15 September 2025

[REDACTED]
Commissioner
Productivity Commission
Locked Bag 2
Collins Street East
Melbourne VIC 8003

**via email:** 5pillars@pc.gov.au

Dear Mr [REDACTED]

**UDIA National Submission: Productivity Commission *"Creating a More Dynamic and Resilient Economy"* Interim Report.**

Thank you for the opportunity to comment on the Productivity Commission (**PC**), interim report ***"Creating a More Dynamic and Resilient Economy".***

Urban Development Institute of Australia (**UDIA**) is the development industry's most broadly representative peak body. Our 2,000 member organisations span top tier global enterprises, small to large-scale developers, consultants, and local governments across the nation.

UDIA's members, deliver new homes across the continuum for all Australians, including much of all affordable housing.

The Development and Construction industry is 10.5% of GDP ($269.7bn) and 9% of fulltime employment (ABS verified data). It is a driver for economic activity with each housing dollar flowing through 40+ other sectors/businesses and generating $2.90 in the wider economy (Housing Australia).

The most effective way to kickstart economic growth and productivity is to establish initiatives that directly stimulate development and construction of housing supply.

UDIA National broadly supports the following PC's recommendations with some caveats:

1) **Reduce the company tax rate to 20% with a cashflow tax of 5%** to allow companies to claim capital investments up front **providing:**

   - Modelling can demonstrate that it reduces tax for development organisations with aggregated turnover under $50m which are typically not capital-intensive businesses and many not receive any significant benefit.

   - It is implemented as part of a wider package of tax reform that seeks to reduce property taxes such as stamp duty, land tax and state infrastructure charges concurrently.

2) **Re-design and rationalise regulation including specifically:**
   - **Systemic Review of housing construction sector regulations** which should also include the National Construction Code review as Government recently announced.

   - **Streamlining environmental regulation to accelerate housing and infrastructure noting this** should specifically include enabling infrastructure to unlock housing

Company Tax Reform

The Proposed Reform

The PC proposes that Australia lower its company income tax rate to 20% for companies with revenue below $1 billion.

At the same time, a new net cashflow tax of 5% would reward companies for capital expenditure, reducing their taxable income by the value of their capital investments.

Over time, PC wants to expand the net cashflow tax to fund broader effective reductions in company income tax.

As we understand it, the basic analysis is:

Current Company Income Tax (CIT) Rates are:

1) Companies under $50m aggregated turnover = 25%
2) Companies Over $50m aggregated turnover = 30%

The proposed new reform:

1) **Companies with aggregated turnover less than $50m** will have company income tax of 20% + 5% cashflow tax (**25% with capital deductions**) – and potentially pay less tax due to capital investment deductions.

2) **Companies with aggregated turnover over $50m to $1bn** will have company income tax of 20% + 5% (**25% with capital deductions**) instead of 30% CIT.

3) **Companies with turnover over $1bn** will have company income tax of 30% + 5% (**35% with capital deductions**) instead of 30% CIT.

The Issue

While this may deliver tax savings for companies with capital intensive businesses, as it is proposed, the benefit for companies under $50m turnover rests largely on providing upfront deductions for capital investment.

However, many developers and constructors are likely to have revenues under $50m in turnover and therefore pay around 25% CIT on taxable income.

Given that housing and land for development is regarded as trading stock (rather than capital investment to expand a business), and development/construction has high cashflows with (relatively speaking) far lower profits, there is a real possibility that this approach will create:

1) No material gain year on year for development organisations, but

2) More compliance and complexity.

### The UDIA View

While we see the benefit to other companies, **the proposal is only of tangible use to the development industry if:**

1) **it reduces tax for development organisations with turnover under $50m** (and typically not capital intensive businesses)
2) **it is part of a wider package of tax reform to reduce property taxes concurrently** – up to 50% of the price of a new house is taxes (stamp duty, infrastructure charges and GST) and broad tax reform **must** meaningfully address this issue

As such we ask that the PC fully investigate if this measure will benefit development organisations with under $50m before any change of this magnitude it proposed and that it is only considered further if it forms part of a wider reform package to reduce property taxes.

## Re-design and rationalise regulation

### The Proposed Reform

The ever-growing burden of regulation puts a significant brake on productivity growth that is more difficult to address.

We understand that the PC effectively wants the Federal Government to re-design the regulatory process and rationalise the volume of regulation to reduce burdens on business. We particularly note our support for the following PC suggestions:

1) **a clear agenda** for regulatory reform including:
   a. a whole-of-government statement for new regulatory principles and processes that **identify immediate concrete reductions** in regulatory burden **with targets**.
2) Bolster **high-level scrutiny of regulations** including:
   a. fully **consider regulatory impact on growth and dynamism**.
   b. **scrutinise regulatory proposals using similar methodologies for scrutinising budget proposals**.
   c. **an independent statutory commissioner** to raise the standards for impact analyses.
   d. **stronger scrutiny of new regulations** for Commonwealth parliamentary scrutiny committees.
   e. **more external sectoral reviews** to reduce cumulative regulatory burdens.
3) **Enhance regulatory practice** to deliver growth, competition and innovation including:
   a. making **public servants accountable for delivering growth, competition and innovation** through regulatory systems.
   b. hold **public servants to account through key performance indicators** and an **assessment of the costs their activities impose on businesses**.

Most specifically **for the development and construction industry**:

1) **A systemic review of housing construction sector regulations** – which we consider will include overhaul of the National Construction Code, as recently promised by the Federal Government.
2) **Streamlining environmental regulation to accelerate infrastructure approvals** - which we consider, should include enabling infrastructure to unlock housing.

## The UDIA View

The UDIA fully supports the re-design of regulation to reduce the burden on businesses as well as empowering Government agencies to take accountability for their part in supporting Government targets and policy ambitions.

**In relation to reviewing regulation of development and construction, the PC should consider the following** for reducing and enhancing the effectiveness of regulation:

1) **Any new housing regulation should not increase dwelling cost by more than CPI** unless subject to Regulatory Impact Assessments – to balance of cost/benefit/affordability.
2) **Government regulatory agencies involved in housing adopt mandatory KPI's to boost housing delivery and affordability** metrics in their markets – ensuring actions align to outcomes.
3) **Establish independent metrics to measure ease of regulation** across housing markets.
4) **A quarterly Housing Forum of all governments and industry to optimise and coordinate regulation reform** that streamlines compliance, reduces duplication and speeds up supply delivery.
5) **Clear the backlog of environmental approvals holding up housing using metrics & KPIs** identifying information requests, actual time elapsed from application, housing held/approved.
6) **The recently announced pause on further NCC changes** to re-structure the NCC should include the following reform objectives:
   a. **Affordability** - All NCC reforms scrutinised for its impact on affordability, housing targets, business performance/capacity and overall outcomes before it can be adopted.
   b. **Timeliness & Practicality** - A minimum time between reform tranches should be adopted (measured in years) with longer minimum timeframes, depending on complexity and cost.
   c. **Built in Sanity check** - Developers and constructors must be directly consulted on affordability, practicality and timeliness to ensure the issues are properly addressed.
   d. **Coordination with states and territories** is critical on NCC rollout.

We are keen to meet with you to provide any further detail on our ideas and assist with your report.

You can contact the UDIA National Head of Policy and Government Relations - Andrew Mihno on [REDACTED] to discuss this further.

Yours sincerely,

[REDACTED]

Col Dutton
UDIA National President