of all investment types that also supports passive investment in rental property to maintain supply,** and is a simple, equitable taxing of gains.

In the case of negative gearing & capital gains tax discount, any change to the existing approach will mean significant compromises on outcomes that risk rental supply, increased rents & skewed investment.

We need to focus on genuine housing supply & removing roadblocks noted above.

#### **A. Negative Gearing**

Negative gearing is a tax deduction that applies to all investments, including shares, not simply housing and allows private mum & dad investors to offset their debt interest expenses against lower income.

It is an interest expense deduction incurred in producing income from an investment. Government effectively forgoes receiving taxes.

**Rentals are the lowest they can be under negative gearing and anything that changes the regime, makes it harder for renters.**

The Australian housing market relies almost exclusively on private mum & dad investors, to **provide rental supply for 3.28 million everyday Australian families** at a rental far lower than commercial rental investments.

Build to Rent (BTR), is also a necessary part of a diverse housing rental market, but the small BTR supply means it is no substitute for private investors. At the moment, BTR is almost exclusively a product of medium to high density housing in the premium end of the rental market. Currently, BTR typically requires higher commercial gross rental yields than (uncommercial) private rental yields & offers services unavailable in private rentals to provide value in support of the increased rental.

Private housing rental is lower because of the subsidising impact of negative gearing for individual taxpayers to offset rental losses. This results in much lower rents than the market can otherwise sustain.

Without negative gearing, a higher gross rental yield is required to cover the costs of running a rental property.

Essentially, for housing, negative gearing maintains cheap rents by individual landlords and diverse housing options. It also allows mum & dad investors to save for retirement through their own investment.

The latest **key statistics from 2022–2023** are:

- There are **3.28 million rental properties**. That means 3.28 million Australian families rely on private rentals.
- **The majority of rental properties (61%)** are owned by **people earning less than \$100,000 pa**
- **Circa 437,096** of all rental properties are owned by **people earning between \$18,200 – \$50,000 pa**
- **Circa 657,437** of all rental properties are owned by **people earning between \$50,000 – \$100,000 pa**
- **1.593 million rental properties (49%)**, **rely on negative gearing** to financially afford the property.
- **810, 875** of the 1.593 million negatively geared rental properties are **owned individually (49%)**.
- **782,416** of the 1.593 million negatively geared rental properties are **owned as multiple investments (51%)**.

Critically, any change to negative gearing will have unsatisfactory implications for housing supply, renters & investors. This is because there is no other way to provide appropriate rental supply in this constrained market.

**Removing negative gearing only for property outright**, will:

1. **Force mum & dad investors to either raise rentals to cover their loss or sell the property** – most likely to an owner-occupier, forcing rental families into a more constrained market for another rental property.  
Any rental families that cannot purchase a home would be competing for a smaller pool of rental dwellings.
2. **Force up to 1.593 million rental families to pay more for rent or look for a new home** in a tighter rental market.
3. **Largely halve the rental supply & constrain investment in rental housing** until rents rise to cover costs.
4. **Block mum & dad investors from a key investment for retirement savings and skew investment** to other negatively geared investments.

**Grandfathering existing negatively geared properties and removing it moving forward (or limiting it to individual properties or only new properties)** – will still constrain significant investment in rental supply until the imbalance forces rentals to higher commercial yields for investment.

**Allowing only negative gearing on individual properties** – will **force up to 782,416 rental families** to pay higher rent or search for new rental in a tighter market, while also constraining future rental supply.

In all cases, the negative gearing deductions forgone, will not be converted into new Government revenues – investors will change behaviour and a significant portion will sell their rental properties.

If the regime was removed, the forgone tax revenue will not convert into Government revenues – Government would have instead changed taxpayer behaviour and a significant portion will sell their rental property. Only limited revenue would be generated as investments cease and new rental pipeline falls.

In a new, smaller, more expensive rental market, Government will need new housing supply initiatives to replace lost rental supply and/or pipeline.

## B. Capital Gains Tax Discount

Capital gains tax (CGT) discount reduces any capital gain on disposal of any investment asset by 50% if it is held for at least 12 months by an Australian citizen.

The discount is only for domestic investors and cannot be accessed by international investors. The CGT discount is also increased to 60% for affordable housing rentals to incentivise the market for more affordable homes.

The discount was created to recognise that part of a capital gain is due to inflation and should not be taxed. Like negative gearing, it is Government revenue foregone, not money paid out (nor likely to be recovered).

It applies to all manner of investments from rental properties, crypto & collectibles to shares, where the intention was to hold the asset rather than actively trade the asset as a business. It does not apply to companies.

**Any significant change to the capital gains discount, will impact the supply of rental housing and does not actively improve housing affordability.**

It has been argued that a 50% discount overcompensates sellers for inflation. Arguments have also been made to remove or reduce the discount to discourage investment so that investors do not compete with homeowners.

This is a “false economy” – Discouraging rental investment, does not improve affordability for potential homeowners, it very likely makes affordability worse.

Australian families rely on the same supply of housing for access to rental property and home ownership. Measures to constrain one form of housing over another, only restricts supply that ends up bleeding into higher rents and/or prices for both markets.

For example, shortages of land for new dwellings drives up prices and ordinary Australians are forced to rent for longer, at higher rates, inevitably pushing more into social and affordable housing that suffers the same scarcity. Equally, measures that discourage rental property over home ownership inevitably result in renters competing for ever decreasing rental supply as rental demand increases, pushing up rentals and eventually bleeding into higher property prices as higher rents re-establish competition for scarce supply.

The only answer to allow greater rental and home ownership (without accelerating cost and prices), is by building more housing supply. Changing investment rules to discourage rental investment will undermine supply.

Where removing the discount is meant to discourage rental investment, it will reduce rental property supply and accelerate rents. This will then increase property prices in any event as the demand supply gap widens.

It was noted by Ken Henry in “Australia’s Future tax system” (2009), that *“reducing net rental loss and capital gains concessions may, in the short term, reduce residential property investment. In a market facing supply constraints, these reforms could place further pressure on the availability of affordable rental accommodation... These reforms therefore should only be adopted following reforms to the supply of housing and reforms to housing assistance.”*

Irrespective of the motivation, any change to capital gains will change investment/divestment decisions which will adversely impact existing housing/affordable supply, rental prices and mum & dad investors.

As with negative gearing, changing capital gains discount deductions will not translate those foregone taxes from deductions into tax revenue. It is not a real “saving” – Changed investor behaviour will limit revenues (reduced disposals/redeployed future funding).

This has been noted by the Parliamentary Budget Office (2026), – changed taxpayer behaviour *“adds additional layers of volatility on top of an already variable asset-market”*. It regards these calculations as *“highly volatile”*.

Labor’s 2019 election proposal was to halve the discount (25%) and grandfather existing investments including property. Applying changes across the board reduces skewing of investment to other assets, and grandfathering removes immediate impacts on investments, but it will delay/discourage disposal & investment in rental property. It will also directly and adversely impact the affordable housing supply incentive.

It has been recently noted by economic experts that a 25% change would be too low and would be overtaken by annual inflationary increases.

Alternatively, a smaller reduction to (say) 40% will minimise those impacts but will still have an impact (and also still remove the affordable housing supply incentive in the process).

Even swapping rates for new vs existing property will have an impact on property decisions for existing and future rental supply. Given there is no way to guarantee increased rental supply in the current market, it will invariably adversely impact Australian families trying to rent a house.

While arguably, the 60% CGT incentive for affordable housing could be maintained, it raises the issue that we should be trying to encourage all rental investment given the housing crisis and that the true focus should be on measures that boost housing supply across the board.

Critically, there are no changes that reduce the CGT discount across the board, without impacting investor behaviour adversely across shares, rental property and other passive capital investments.

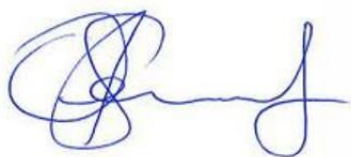
It is absolutely critical to identify why we would want to change the CGT discount and if any part of it relates to encouraging home ownership, the only reasonable approach is to refocus effort and funds on more, broader measures for housing supply.

This is the only option that does not risk investment in long term rental supply at a time we need more housing across the continuum.

UDIA is keen to discuss these issues with you at your earliest convenience.

Please call Andrew Mihno, Head of Policy and Government Relations on 0406 45 45 49, to arrange our meeting.

Yours sincerely



Oscar Stanley  
UDIA National President