

## **Affordable housing submission**

The opportunities of young people to own your own home are significantly less than that of our parents. What was once seen as a place to live is now a \$5 trillion investment asset class.

The length of time it takes for a FHB to save a deposit is considerable. Once, half a years wage savings was enough to get you a basic dwelling. This is far from the case today, particularly in the capital city markets of Sydney & Melbourne.

I'm of the position that as a result, entrepreneurship is discouraged by people in their 20's. It is a trade off of keeping savings from your first full time job exclusively for a home deposit vs a business venture. If the business venture fails it may be a further 10 years savings required for a home deposit.

We have also seen significant falls in the levels of divorce in recent years, this numerically appears a positive development, but the fall coincides with the significant rise in housing unaffordability since the turn of the century.

Australia's Land value relative to GDP has risen six fold since the 1950s. Much of Australia's economic growth has been capitalised into land values, on the surface this appears to make us quite wealthy. However this is not creation of wealth in the sense it is merely a transfer of wealth (from the young and indebted, to the land owning class) Real wealth is created by effective use of capital, enterprise and employment.

Australia's extraordinary land value relative to the economy makes it incredibly difficult to continue to grow the economy. Real GDP per capita has now stalled, and real economic growth is now completely reliant on Australia's third world population growth rates, leaving our infrastructure bursting at the seams. The economy needs to be realigned, reducing speculation in 'land' and increased investment in capital, and business.

The following recommendations should assist in increasing the level of affordable housing.

### Taxation

- All negative gearing tax concessions need to be removed entirely, no grandfather period should be honoured.
- Replace property transfer duty with a flat rate land value tax (1%pa). I recommend that we a modest stamp duty is retained for all foreign buyers and buyers of property above \$1m (this will allow the capture some forgone revenue by keeping all owner occupied property CGT free). If this is brought in over a transition period (of 5-10years) a 100% first home buyer stamp duty concession (on first \$500k) should be an immediate priority for the government.
- 50% capital gains tax concession for investors should be removed. Replace with 40% capital gains tax concession for properties held at least 10 years.
- Rental Income earnings should be taxed at a lower rate, as per Ken Henry recommendation. This has the effect of encouraging investment into properties with higher rental yields. It is these properties – the dwellings with higher rental yields where renting is actually in demand (as opposed to owner occupying)

- A further 0.5%pa wealth tax should be applied on land value on properties owned by foreigners. This will ensure high levels of land utilisation and properties are not 'land banked'.
- Revisions to First Home Saver Account Scheme:  
Government co-contributions should be available for first \$15k contributions pa (Not the first \$6k pa as it is now) This would allow a first home buyer, saving \$15k pa to reach the account maximum in a reasonable five saving year period. This is not an unreasonable request when compared to tax concessions available to the baby boomer cohort whereby they are entitled to benefits of up to 30% on up to \$50kpa in super. If this measure is deemed fiscally unaffordable at this point, a temporary measure to give first home buyers the option to contribute up to 50% of their compulsory superannuation guarantee into the cash based FHSA should be considered.
- Include value of home in assets test calculation for the aged pension. For those pensioners that would have a reduced pension entitlement as a result of these changes, allow them to stay in the property and they can accumulate a government sponsored debt against the property, at CPI +1% that is payable upon the resale of the home. Under the current scheme there is an absolute discouragement to downsize from a family sized home as this will result in loss/reduction of pension.

#### Reduce construction costs

- Encourage investment into modular homes. Bringing modular home construction to an economies of scale may bring significantly reduced dwelling construction costs.

#### Supply

- Continue with targeted NRAS program.
- Medium to High density housing must be allowed in areas with strong walkability and immediate public transport links.
- Urban growth boundary policies must be reviewed, rather than the current policies of rezoning 30 years of supply with no tax payable, they should only be rezoning 7 years worth of supply. At the time of rezoning, infrastructure contributions must be paid by the land owner or a forced sale must take place, this discourages land banking. There should be no concessions for those wanting tax exemptions where they pass off the current use as 'farming' (placing a few cows on the paddock to dodge tax)

#### Ownership of rental stock

- Australia has one of the highest % of population that are direct property investors in the world. Most property investors own just the single or two dwellings. This mass small scale investment of mum & dad Australians is not an efficient means of managing rental stock. By moving towards flat land tax scales, and applying capital gains tax concessions only on properties held for 10 years, mutual funds and larger scale companies will no longer be discouraged from holding rental stock. In this structure, the majority of mums & dad investors can invest in property via the mutual funds.

No doubt you will receive submissions from vested interests, and those that 'clip the ticket' in this land speculating paradise. The following options voiced by some of these interests **should not be considered.**

- Calls to Increase/Reinstate the FHOG
- Calls to provide allow access of First Time Buyers to their superannuation balance.
- Calls to allow tax deductibility of owner occupiers mortgage against income
- Moves that extend the financial inequities between those that rent than to those that owner occupy.