

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2017 - 2018

Division/Agency: Tax Analysis Division

Question No: 296

Topic: Downsizing Superannuation

Reference: Hansard page 75 (29 May 2017)

Senator: Gallagher, Katy

Question:

Senator GALLAGHER: I note that there is a \$30 million cost to this. What are the assumptions that underpin that? How many people do you believe will make a contribution of this order or access this measure?

Ms J Wilkinson: As I said in response to an earlier question, the way in which we have done this costing is that we have drawn on information about the value of housing which may be sold in order to access the downsizing measure but that do not have particular estimates of the number. I will just hand over to Mr Ewing, who can walk you through—

Senator GALLAGHER: Can you provide me with what, basically, the assumptions are and what—

Ms J Wilkinson: We can walk you through the methodology.

Mr Ewing: Broadly speaking, what we have done for this costing is that we have started from the available information. The available information is quite scant. The main source we have is the HILDA survey, as that is the only survey which really allows us to look at housing assets at this level of detail. We have used that to calculate the proportion of people who might be downsizing in different groups, and we have used that to calculate the overall value of housing that is downsized and that is eligible for that measure. We then calculate the effects that that movement of the value of that downsizing from a taxed to an untaxed environment will have on tax receipts, and that gives us the \$30 million cost over the forward estimates.

Senator GALLAGHER: So do you have the value of the housing?

Mr Ewing: I do not have that figure on me, I am afraid. I will have to take that on notice.

Answer:

The 2014 Household, Income and Labour Dynamics in Australia (HILDA) Survey was used to estimate the probability of individuals aged 65 years who will sell their home and purchase a new home of lesser value, and the reduction in home values from such sales.

Based on the estimates from the 2014 HILDA Survey, the median change in house price in 2017-18 was projected to be around \$114,000.