

Labor proposals to change taxation on housing could slow down supply

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The recent statements by the Labor Party that negative gearing and capital gains tax concessions would be reduced send negative messages to ordinary Australians investing in property, says the Urban Taskforce.

"It is the combination of restricting negative gearing and of reducing capital gains tax deductions on residential property investments that will discourage ordinary Australians from investing in property," says Urban Taskforce CEO, Chris Johnson. "Many Australians have preferred to invest in property over other forms of investment, like shares or bonds, and this has been based on negative gearing to minimise recurrent costs while expecting a positive return from capital gains over time."

"While traditionally home ownership has been seen as an Australian ideal this has shifted in recent decades with more people renting while many ordinary Australians have borrowed money to be able to earn an income from a house or apartment. The people who benefit from negative gearing are those that must borrow to buy an investment property rather than the very wealthy who don't borrow or borrow less and can use their own funds. It seems unfair of the Labor Party to target ordinary Australians who need to borrow and to discourage them from aspiring to be owners of income producing properties."

"The reduction in the use of negative gearing to only new properties while appearing to boost supply is likely to result in increases in new property prices as more investors compete for only new housing. The aspirations of ordinary Australians to be property investors as part of a diversified approach to managing their long term finances should be encouraged rather than discouraged."

"The slashing of the capital gains tax deduction by 50% will further discourage all property investors of new or old assets from investing in built assets. The end product of the Labor Party proposals is to undermine confidence in property investment by ordinary Australians as well as larger organisations. This can only lead to less supply of rental properties with a consequent jump in rental fees."

"The Urban Taskforce understands that adjustments to the taxation system need to be considered but we believe any changes should encourage the development of more housing funded by the broader community's investment. Stamp Duty is clearly a tax that is a disincentive to the purchase of a house or apartment and we believe this should be abolished and replaced by a fair broad based land tax which spreads the tax burden over a much larger ownership base."

The Urban Taskforce is a property development industry group, representing Australia's most prominent property developers and equity financiers.

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