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Submission to Australia's Future Taxation System
The Treasury,
Langton Cres.,
PARKES ACT 2600

From:
Mr Kenneth Ian McDowall

Capital Gains Tax Exemption for Principal Residential Dwellings

I have long been concerned at the distortions created by our tax system but none more than the total exemption from capital gains tax of principal residential dwellings.

This exemption has encouraged many middle and high income earners to invest a substantial portion of their total assets in their home instead of income earning assets such as shares, commercial property and infrastructure investments.

Australia has always had a shortage of capital for productive investment and this is one of the reasons.

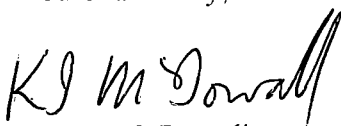
I propose a capital gains tax regime for principal residential dwellings which exempts houses sold for less than \$500,000 (indexed) but taxes all gains above \$500,000 (indexed). Residences purchased for less than \$500,000 but sold for more than this amount (indexed) would be free of tax up to the threshold amount.

This tax regime would encourage people to buy lower cost houses for their principal residence and discourage those who currently can buy (and often regularly sell) expensive houses to capture tax free gains.

A further problem with domestic housing in Australia is the rapid escalation of prices at rates well above general inflation. The present tax regime encourages these ever higher prices whereas the change I propose to capital gains tax would encourage more lower priced houses. Those retired couples currently living in large, two storied million dollar plus dwellings should be paying tax for the privilege not getting a tax break because they are wealthy.

I realise that politicians would probably consider my proposal politically unacceptable. However I believe that this could be sold to the public as a fair and reasonable tax which favours the vast majority of working Australians and taxes those who can afford expensive houses.

Yours faithfully,



Mr K I McDowall