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MEDIA RELEASE

Gillard Must Deny Plans to Introduce a Vendor Tax on Investment Properties, says HIA

Today's reports in the media that the Federal Government is considering a new sales tax on investment property as well as a reduction in negative gearing benefits is disturbing and damaging to confidence in an already struggling housing market, says the HIA.

"The suggestion that the Federal Government has plans to introduce a new sales tax on investment housing has all the hallmarks of the disastrous move to introduce a similar tax in NSW in 2004. This tax led to home building in NSW grinding to a halt, a situation from which the state has struggled to recover," said HIA Chief Executive, Mr Graham Wolfe.

"The Prime Minister or Treasurer must deny today's media claims immediately before substantial damage is inflicted on home building in Australia," said Mr Wolfe.

"Investment in rental property has already slowed to a trickle and the premise that Australia's housing market needs cooling is deeply flawed."

"The residential construction industry is in the grips of its worst downturn in decades," said Mr Wolfe. "Residential building activity is forecast to fall to 143,000 housing starts in 2011, down by 15 per cent from 168,700 starts in 2010."

"Suggestions that negative gearing should be removed are also ludicrous. Allowing taxpayers to claim interest expenses on borrowings is entirely appropriate – it is not a tax rort. Income from rental properties is assessable, and expenses should be deductible. This is the basic premise of Australia's taxation system".

"In totality, the cost to revenue of negative gearing is less than \$2.5 billion per annum, which is around half the amount the Federal Government will raise through its newly introduced flood tax. Yet, despite its small quantum, negative gearing is crucial to investment in rental housing," said Mr Wolfe.

"After the disastrous flirtation with the quarantining of negative gearing on rental investment property in 1985, and NSW Labor's dire experience with a vendor tax, I doubt the Gillard Government is really suggesting such a strategy," said Mr Wolfe.

"But the Federal Government does need to clarify its position on today's reports", said Mr Wolfe.

For further information:

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