

Submission to the House Standing Committee on: Tax and Revenue Inquiry into Housing Affordability and Supply

Name: 

My submission is made as an individual

These are the Terms of Reference regarding tax and regulation and its effects housing affordability and supply

1. Examine the impact of current taxes, charges and regulatory settings at a Federal, State and Local Government level on housing supply;
2. Identify and assess the factors that promote or impede responsive housing supply at the Federal, State and Local Government level; and
3. Examine the effectiveness of initiatives to improve housing supply in other jurisdictions and their appropriateness in an Australian context.

My submission is in regards to the first and third terms of reference.

1st Term of Reference

To examine the impact of current taxes, charges and regulatory settings at a Federal, State and Local Government level on housing supply.

My submission is aimed to improve the chances for the average Australian individual or couple to own their own home.

Today's home prices have reached record levels and show no signs of slowing down. This has made house ownership not only out of reach for many Australians but for those that have managed to actually put a deposit on a home they are in extreme danger of interest rate rises which will put their expensive purchase in jeopardy.

Poorer people renting, single mums, young families, those with low paying jobs, people with handicaps are presently having great difficulty in obtaining affordable housing.

The way that governments have formed taxes have aggravated the housing problem.

Federal Taxes:

Negatively gearing investment housing:

The Australian government presently allows investment housing to be negatively geared. This has been done to promote investments in housing. The idea has long been enthusiastically embraced by Australians with the result that many investors have purchased not one but many properties. This in effect means that the government is subsidising these investors, a large expense to the government by way of less taxes. It also raises the prices of homes as the investors compete with the private home buyers.

PROPOSAL: ABOLISH NEGATIVE GEARING FOR (FUTURE) HOME INVESTORS TO IMMEDIATELY REDUCE DEMAND AND THUS REDUCE PRESSURES ON PRICES.

Capital Gains Taxes:

Live-in Home Capital Gains Free

Presently a home purchased to live in is free from Capital Gain Taxes. The purchaser may be living in the property for decades or may have bought the property just a few months earlier. Regardless when the property is sold if there is a gain it is a tax free gain. There are people that are dedicated to buying a home, sprucing it up, then resell it at a higher price capital tax gains free. Some couples move four properties in one year. This means that many people engage in buying and selling of homes as a business.

This too pushes people to invest in the housing market and reduces availability of stock, especially at the lower end of the market, making it more difficult for people of less economic means to enter the market.

PROPOSAL: EVERY HOME SALE, REGARDLESS IF IT IS FOR INVESTMENT OR FOR LIVING, TO INCUR THE CAPITAL GAINS TAX.

This would tax what is now at tax free enterprise, raise revenue for the government and drive down excess demand for housing stock.

Investor Capital Gains - 50% reduction of capital gains after a twelve month period.

A twelve month period is not a long time to wait to reduce by 50% capital gains tax. Investors and live-in buyers use that time to prepare the house.

PROPOSAL: INCREASE THE TIME TO 24 MONTHS FOR THE 50% CAPITAL GAIN REDUCTION.

This would decrease the speed of buying and selling and lower the pressure on prices.

State Taxes – Stamp Duties Vs Land Taxes

STAMP DUTIES NEED TO GO - Once upon a time stamp duties on a home purchase may have been a good idea. Today it is universally acknowledged that stamp duties on home purchases put major restraints on people purchasing a home. Homes are a very high cost item and having a large additional tax imposed is a burden that we would do well in doing away with. There are many people that may need to change homes, Young people with growing families, empty nesters, changing jobs, changing suburbs or towns, downsizing or upsizing. Each individual or family needs to part with a sizable chunk of money each time a purchase is made.

Abolishing stamp duties makes housing cheaper

LAND TAX BENEFITS / DOWNSIDES

The downside of abolishing the housing stamp duty is the need for governments to find alternative sources of revenue. Imposing a new land tax on living-in homes is a hard sell but it needs to be done.

The benefit for the state governments would be that eventually the income received would be evenly spread. At present housing stamp duty receipts are sky high during boom times and extremely low in down times.

An additional benefit will be the extra revenue the government will make from homes that will be paying land tax that were not in the past. For example those homes that have been in family possession for over twenty years.

Doing away with the stamp duty tax and introducing the new tax overnight is not recommended. The NSW government is attempting to do an Opt-in / Opt-out system which is helpful but not optimal. But there are alternatives that would work out much better, like the following:

PROPOSAL: INTRODUCE THE LAND TAX BUT ALLOW 50% CREDIT FOR STAMP DUTY ALREADY PAID OVER THE LAST TWENTY YEARS.

My proposal is to introduce the land tax but give a credit for half (50%) of the stamp duty already paid over the last twenty years (possibly includes purchased multiple properties). This credit would go towards the payment of the new land tax. The owners would **not** need to pay land tax until the credit is exhausted. Thus the transition would be immediate, although not the revenue to start with. Revenue will eventually more than make up the losses from the beginning.

3rd Term of Reference

Examine the effectiveness of initiatives to improve housing supply in other jurisdictions and their appropriateness in an Australian context.

There are a growing number of people in great need to find affordable housing in Australia. As housing prices have risen so have rents. Wages for lower income positions have stagnated. People that have had hard lives or tragic events in their lives find themselves out of luck and homeless. In NSW the state government has been selling large public housing estates in prime areas in order to build smaller public housing in remote areas. This marginalises further those most in need.

It is clear from the prices being paid for trophy homes in the wealthier regions that many people have done well in today's environment yet their expansive private homes are presently free from taxes.

It is incumbent for the government to make the level ground fairer so that those that have suffered from unfortunate circumstances have a chance to at least cling to the bottom rungs of society's ladder. For this reason money should be found, perhaps by increasing land tax or other taxes, to build reasonable housing at more competitive prices, but only available to those that meet a needs based criteria.

It is most unfortunate that since the "Greed is Good," "Trickle Down Economics," of the 1980s many people have accumulated wealth at the expense of the less blessed. The casualisation of jobs, the dismantling of unions, the increasing charges for education, and so on, have made less able people's lives more precarious.

To help these people and their children climb the ladder of respect and perhaps success was the guiding principle of public housing constructed from the revenues from the once much higher marginal taxes.

It is time to consider returning to those times of greater taxes from the wealthy to help those in need to get back on their feet, or at least lead less stressful lives.

PROPOSAL 1 : FAMILY TRUSTS OF THE WEALTHY, CREATED FOR THE SOLE PURPOSE TO MINIMISE TAXES, SHOULD BE MADE TO PAY NORMAL TAXES,

POROPOSAL 2: CREATE A WEALTH TAX OF 1% OF THE ACCUMULATED WORTH TO HELP FINANCE HOMES FOR THE MARGINALISED