

Additional comments – Senator Andrew Bartlett

I support the Committee's report and the recommendations. The report is a valuable and fairly comprehensive examination of a complex but very pressing issue. It is a great shame that the previous government did not engage in or examine many of these issues over a period when the crisis in housing affordability continued to worsen considerably.

Given the seriousness of the housing affordability crisis and its entrenched nature, I am concerned that there needs to be some more immediate measures alongside the medium-term proposals put forward in this report, as well as those being adopted and considered by the new federal government. I believe the single most effective measure to provide an immediate increase in affordable housing is to boost funding for the supply of affordable rental housing. While I support and welcome the proposal in Recommendation 10.2 to boost the supply of social housing, given the urgency and entrenched nature of the problem, there are grounds for supporting a greater boost in funding in this area.

I particularly welcome the Committee's Recommendation 4.2, which calls for a (long overdue) review of the impacts on housing affordability of existing tax arrangements in the area of negative gearing and capital gains tax. However, I believe this review must also consider the capital gains tax exemption on the family home. It is unacceptable that so little effort seems to have been put in by Treasury to try to quantify the scope of such a large tax break, but this Committee's report (at Table 4.2) has estimated that this exemption costs approximately \$20 billion a year!

While many witnesses appearing before the Committee acknowledged that removing or modifying this exemption would be very difficult politically, I don't believe an exemption which provides such a huge tax break, has the potential to significantly distort housing markets and is highly regressive in its application should be seen as off-limits, given the seriousness of the housing affordability problem and particularly the structural nature of the problem.

Indeed, given the seriousness of the housing affordability crisis, the enormous amount of revenue foregone as a result of this tax exemption and the potential for such revenue to be invested into social or affordable housing, I believe consideration should be given to immediately phasing out or capping the capital gains tax exemption in the family home. Introducing a tax such as this would have to be grandfathered, in the same way as the capital gains tax itself was when it was introduced, but it is time this option was put on the table.

I also welcome the Committee's consideration of modifying the First Home Owners Grant Scheme, and the suggestion that any funds saved be redirected into increasing the supply of affordable housing. However, in my view the case has been made for the Grant to be means tested. Funds spent in this area should be targeted at assisting people who couldn't otherwise afford it to enter the housing market, not at helping people who can afford to buy a house to buy a slightly more expensive one. For the same reason, there should be a cap in the overall price of a house that First Home Owner Grant funds can be used for.

Finally, the role of private rental in providing housing for people was touched on by many witnesses. The terms of reference for this inquiry unfortunately didn't lend themselves to a full examination of some of these issues, which is unfortunate given that this sector is where the worst affordability problems lie and where many people are most vulnerable in regards to security over their homes. Given that it wasn't a direct focus of the inquiry – in part because much of the issues are the responsibility of state governments - it is difficult to make precise recommendations in this area. However, I believe there is a strong case for improved tenancy laws at state and territory level which strengthen the security of tenure and restrict profiteering and excessively large or frequent rent increases.

Andrew Bartlett
Senator for Queensland