IN MY

OPINION

with Shane Goodwin

Smart tax reform pays dividends in housing

SHELTER is a staple of life. It is a base from which all Australians can participate in society.

Home is where our young Australians are raised and houses are fundamental for our future prosperity and wellbeing.

Yet we have a housing crisis in Australia. Many Australians struggle to enter the housing market — whether through renting or buying their first home.

House prices, home loan repayments and rental payments have grown to such an extent they are a major barrier to participating in the housing market.

The more HIA examines the issue, the more it becomes clear that excessive taxation placed on new housing is a major cause of both our undersupply and the resultant affordability problems. The tax system has major impacts on housing supply, affordability and the ability of the community to access shelter.

The tax burden on new housing has grown substantially over the past decade and there exists an inequitable treatment of new housing compared with existing housing.

The Centre of International Economics recently completed a study for HIA on the taxation of housing and the results are concerning. Firstly, the total tax burden on a new home in our three largest capital cities ranges from 36 per cent in Brisbane to 38 per cent in Melbourne to 44 per cent in Sydney.

The types of taxes placed on housing are highly problematic:

THEY fall largely on the homebuyer.

THE majority are highly inefficient.

THEY can impact labour mobility and hence productivity.

This week's tax forum provided a chance to form the platform for driving a serious reform process that, if implemented, would not only increase productivity and growth, but could help make it easier for Australians, particularly young people to get into the housing market. The reality is the most inefficient taxes in the economy are levied at the state government, or even the local government, level. But the states have limited channels from which to raise revenue — and this is why they often turn to taxing property.

Clearly, all three levels of government need to work together to remove and rationalise these taxes.

From a housing perspective the removal of stamp duties on new homes should be first. Not only will this lead to a significant boost to national welfare as well as an increase in housing supply, it will also help with labour mobility and productivity growth.

Other taxes that require urgent attention include infrastructure charges. Placing the tax burden for residential infrastructure on too few members of the community has meant that some homes simply don't get built and therefore the entire community misses out on new and/or upgraded infrastructure.

A major constraining factor at the tax forum was a requirement that any proposed changes be revenue neutral. Sensible taxation reform will pay dividends through higher productivity, efficiency gains, higher future economic growth, and increased future revenue streams.

Others at the tax forum sought to demonise negative gearing as a loophole that, if removed, could offset the cost of their own wish list. They ignore or disregard that residential investment is a legitimate form of investment, with significant financial risk.

Negative gearing and capital gains tax settings add to housing supply and rental affordability. The cost of not supporting new residential investment will inevitably be a larger slice of government spending commitment on public housing, rental assistance and welfare systems to provide necessary shelter for Australians.

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