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Tax Policy by Leaks??

An assault on negative gearing of rental investment by selective background briefing is hardly the way to promote a tax policy debate said the HIA, Australia's largest building industry organisation.

"There is a mistaken dogma that allowing taxpayers to claim interest expenses on borrowings is a tax rort. Such muddled thinking led to the disastrous flirtation with the quarantining of negative gearing on rental investment property in 1985. That decision put rental property investment into reverse and saw the stock of rental housing fall, particularly in Sydney, and the number of rental investors decline," said HIA Chief Executive, Association, Mr Graham Wolfe.

"There is no barrier to negative gearing on any form of investment and nor should there be. An investor can claim interest expenses on borrowings used to purchase shares and any other income-producing asset.

"With high house prices and (previously) very high interest rates it has to be expected that the number of taxpayers with losses on rental investments would increase. A shift to lower interest rates and higher rents is more likely to have the opposite effect.

"Most investment property is held by taxpayers with incomes under \$75,000 a year. These investors are regular, hard working individuals and couples, including prospective first home buyers purchasing a rental property as a way of getting into the housing market.

"If negative gearing is such a substantial tax break why is Australia suffering from a chronic shortage of rental housing? Why is there next to no institutional investment in residential rental property?

"The last official survey of rental investors was done in 1997. But it revealed that a minority of investors purchased rental housing for negative gearing. Most were looking for a long-term return on their savings, often with an eye on their retirement.

"Fiddling with the taxation treatment of residential rental investment is dangerous. The last time a government decided to experiment with tax hikes on rental investment was the ill-fated vendor tax in New South Wales.

"If the Australian Government is desirous of having a mature discussion with the community about tax policy for the future, then there should be a structured program of consultation set against the Government's response to the Henry Taxation Review," said Graham Wolfe.

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