Experts urge tax changes to increase affordable housing

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MAKING the capital gains tax discount less generous could be the most effective and well supported way to improve housing affordability for first-home buyers, a Hobart forum has heard.

New research exposing a dramatic shortage of affordable rental properties in the state prompted the University of Tasmania to partner with Anglicare to hold the “Big Squeeze” forum to discuss reforms to housing policy.

Experts in economics, housing and community welfare last night discussed tax reform, the pressure of Airbnb, social housing and improved pathways into home ownership.

It comes as new research from The Australia Institute shows Tasmanians are suffering simultaneously from being priced out of home ownership, while also gaining the least from tax breaks for such as negative gearing and capital gains tax discount.

Economist Saul Eslake told the forum that changing negative gearing was “a bridge too far for most politicians”, but there was a better case for making changes to the capital gains tax discount.

“If you did that then I think negative gearing would wither away to being a relatively small and unimportant part of the tax system — that’s something the Federal Government could do next Tuesday [in its Budget], if it chose to,” he said.

The university’s Institute for the Study of Social Change director Richard Eccleston said more research was needed to determine the impact of Airbnb on the supply of properties for the private rental market.
The Australian Institute research found that in Tasmania 32,713 people received income from rent, with 18,420 doing so at a loss.

Tasmanian director Leanne Minshull said that showed housing investment in the state was primarily done for a future capital gain and to use as an offset against income tax.

She said across the country, the higher the income bracket, the greater the amount of wealth generation from negative gearing and capital gains tax discount.

As a state with lower than national average household income, Tasmanians were likely to be creating less wealth from either scheme.

“These figures suggest that interstate property speculators could be inflating the Tasmanian property market, locking Tasmanians out of home ownership, with the profits leaving the state — that’s money that is not being reinvested back into the local economy,” Ms Minshull said.

“Economic investment in the state is obviously welcomed, but not if the end result is that it makes life harder for Tasmanians.”