

Victoria's cladding tax secretly extended despite reaching \$300m target

The Allan government has extended its controversial cladding levy – which adds thousands to the cost of new apartments – despite it meeting its target of \$300m.

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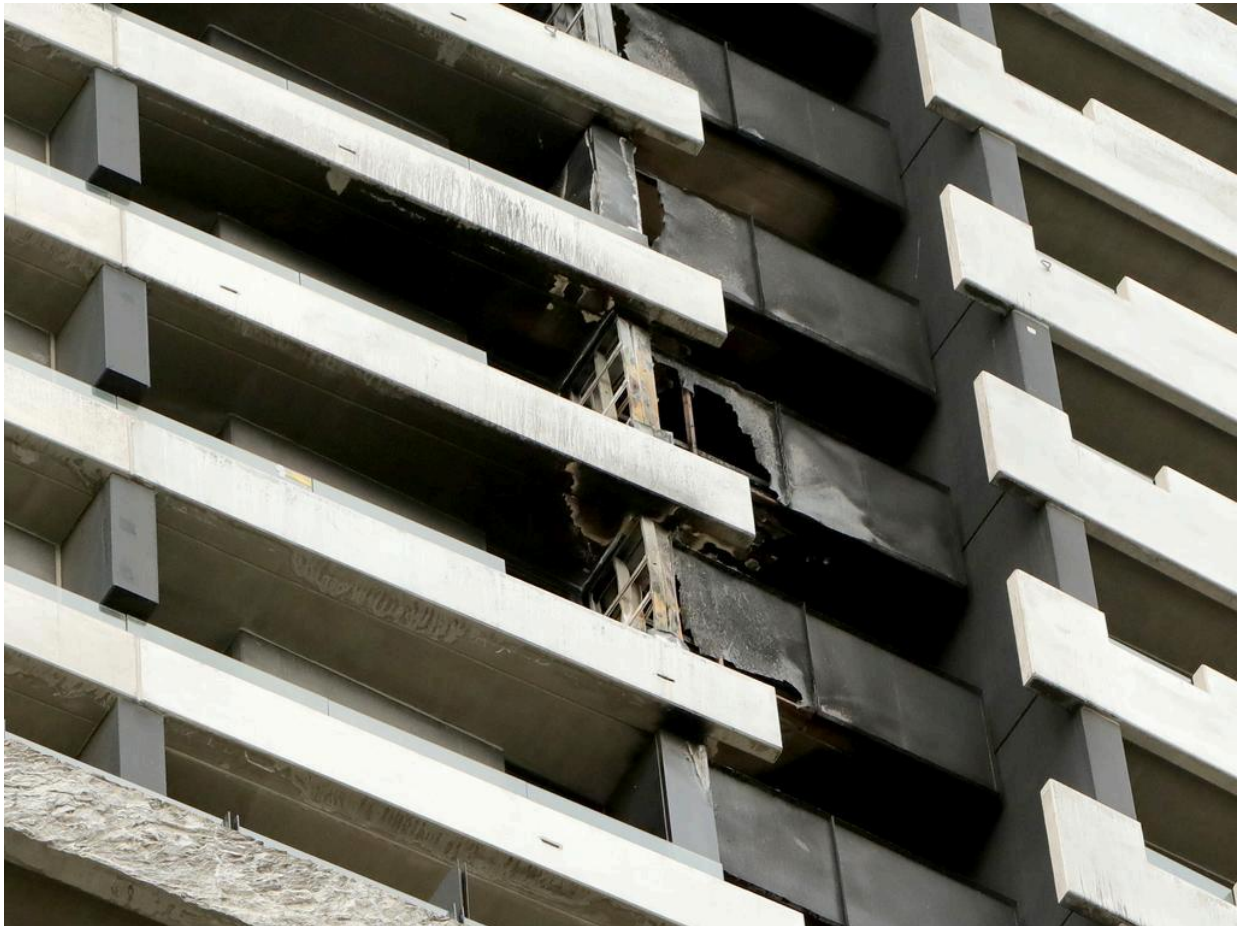
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The Allan government will continue [collecting a controversial cladding levy](#), which adds [thousands of dollars](#) to the cost of building new apartments, despite publicly pledging to make housing more affordable in Victoria.

The Herald Sun can reveal that the Cladding Rectification Levy, which adds roughly \$4000 to every new two-bedroom apartment built in Melbourne, has quietly been extended by the Labor government, despite it having raised the \$300m target.

The decision follows a government review that found the levy “exceeded expectations”, and had the potential to raise an additional \$142m by 2026.

Planning Minister Sonya Kilkeny approved the levy's continuation when the review was quietly tabled in the Victorian parliament in December.



The Neo200 building in Melbourne had a fire fuelled by cladding in 2019. Picture: Stuart McEvoy/The Australian

The levy is applied to all apartment and townhouse developments in Melbourne costing more than \$800,000, adding thousands of dollars to the price of each dwelling.

Housing Industry Association executive director Keith Ryan expressed concern over the lack of consultation with the industry and public prior to the minister's decision.

“We'd like the government to engage with all affected parties, builders, and consumers, about their plans for the future of the levy, ensuring full transparency,” he said.

“We are trying to find ways to stop the cost of apartments from rising, and this could be a mechanism to reduce costs.”

Originally introduced in 2019 following the [2014 Lacrosse complex fire in Docklands](#) and the [2017 Grenfell Tower fire in London](#), the levy aimed to fund Cladding Safety Victoria and remove high-risk cladding from hundreds of Melbourne buildings.

At the time, then premier Daniel Andrews promised the levy would cover \$300m of the \$600m program.



The tax could raise an additional \$142m by 2026.

The review by the government in late 2023 said the levy was on track but that the government had expanded cladding work and programs could benefit from continued levy funding. It highlighted that an extra \$142m could be collected by 2026.

Opposition treasury spokesman Brad Rowswell criticised the move to extend the levy, highlighting the government's initial promise to eliminate the tax after raising \$300m.

“In 2019, Daniel Andrews introduced a temporary Cladding Rectification Levy,” he said. “While Labor’s cladding tax was meant to be phased out this year, Premier Jacinta Allan has quietly decided to extend this tax to at least 2026 to patch up her disaster budget.”

A state government spokesperson cited ongoing risks from dangerous combustible cladding and confirmed no end date had been set for the levy.

“There are still buildings with dangerous combustible cladding that would put lives at risk if they’re not fixed – the cladding rectification program has been extended until that work is done,” they said.