Resolution of Council

26 October 2026

Item 13.2

A National Framework for Commercial Vacancy Penalties to End Land Banking

Moved by Councillor Miller, seconded by the Chair (the Lord Mayor) –

It is resolved that:

(A) Council note:

(i) across Australia, vacant high street shopfronts break the continuity of active street frontages, reduce passive surveillance and empty commercial spaces decrease productivity. The City of Sydney 2022 Floorspace Survey identified that there was 1.7Msqm of vacant business floor area based on a 9.5% vacancy rate and an increase between 2017-2022 of 49.4% vacancy

(ii) this represents both a lost opportunity cost to business as well as a real cost to councils in terms of maintenance and street cleansing. Ultimately, it is not the asset owner who pays, but instead ratepayers who underwrite the costs of neglect, including cleaning, security, and graffiti removal

(iii) while commercial property attracts rates and taxes whether occupied or not, federal tax settings currently allow landlords to claim holding costs such as interest, insurance and rates as tax deductions even while properties sit idle, effectively subsidising chronic commercial vacancy to the financial benefit of private investors

(iv) federal taxation incentives have contributed to well-located property in our cities and towns being treated as an asset class rather than infrastructure designed to stimulate the economy through employing staff and selling goods. Specifically, capital gains discounts and negative gearing have, over the past decades, made it easier for investors to accumulate wealth and drive up property and rent prices

(v) in May 2026, the Federal Government announced changes to negative gearing and capital gains tax (CGT) (Australian Taxation Office, 2026). The new laws limit negative gearing on residential investments to new builds and replace the 50% CGT discount with cost base indexation and a 30% minimum tax rate on capital gains

(vi) notably negative gearing changes only apply to residential and not commercial property. While the intent of the reforms to negative gearing and capital gains tax is to stop the practice of property investors using their net rental losses to offset other sources of taxable income in the future, they don't apply retrospectively and risk incentivising investors to make holding commercial property a key part of their long-term investment strategy

(vii) councils currently have no legislative power to effectively price vacancy (in the case of NSW, as noted in the IPART Review of the Local Government Rating System, 21 June 2019). Across Australia, state and territory legislation strictly limits how councils can set rates and charges. Under prevailing rate capping and pegging frameworks, any council-levied vacancy charge would fail to raise net revenue; it would only redistribute the tax burden among existing business ratepayers

(viii) the most effective regulatory levers to address prolonged vacancy are taxation mechanisms that sit at the State and Federal level. Adjusting national revenue settings, such as denying tax deductions for holding costs on chronically vacant properties, and adjusting negative gearing concessions for commercial property to be in line with changes to residential, removes the financial incentive for speculative land banking

(ix) comparable international jurisdictions successfully escalate charges or remove concessions based on vacancy duration. San Francisco's Commercial Vacancy Tax applies to ground-floor space after 182 days, while jurisdictions like Ireland utilise formal vacancy registers to apply significant financial penalties; while domestically, Victoria has aggressively expanded its Vacant Residential Land Tax (VRLT) statewide, enforcing progressive penalty rates that escalate from 1% of the property's Capital Improved Value in the first year to 3% for subsequent consecutive years of vacancy, alongside penalising long-term idle land across metropolitan Melbourne

(x) manual vacancy registers place an unsustainable administrative burden on local councils and are inefficient to maintain across jurisdictions. Instead, automated electricity consumption data provides a definitive, zero-cost mechanism to identify long-term vacancy. By legislating that electricity suppliers must report commercial meters demonstrating zero movement over a 12-month period directly to the Australian Taxation Office (ATO), with the addition of opt-in reporting for councils as they encounter chronic commercial vacancy throughout their local government areas (LGAs), the Federal Government can secure the verified, automated data required to administer federal tax settings effectively without overly burdening local government

(xi) the City of Sydney has identified some of the impacts of vacant commercial floor space in the Floorspace and Employment Survey (2022), Cultural Strategy 2025-2035, Greater Sydney creative spaces affordability study (2025) and its submission to the Art of Tax Reform: What we heard, consultation summary report (2025), and identified state government levers such as tax deductions for below market rent, leasing and vacancy taxes as potential solutions

(B) the Chief Executive Officer be requested to investigate and report back to Council on the advocacy pathways required to compel energy retailers to share anonymised or targeted zero-consumption commercial meter data with federal authorities to support national vacancy tracking, or similar measures successfully employed in Victoria by the State Revenue Office to track and enforce vacancy taxes

(C) following receipt of the Chief Executive Officer's advice, the Lord Mayor be requested to write to the Federal Treasurer and the Federal Minister for Local Government advocating for amendments to federal tax settings such as ending the taxpayer subsidisation of commercial land banking by restricting the tax deductibility of holding costs for chronically vacant commercial properties, and bringing negative gearing changes to commercial property sales in line with the 2026 changes made to residential properties

(D) Council endorse the following motion for submission to the 2027 Australian Local Government Association (ALGA) National General Assembly:

> This National General Assembly calls on the Australian Government to investigate amendments to the federal tax system, such as reviewing holding cost deductions and negative gearing concessions, to disincentivise the chronic vacancy of commercial properties across the country's urban high streets. Furthermore, the Assembly calls on the Federal Government to establish an automated reporting framework requiring electricity suppliers to submit data on commercial meters registering zero consumption over a 12-month period directly to the Australian Taxation Office, providing the definitive intelligence required to administer federal tax levers and stimulate economic revitalisation without placing administrative data-collection burdens solely on local councils.

Carried unanimously.

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