

Tax reform and housing affordability

Tax reform to make housing more affordable cannot work in the long term. Every action to make houses cheaper for some at the expense of others will only serve to increase prices for those whom the action was intended to assist. Housing affordability can only be addressed with reference to Australia's immigration intake. It is simple logic that because Australia has a fixed area of land, our rising population means an ever declining amount of land and resources available to each person. This decline generates rising land and resource prices, thus making housing increasingly unaffordable. Taxation cannot remedy this simple fact. It is extraordinary that Australia continues to grow its population unsustainably, when China recognised decades ago the pitfalls of excessive population growth by mandating the one-child policy. Any taxation reform must be accompanied by a zero immigration policy.

Capital gains taxes

Capital gains taxes are said to be a tax on the amount by which the consideration for an asset sold exceeds the purchase consideration of the same asset. However, this so called capital gain is not a profit, neither is it income: it is a consequence of asset price inflation. Conversely, a capital loss reflects the deflation of an asset price. The present arrangement in Australia is to tax capital gains, but not share in capital losses. As a result of capital gains taxes, an individual becomes actually worse off in terms of the asset disposed of because the same class of asset cannot be repurchased without providing additional funding. For example, a parcel of land of 1000 square metres purchased for \$100,000, and sold several years later for \$200,000 would be assessed for capital gains on an amount of \$50,000. Assuming the individual concerned payed tax at a 50% marginal rate, the net proceeds to that person would be \$175,000. This amount would be insufficient to either re-purchase the same land, or an equivalent 1000 square metre land parcel, thus making the person concerned worse off. The capital gains tax is therefore unreasonable and should be abolished.

Robert Warneford

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