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# Victorian manufacturers warn land tax could send businesses interstate

**Gus McCubbing** *Reporter*

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Australia's sole producer of corflute, the material used in political campaign signs, has warned that increased land taxes in Victoria designed to pay off COVID-19 debt [<https://www.afr.com/politics/federal/victoria-s-8-6b-tax-slug-on-big-business-landowners-20230522-p5dafb>] could drive businesses out of the state.

The warning comes as the Commonwealth Grants Commission on Tuesday revealed that Victoria was the biggest winner of the new GST allocation plan, with the state's GST take to increase by \$3.8 billion to \$23.7 billion next financial year [<https://www.afr.com/policy/economy/wa-gst-deal-to-cost-taxpayers-5-2b-next-year-20240312-p5fbr5>].



Simon Whiteley, the boss of Melbourne-based Corex, says it's one thing to tax beach houses sitting vacant in Portsea and another to squeeze manufacturing businesses. **Eamon Gallagher**

Simon Whiteley, managing director of plastics manufacturer Corex, which is based in Melbourne's south-east and employs 250 people, says his land tax bill has doubled this year, after rising threefold in the last four years.

Corex, whose main competitors are importers from Indonesia, has also been hit with an 85 per cent increase in WorkCover premiums in that time.

"I understand the state government is overstretched financially and, through no fault of our own, we're expected to support that," Mr Whiteley told *The Australian Financial Review*.

"I'm a citizen, I'm happy to pay taxes, but this is an impost on business and employment and at some point it will affect our ability to be competitive.

"If I could move, it would be front of mind."

Ace Wire Works, which employs 38 people and is about 15 minutes drive from Corex, was this year hit with a land tax bill of \$177,400, up from \$58,575, after its land valuation doubled from \$4.2 million to \$8.5 million. The company's land tax bill was just \$17,305 in 2019.

Manager Simon Blashki said the manufacturer, which has a turnover just shy of \$10 million, would need to increase sales by up to \$700,000 to cover the cost. "This is an astronomical amount of money to pay," he said.

“We’re not laying off anyone, but it makes buying new machinery or hiring new staff very difficult.”

Honi Walker, chief executive of the South East Melbourne Manufacturers, which represents both Corex and Ace Wire Works, is pushing for a state parliament inquiry into land tax valuation.

She says multiple businesses in the manufacturing hub, which employs nearly 270,000 people and provides about 30 per cent of the country’s manufacturing output, had considered moving interstate.

The Victorian government will raise \$4.74 billion over the forward estimates [<https://www.afr.com/property/commercial/property-owners-slugged-with-bill-for-covid-19-debt-20230522-p5daed>] by cutting the tax-free threshold for land tax from \$300,000 to \$50,000, imposing new yearly flat fees and increasing the rate of tax payable on properties over \$300,000 by 0.1 percentage point.

## Debt balloons

This comes on top of the state’s payroll tax slug, which from July imposed an additional 0.5 per cent on businesses with a national payroll above \$10 million, on top of the additional 0.5 per cent for the mental health levy above the current rate of 4.85 per cent.

Victorian businesses last year also paid an average of 1.8 per cent of remuneration under the state’s WorkCover scheme, up from 1.27 per cent, compared with 1.23 per cent in Queensland and 1.48 per cent in NSW.

As taxes rise in Victoria, interstate treasurers, including Queensland’s Cameron Dick, are encouraging businesses to relocate from Melbourne.

Queensland, which has a tax-free threshold for properties with a taxable land value of up to \$600,000, collects half as much in land tax per person as Victoria, he said. “Queensland’s stronger economy, lower debt and better lifestyle make us a very attractive place to live and work,” Mr Dick said.

South Australian treasurer Stephen Mullighan told *The Australian* on Monday that his state had targeted Victoria with an advertising blitz to promote it as a better destination for business and investment.

Victorian treasury on Friday revealed that government debt has blown out by another \$11.7 billion to more than \$126 billion after global ratings agency S&P warned the state is on track to almost double that number by 2027.

Victorian Premier Jacinta Allan on Tuesday, when asked about the increased debt figures, said, “we’ve invested in productive infrastructure because it’s what a growing state needs.”

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