QUEENSLAND
TOURISM INDUSTRY
COUNCIL

The Voice of Tourism

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Ms Melinda Kross
Acting Deputy Commissioner
Office of State Revenue, Queensland Treasury
1 William St
Brisbane, Qld, 4000

15 July 2019

Re: 2019-20 Budget – Changes to Land Tax

The Queensland Tourism Industry Council (QTIC) is very concerned with the government's changes to land tax provisions as part of the 2019-20 budget. Specifically, the foreign surcharge will have a significant impact on the financial viability of a number of commercial tourism operations around the state and will negatively influence the competitiveness of Queensland as a destination for investment.

QTIC supports the Property Council of Australia's response dated 5 July 2019 and echoes the concerns raised within its submission. Foreign investment plays an integral role in the development of Queensland's economy, including in tourism. Without significant investment, both domestic and foreign, the tourism industry would not have the scope and diversity in product offerings to compete on a global scale. The proposed increases to the taxation burden will significantly discourage overseas investment in the tourism industry, as in other sectors of the economy, and weaken the position of Queensland as a tourism destination. This will be a material threat to Queensland's $25billion tourism industry.

One example provided to QTIC identifies that for a Brisbane hotel, operated by an Australian Company, leased from a foreign owned organisation, the consequences of these changes would be catastrophic for business. The hotel will be subject to an increase in its general land tax rate and to the foreign land tax surcharge, creating a 93% increase in taxation with an additional $1.43million in land tax to be paid. Given the competitiveness of the market, the hotel cannot pass this on to consumers, the company will need to absorb the cost.

This hotel was planning major renovations in the next year to remain relevant in an increasingly demanding market. This investment would also create several hundred construction jobs. This tax places doubt on the viability of the redevelopment and any further investment in the hotel. The owner is now considering investing outside Queensland. The hotel is an active member of the tourism industry and pays approximately $4.5million in wages to its Queensland employees. The loss of such properties would damage of the tourism industry.

This hotel is not the only tourism product that will be negatively impacted. A tourism attraction based in Queensland that employs over 500 people and plans on investing significantly in its operations over the coming years, would see its land tax liability with the foreign surcharge rise by over $900,000 annually. This would increase pressure on operations and reduce future investment back into the business.

We are still being contacted by other tourism property owners who are alarmed by the increased taxation costs on their businesses.

Considering Australia's global competitiveness, as an investment destination Australia is already ranked low in relation to taxation and incentives to invest, ranking 94th of 136 countries. Further punitive tax measures for foreign investors are likely to result in further decline in global competitiveness.

It is evident that these changes will put Queensland at a disadvantage compared to its southern competitors. To avert these outcomes, QTIC supports the Property Council Australia's recommendation to – at the very least- align its foreign land tax exemption framework to be comparable with other Australian jurisdictions. QTIC strongly encourages the Treasurer to create an ex gratia relief framework that would help alleviate these concerns, in line with the Property Council's recommendations.

For all enquiries regarding the points raised in this letter, please contact me or the QTIC Policy Team on (07) 3236 1445 or email policy@qtic.com.au.

Kind regards

Daniel Gschwind
Chief Executive

CC: Hon. Kate Jones, Minister for Innovation and Tourism Industry Development
CC: Hon. Jackie Trad, Treasurer