



FAITH HOUSING AUSTRALIA

# Submission on GST Distribution Reforms

February 2026





## Submission to the Productivity Commission

### GST Distribution Reforms – Issues Paper (2025)

#### 1. Introduction

Faith Housing Australia (FHA) welcomes the opportunity to respond to the Productivity Commission’s GST Distribution Reforms Issues Paper (2025). FHA is the national peak body representing faith-based community housing providers (CHPs), mission-driven landowners, and partner organisations delivering social, affordable, and crisis housing across Australia.

Our members collectively manage more than 25,000 existing dwellings and are actively advancing significant new supply, including the redevelopment of underutilised faith-owned land located near transport corridors, employment centres, and established social infrastructure. FHA works closely with all levels of government on planning reform, land activation, enabling infrastructure, and system-wide housing improvements.

Housing and homelessness systems are capital-intensive, long-term, and highly sensitive to revenue volatility. Unlike many other areas of public expenditure, housing investment requires multi-decade planning horizons, early-stage land and infrastructure commitments, and sustained recurrent funding for tenancy support and homelessness prevention.

The Goods and Services Tax (GST) is the single largest source of untied Commonwealth revenue to the states and territories. As such, it is a major determinant of state fiscal capacity and investment capability. GST distribution directly shapes states’ ability to:

- deliver multi-decade social and affordable housing capital formation and delivery pipelines;
- maintain adequate homelessness, crisis accommodation, and prevention services;
- co-fund national agreements such as the National Agreement on Social Housing and Homelessness (NASHH);
- undertake complex system reforms, precinct development, and estate renewal programs; and
- support enabling infrastructure needed to bring well-located housing to market.

For these reasons, the transparency, stability, predictability, and economic coherence of GST distribution are central concerns for the housing and homelessness sector.

#### 2. Summary Position

FHA submits that a well-designed GST distribution system is a foundational component of Australia’s housing and homelessness policy architecture. In particular, FHA submits that:

- A fair, stable, and predictable GST distribution system is essential to supporting long-term housing capital formation and homelessness service delivery.
- Housing and homelessness capability indicators should be explicitly incorporated into the Commission’s definition of “reasonable equalisation”.
- Construction cost escalation, labour market pressures, and regional market constraints must be reflected in equalisation settings.
- GST volatility undermines service continuity, increases capital costs, weakens procurement efficiency, and reduces value for money.
- Payments supporting national housing and homelessness priorities should not be offset through GST equalisation mechanisms.

- GST settings must not penalise states for undertaking reforms that expand housing supply or improve system performance.
- A clear post-2030 stabilisation framework is required following the conclusion of No-Worse-Off (NoWO) arrangements.
- The NSW Treasurer’s reform proposals provide a credible blueprint for improving predictability, transparency, and system integrity.

## Summary of Recommendations

1. Define “reasonable equalisation” using contemporary housing and homelessness indicators.
2. Embed construction cost escalation and regional market pressures in equalisation assessments.
3. Strengthen multi-year predictability to support housing capital pipelines.
4. Establish post-2030 stabilisation mechanisms following NoWO.
5. Treat service continuity and capital cost inflation as central considerations in volatility assessments.
6. Quarantine national housing and homelessness payments from adverse GST impacts.
7. Remove disincentives to planning, land-use, and housing supply reforms.
8. Adopt transparency and predictability reforms proposed by the NSW Treasurer.
9. Use housing and homelessness as a central test case for system performance.

## 3. IR1 – Fiscal Sustainability and State Revenue Capacity

The Issues Paper notes that GST revenue is central to state fiscal sustainability. From a housing and homelessness perspective, sustainability depends on states having predictable, multi-year revenue to commit to complex and long-lived investment programs.

In practical terms, fiscal sustainability for housing systems requires stable funding for:

- 10–30 year social housing development and renewal pipelines;
- long-term homelessness, crisis accommodation, and prevention services;
- land acquisition, rezoning, and precinct-scale activation programs;
- enabling infrastructure such as roads, utilities, flood mitigation, and community facilities; and
- co-funding partnerships with CHPs, faith organisations, philanthropic partners, and local government.

Significant and unexpected movements in GST revenue constrain states’ willingness to commit to long-term housing reform and capital programs. Short-notice changes to relativities undermine forward planning, increase financial risk, and discourage early-stage investment in land assembly, development approvals, and procurement preparation.

Where GST revenue is volatile, housing agencies and partner providers are more likely to rely on short-term funding cycles, fragmented project delivery, and conservative investment strategies. This reduces system efficiency and slows housing supply.

### Post-2030 Transition Risk

FHA notes that current NoWO arrangements expire in 2029–30. While these arrangements have provided important transitional stability, their scheduled conclusion creates a significant medium-term policy risk.

Without a clearly articulated post-transition framework, states face renewed uncertainty precisely at the point when national housing supply and homelessness reform programs are expected to scale up. This risks reversing recent gains in planning certainty, investor confidence, and intergovernmental coordination.

A poorly managed transition could lead to abrupt funding adjustments, deferred capital programs, and retrenchment of homelessness services.

### **Recommendation**

Establish multi-year GST settings and a post-2030 transition and stabilisation framework, including smoothing and phased adjustment mechanisms, to underpin long-term housing investment and homelessness service funding.

## **4. IR2 – Reasonable Equalisation**

The Issues Paper invites views on what constitutes a “reasonable” level of equalisation. FHA submits that a modern equalisation framework must reflect the structural drivers of housing system capability and delivery capacity.

In particular, equalisation assessments should incorporate:

- rental stress, housing affordability, and homelessness prevalence;
- construction cost escalation and regional construction market pressures, including labour, materials, land, and finance costs;
- land scarcity, environmental constraints, and infrastructure burdens;
- the scale and persistence of social housing waiting lists; and
- demographic, geographic, and population growth pressures.

### **Construction Cost Escalation**

Since 2022, residential and civil construction costs have increased substantially, often exceeding CPI. These increases reflect:

- global materials shortages and supply chain disruptions;
- skilled labour shortages and wage pressures;
- higher financing and insurance costs;
- regulatory and compliance changes; and
- intensified infrastructure and major project programs.

Where housing construction costs rise faster than general inflation, states must allocate a growing share of their budgets merely to maintain existing supply targets. Failure to reflect these pressures in equalisation assessments risks systematically underestimating delivery costs in high-growth jurisdictions.

### **Regional Market Divergence**

FHA also notes emerging risks of uneven construction cost growth across jurisdictions, particularly where major infrastructure programs coincide with housing expansion. In such environments, housing projects face competition for labour, materials, and contractor capacity.

Equalisation frameworks should therefore account for forward market pressures and capacity constraints, not only historical expenditure patterns.

### **Recommendation**

Integrate housing and homelessness indicators, including construction cost escalation and regional market pressures, into the assessment of “reasonable equalisation”, with periodic review mechanisms to reflect changing market conditions.

## 5. IR3 – Volatility and Predictability

The Issues Paper identifies volatility in GST distribution as a risk to fiscal planning. FHA emphasises that volatility also undermines housing system performance at multiple levels.

GST volatility weakens:

- the continuity of homelessness and crisis services;
- the stability and retention of frontline workforces;
- multi-year capital commitments and development sequencing;
- co-investment models with CHPs and institutional partners; and
- infrastructure and land-use reform timelines.

### Capital Cost Impacts

GST volatility also increases capital costs. Uncertain funding profiles lead to:

- project deferrals and stop-start delivery;
- fragmented procurement strategies;
- reduced capacity to enter long-term construction contracts;
- higher contractor risk premiums; and
- diminished economies of scale.

These effects amplify cost escalation and reduce value for money in social and affordable housing programs.

For housing programs with multi-decade horizons, forward visibility over at least one budget cycle is essential to enable land acquisition, planning approvals, financing, and procurement sequencing.

### Recommendation

Assess GST volatility as a budgeting, service continuity, and capital cost risk, and strengthen smoothing, averaging, and forward visibility mechanisms within the distribution system.

## 6. IR4 – Interaction with Commonwealth Payments

Under national housing and homelessness frameworks, including NASHH and related agreements, the Commonwealth and states share responsibility for:

- expanding social and affordable housing supply;
- delivering homelessness, crisis, and prevention services;
- supporting priority cohorts; and
- improving system coordination and data integration.

Where Commonwealth programs require state co-investment to achieve national targets, CGC assessments should not dilute those investments through offsetting reductions in GST.

If Commonwealth housing or homelessness payments lead to reductions in a state's GST allocation via assessed capacity effects, states may be discouraged from pursuing ambitious reform, undermining national policy objectives.

This risk is particularly acute in areas requiring sustained co-investment, such as supportive housing, place-based renewal, and integrated homelessness responses.

## Recommendation

Quarantine Commonwealth housing and homelessness payments, including NASHH and future national programs, from adverse GST adjustments where these payments support agreed national priorities and require state co-investment.

## 7. IR5 – Incentives for State Reform

Australia’s housing supply potential depends heavily on states advancing structural reforms, including:

- planning and zoning reform;
- unlocking public, community, and faith-owned land;
- enabling infrastructure investment;
- precinct development near transport and employment hubs; and
- tax and regulatory settings that de-risk affordable supply.

GST settings should not penalise states for increasing supply, expanding homelessness services, or reducing structural need through reform.

Where reforms reduce assessed “need” but improve real-world outcomes, equalisation systems must recognise and reward these efforts rather than neutralising them through fiscal offsets.

## Recommendation

Ensure GST distribution does not create disincentives for planning, land-use, infrastructure, and housing system reform.

## 8. IR6 – Enhancing GST Distribution: NSW Treasurer’s Reform Blueprint

The NSW Treasurer has proposed practical reforms that align with the Commission’s objectives and directly support housing investment and service stability.

### 1. Four-Year GST Determination Updates

Providing determinations covering forward estimates would support long-term housing capital formation, land acquisition strategies, and service commissioning.

### 2. Draft Determinations Aligned with Mid-Year Reviews

Early visibility would enable responsible budget adjustments, risk management, and protection of multi-year housing commitments.

### 3. Transparent Service-Cost Data

Publication of service delivery cost data would improve confidence that housing and homelessness costs are properly reflected and enable independent scrutiny.

### 4. Per-Capita Distribution with Commonwealth-Funded Equalisation

Separating base distribution from equalisation funding would reduce exposure of housing pipelines to relativity volatility and improve revenue predictability.

This approach would also enhance transparency and public understanding of fiscal transfers.

These reforms address structural weaknesses in the current system and merit serious consideration.

## 9. Housing as a Core Test Case

Housing and homelessness should serve as a primary test case for GST reform because:

- cost differentials between jurisdictions are substantial and persistent;
- demand pressures are growing rapidly;
- capital programs require extended certainty;
- homelessness services depend on stable recurrent investment; and
- national commitments require long-term alignment.

Housing investment also underpins workforce mobility, productivity, and infrastructure efficiency. Inadequate housing supply constrains labour markets, increases commuting costs, and reduces returns on urban infrastructure investment.

GST arrangements that weaken housing delivery therefore have economy-wide consequences.

## 10. Conclusion

Housing and homelessness are among Australia's most pressing economic and social challenges. They require sustained capital formation, stable service delivery, and coordinated intergovernmental action.

State governments require stable, predictable, and transparent GST revenue to deliver housing supply, crisis responses, and system reforms expected under national frameworks.

GST distribution is a core component of Australia's fiscal architecture. Its design materially affects housing capital formation, service continuity, infrastructure efficiency, and long-term productivity.

FHA urges the Productivity Commission to adopt an approach that recognises the central role GST settings play in enabling sustainable, long-term housing and homelessness outcomes.

Faith Housing Australia welcomes ongoing engagement with the Commission throughout this inquiry.

## Contact

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