Specialist Disability Accommodation Alliance

Position Statement

Tax exemptions for specialist disability accommodation

A thriving specialist disability accommodation (SDA) market is critical to improving the lives of people with disability in need of specialist accommodation. A sustainable SDA market can deliver housing for people that is modern and custom-designed to be responsive to individual needs and lifestyle choices.

Offering tax incentives, including a consistent national exemption from stamp duty and land tax for SDA dwellings, would trigger additional investment into the SDA market and drive better housing outcomes for Australians. Further, this approach is consistent with the tax exemptions offered for other types of social infrastructure across Australia such as childcare and build to rent.

Why are tax exemptions necessary?

Market investment is required to meet the current unmet demand for SDA including the replacement of current basic SDA stock. The SDA Alliance estimates that an additional 5-10 billion dollars of investment is required to assist people currently residing in basic SDA stock, hospitals and residential aged cared to transition to more appropriate housing. Therefore, tax incentives are imperative for the following reasons:

- Impacts the market's ability to meet demand: Evidence shows that stamp duty and land tax, especially in areas where land costs are high, significantly impacts the development of new build SDA. This means that people with extreme functional impairment or very high support needs do not have access to housing that meets their needs, in areas where they want to live.
- Inhibits offshore investors: major offshore investors can be subject to surcharges on stamp duty and land tax, significantly impacting their return on investment (and consequently their investment in SDA). Surcharges were not designed to impact SDA as they are currently; moreover, the considerable investment still required to satisfy

demand for high quality, new build SDA is unlikely to derive from domestic investors alone.

- Creates inequities across state and territory jurisdictions: the application of land tax and stamp duties across different states and territories is inconsistent, which may impede investment in the SDA market. For example, in Victoria where SDA is exempt from land tax, the return on investment is more appropriate in comparison to states and territories where no tax incentives are offered. If you assume land cost at approximately one third of total development costs, the impost of land tax at 2% has a c66 basis point negative impact on returns for investors.

Further to the above, tax incentives deliver beneficial outcomes for National Disability Insurance Scheme participants, government(s) and stakeholders including:

- SDA is necessary social infrastructure for people with severe functional impairments or very high support needs
- Operation of SDA results in additional employment
- Economic activity is stimulated by the provision of SDA

The solution

The SDA Alliance urges the Australian government and all states to act upon the National Disability Insurance Agency SDA Pricing Review 2022-2023 Final Report: *Recommendation 14: Tax Incentives for Specialist Disability Accommodation:*

a) The Australian Government should consider amending the *A New Tax System (Goods and Services Tax) (GST free Supply—National Disability Insurance Scheme Supports) Determination 2021* to clarify that the intention of the Determination is that input taxes should be creditable for all SDA developments (whether or not the dwelling is developed and/or owned by an entity other than the SDA Provider responsible for the dwelling's ongoing management).

b) The Australian Government should consider seeking the agreement of the States and Territories to a consistent national exemption from stamp duty and land tax for SDA dwellings.