

NATIONAL SHELTER MEDIA RELEASE

MISSED OPPORTUNITY: GOVERNMENT SHIRKS RESPONSIBILITY TO FIX TAX AND HOUSING

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Missed Opportunity: Government shirks responsibility to fix tax and housing
National peak housing organisation, National Shelter, expressed frustration at the government's adoption of the Henry review arguing that housing has been ignored and undermined.

With Australia's housing market artificially inflated by our tax system, National Shelter believes that this was a rare opportunity to correct the market and facilitate a fairer more balanced approach to housing.

Chairperson of National Shelter Adrian Pisarski said that the government's treatment of housing in this review provided advantage for higher income earners, identifying Negative Gearing, Capital Gains Tax and the First Home Owners Grant as three elements which should have been given immediate priority.

"The way we tax, or exempt housing from tax, provides greater benefits to those on higher incomes than those on low incomes and to those who have established themselves in the market rather than those trying to," Mr Pisarski said.

In its policy platform, Housing Australia Affordably which was launched late last year, National Shelter made a number of recommendations to the government around the tax system, and hopes that with further consideration, these recommendations will be implemented. They include:

- Limit or remove the capital gains tax exemption on higher priced owner occupied housing above a reasonable threshold such as a \$2m value;
- limit the inflationary pressure of current negative gearing provisions by quarantining the deductibility of costs on rentals housing to the income from rental housing, rather than any income;
- Provide support to first home owners through the tax system instead of a grant to reduce the inflationary effect of boosting demand via lump sum grants that only end up on first home prices;
- Provide certainty for investors in NRAS and the community housing providers by establishing the provision of affordable rental housing as a charitable activity; and
- Use the tax system to encourage other forms of investment in affordable rental, such as tapering negative gearing so its benefits maximised to investors at the lower rather than upper end.

Mr Pisarski said that he is surprised that housing was omitted from the tax changes especially following the release of the National Housing Supply Council's, State of Supply Report which projects Australia's housing shortfall to reach 308,000 units by 2014.

"Whilst we have this shortfall house price inflation continues to deter general investment in residential rental because rental yields continue to fall relative to the capital value of property," he concluded.

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