

For immediate release
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Negative gearing rethink needed to help first homebuyers

A leading first homebuyer advocate has welcomed the Federal Government's move to open the debate on capital gains tax (CGT) and negative gearing and their impact on Australia's housing market.

The Federal Government yesterday released its long-awaited tax discussion paper, inviting submissions from interested parties on how CGT and negative gearing are influencing savings and investment decisions.

Chief Executive Officer of HomeStart Finance, John Oliver, said the discussion paper provided an important opportunity to explore how elements of the tax system were impacting on housing supply and demand.

"CGT discounts and negative gearing have both been blamed for creating more investor activity and driving up property prices," he said.

"The benefits of negative gearing, in particular, makes property a very appealing option for investors. It would be difficult to argue that it hasn't had some impact on driving up property prices and making it harder for first homebuyers to break into the market.

"If you wanted to reduce housing demand and ensure house price growth slows, you could make a very strong case that abolishing negative gearing would go a long way to achieving that.

"Research has shown that start-up costs are one of the biggest barriers to home ownership. It is very difficult for a first homebuyer to compete in a market against investors who have significant backing in the form of assets and equity.

"As with any decisions on housing, they need to be made with balance. There is a risk that modifying CGT or negative gearing benefits would impact on the supply of rental properties in the market. This may push up rents and make housing even more unaffordable for many renters.

"The solution may lie somewhere in between, where negative gearing isn't scrapped entirely but is modified in some way to make buying a home as an investment less appealing. This may achieve a middle ground where there is sufficient investor activity in the housing market balance with a clear pathway into home ownership for first homebuyers."

HomeStart is a statutory body set-up by the South Australian Government in 1989 to help more South Australians achieve the dream of home ownership. In the last 25 years, it has helped more than 65,000 people into home ownership.

HomeStart makes home ownership a reality for more South Australians in more ways. We are a statutory authority that reports to the Minister for Housing and Urban Development. We were created in 1989 and since then have helped over 64,500 households into home ownership.