

I understand that this will reach you after the closing date but also understand that you will accept this and consider it at some stage. I would appreciate you considering my submission and exploring/examining the issues within.

Submission re: Negative gearing and the effect it has on housing affordability, the payment of tax generally and the greed culture and entitlement mentality that is affecting ordinary Australians.

As part of the Governments review of the taxation system, consideration should be given to reviewing the taxation rules surrounding the negative gearing of rental properties and the various flow on effects it has. It is my submission that the unchecked availability of this taxation deduction has effects that are not measured and which have detrimental effects, namely the affordability of housing (due to competition) and an unfair distribution of the payment of salary and wage tax. I also believe that the policy that initially underpinned this type of deduction should be examined because there are different factors at play now that were not present at the time the policy was implemented.

As I write this Australia and infact much of the world is experiencing financial turmoil as we ride the effects of the financial/lending crisis in America. I write this submission with the suggestion that the ideas within are considered in the context of a more 'normal' economy. The present financial crisis is not what triggered me to write this, rather it is a long standing concern I and many others have with this element of taxation law.

#### Effect on housing affordability

It would come as no surprise to anyone to acknowledge that we as a nation are becoming every more greedy and consumed with the acquisition of wealth. In the recent decade this has manifested in an unprecedented amount of people acquiring rental properties. It has become an obsession with an increasing amount of people.

I can say as a fact having been in the market seeking to buy a residential property for my family that investors comprise a significant percentage of those buying houses.

Without doubt this creates competition which can only have one effect and that is to drive the cost of housing up. The higher the cost, the less likely it is that ordinary Australians can afford a home. As a parent of two young children I have all but given up on the prospect of them living the so called 'Australian dream'. In South Australia, the only possibility is them living so far away that it essentially splits the family up and makes family support (such as child minding etc) and general family gathering a logistical and expensive (petrol) nightmare. Relatively speaking, we are lucky in SA but in reality, the mean average price today is beyond reach of the average earner and requires an unachievable savings to enable the borrowing. Servicing such loans puts most new home buyers in the so called 'mortgage stress' category. Again, not good for the family and not good for the economy in terms of general spending.

#### Policy basis

My understanding of the policy basis for the negative gearing of rental properties was to ease the burden on the government to provide low cost public housing. I understand and infact agree that it was and remains to be a fair grass roots policy. Clearly a lot of people choose to rent but most admit it is a cycle they would prefer to break.

In the recent decade or more, the economic dynamics of this country has changed and this (old) policy rationale is less persuasive. New policy is required to make this fairer and better reflective of the times. I suspect that an additional policy basis is to provide the means for people to provide for their retirement as self funded retirees. I support this concept but wonder if it has gone too far. We often ask of the rich, how much is enough? Like so many policies, it wittingly or unwittingly feeds the concept of 'the rich get richer and the poor get poorer'. This divide is becoming wider and more divisive with every passing year and policy should seek to arrest that.

Rental costs are not much different to the cost of servicing an average or small mortgage. With the current governments (generous) response to the economic crises, and the doubling/tripling of the first home buyers grants perhaps more will break the rental cycle however they must still contend with obscene house prices. Modifying the negative gearing policy would most likely relax the competition and enable more people into the market which in turn eases the reliability on rental accommodation. Some modelling ought to be done to examine the knock on effect of a positive change in policy. Sure, if you change the policy many will bleat and complain but haven't they had to awfully good for an awful long time? It is time for sensible equity based policy that benefits the average person.

### Striking a fair balance

Why not make this deduction means tested and only available to those who demonstrate the need?

For example, keep negative gearing for investors who can demonstrate that investment in rental properties is their sole or main means of income and superannuation. The corollary of this is that if a full time salary and wage earner is on a good (or above average) income and contributing towards a good super scheme (means tested) why provide such generous/lavish tax deductions? It cannot be too difficult to find a suitable balance where only those who truly need this deduction get it.

Adopting a income test is a common concept for many Government benefits and handouts - Australia is well accustomed to it so why not explore one in this area.

The test could be a combination of income and planned retirement funds. A threshold for both could be modelled and that would determine the percentage of negative gearing a taxpayer gets. Like so many things, it is about balance. When the pendulum swings too much one way or the other, it produces inequity - a reasonable balance is all that is called for.

### Unfair burden on the rest of the salary and wage taxpaying community

Those who avail themselves of this tax deduction effectively pay less or no salary or wage tax. No matter how you dress it up, that shifts the burden to people like me. I form the backbone of the taxpaying community and pay a disproportionate amount of tax. Perhaps you have the statistics to hand and can calculate the amount of tax that is not paid by these tax payers. It has to be in the billions. Surely this results in a greater reliance on the tax I pay as a non investor. I resent that outcome. Because I am not greedy, I suffer the payment of more tax.

### Greed culture

As mentioned earlier, we live in a society that lives and breathes greed. There is no such thing as enough when it comes to the acquisition of money or assets. This policy breeds this culture. This is wrong and it should be amended.

### Conclusion

Please reform tax law as it relates to the overly generous benefits relating to negative gearing. For the most part, it is unfair and based on outdated policy. Something has to be done (incrementally) to turn around the greed culture and entitlement mentality that seems to drive too many people.

I appreciate you reading this and can only hope that others have made similar submissions. Perhaps it is already on your 'to do' list - I hope so!

Brett Walker-Roberts