



Helping churches provide affordable housing.

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SELECT COMMITTEE ON SOCIAL, PUBLIC AND AFFORDABLE HOUSING – QUESTION ON NOTICE FROM MAGNUS LINDER.

Question:

The Hon. RICK COLLESS: *Are those figures on an annual basis or a construction basis? For example, if I own a house that was built 10 years ago, which was bought as a house and land package and I negatively gear it and put it into the housing market, is that included in those figures as an old house?*

Mr LINDER: *I will have to take that question on notice.*

Answer:

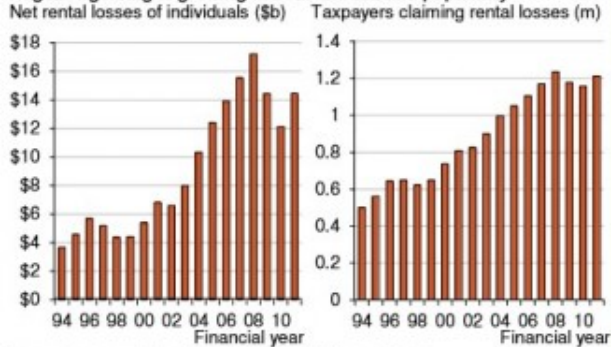
The figure of only 5% of negatively geared housing being for newly built housing is interpreted as the first sale by a developer or builder¹. In this respect it is not how old the housing is, but whether or not the negatively geared housing was purchased as an investment when newly built.

The point that was being made was to confirm that negative gearing does not encourage new housing. This is reflected in ABS data, reflected in the following tables:

¹ This interpretation of data was provided by Prof Rick Kreaver, professor and head of the Department of Business Law and Taxation, Monash University.

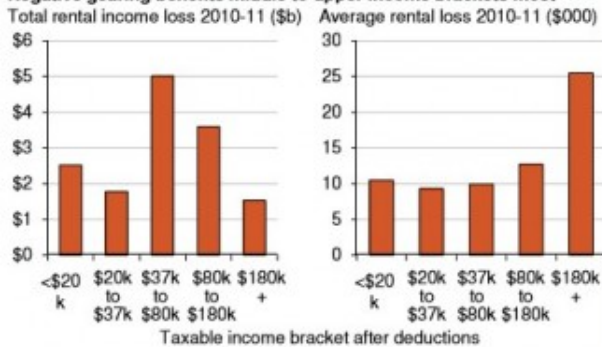
Negative gearing

Negative gearing is growing in both amount and popularity



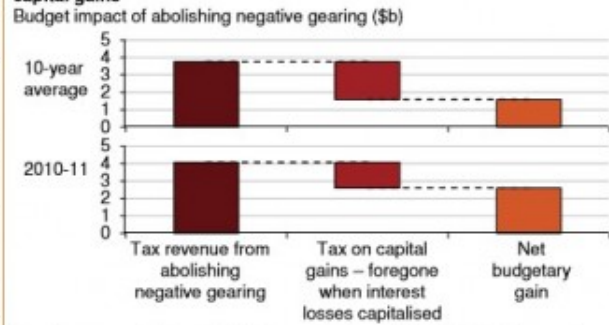
Source: Grattan analysis of ATO (2013) Individuals' tax – Table 1

Negative gearing benefits middle to upper income brackets most



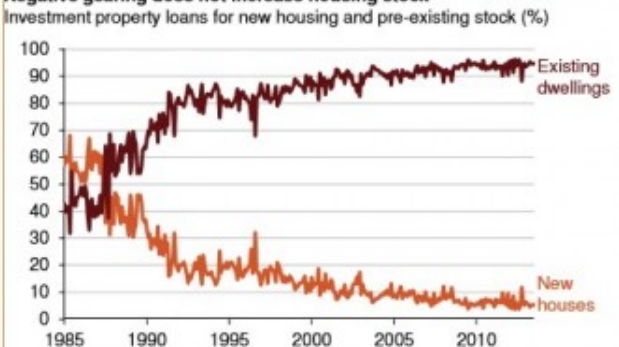
Note: Tax free thresholds changed between 2010-11 and 2012-13. 2010-11 data is presented in 2012-13 tax brackets as closely as data allows. Source: Grattan analysis of ATO (2013)

Additional income tax is reduced by losses carried forward against capital gains



Note: Assumes marginal tax rate 30% Source: Grattan analysis of ATO (multiple years)

Negative gearing does not increase housing stock



Source: RBA (2013c) Table D6

These graphs demonstrate that negative gearing, despite growing in popularity, is clearly not contributing to a growth in new houses and may actually be a disincentive to construction.

Churches Housing Inc reiterates our recommendation that the State Government advocates to the Federal Government for the abolition of negative gearing:

16. Federal Government modify the taxation consequences of negative gearing. While grandfathering the taxation of existing investments, the taxation benefits of negative gearing should only apply prospectively to investment in newly constructed dwellings (for a maximum of 10 years after purchase). In addition, negative gearing may be claimed by investors of new dwellings who commit to renting their property at 75% of market value for 10 years after purchase.

Magnus Linder

Executive Officer

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