# NEW REPORT INTO IMPACTS OF NEGATIVE GEARING WELCOMED

## *REIWA: Market Report 29/06/2015*

The President of the Real Estate Institute of Western Australia, Mr David Airey, has welcomed a new report into the impacts of negative gearing.

The report, entitled *Australian Housing Investment: analysis of negative gearing and CGT discount for residential housing property*, was conducted by ACIL Allen Consulting and was commissioned by the Real Estate Institute of Australia and the Property Council of Australia.

The research found that:

- The provision of negative gearing in conjunction with the capital gains tax (CGT), promotes investment in rental properties and increases the supply of new housing.
- Around a third of all new dwelling construction is financed by investors, debunking the myth that negative gearing does not support housing supply,
- Two thirds of property investors who benefit from negative gearing have a taxable income of less than $80k per year,
- Those earning less than $80k per year claim the majority (58 per cent of total value losses in 2012-13),
- The 50 per cent discount on capital gains helps to ensure that purely nominal gains are not taxed and in doing so, promotes the incentives for individuals to save and invest and,
- Removing negative gearing of the CGT discount altogether for property will dampen investment, diminish rental supply and make it more likely that in the short to medium term, rents and property prices will increase.

Mr Airey said that the arguments for removing negative gearing didn’t stack up.

“Negative gearing and CGT are doing all the right things when it comes to improving housing affordability. They increase supply, give people an opportunity to get into the housing market and help Australians build wealth for their future.

“The real barrier to home ownership is the run-away stamp duty costs which have increased significantly over the last 20 years. There has been no adjustment for bracket creep as houses prices have risen and the state government has become too reliant on this volatile revenue stream.

“Mum and dad investors are overwhelmingly the ones who benefit most for the ability to negatively gear their property investments. It’s not a tax lurk for the wealthy, but an incentive for people on average incomes,” Mr Airey said.

REIWA believes that messing with negative gearing would introduce distortions into the tax system and attack confidence.

“This would run counter to the principles of simplicity and fairness that the Federal Government is seeking to achieve in the current review of the taxation system,” Mr Airey said.