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## THE REVIEW PANEL AUSTRALIA'S FUTURE TAX SYSTEM

DEAR PANEL, in recent months there has been a lot said in the media about the link between house prices (i.e. housing affordability) rent prices (i.e. rental affordability) interest rates, land taxes, council rates and inflation.

As a supporter of tax reform, and a very concerned Australian citizen, I believe there is a simple solution at hand, which would be popular with all concerned.

It is my belief that if negative gearing was to be taken off residential investment properties only (not commercial nor industrial properties) and be replaced by a system similar to that in the share market, where there are fully franked shares for the investor. In other words, when rental income from such residential properties is not taxable. (i.e. a trade off similar to that with the introduction of the G.S.T, and

TAX deductions on Salaries). TAX  
is now paid in the property sector  
ie. G.S.T. on repairs, maintenance etc.

As residential housing is  
essential, I believe, this would  
be popular with all, as fully franked  
shares are at present with the share  
investor. Also, it would have a  
flow-on effect, ie more houses would  
be built, without government subsidies  
for low cost rental accommodation.

Under this system, the  
government would receive more  
revenue, because the A.T.O. would  
not have to reimburse the short  
term, speculative investor any  
income tax that is now refundable  
under the negative gearing system.

Further benefits from  
this system include less work  
for the A.T.O. (by saving and  
simplification of the tax system)  
and less paper work/record keeping  
for everyone concerned.

In addition there would  
be less pressure on residential  
rents going up because the genuine  
long term investor, who in some  
cases is also a struggling self  
funded retiree, would not have  
to increase rents to cover any  
increases in land taxes, rates,  
G.S.T. on repairs and maintenance or

payable on his/her modest income.  
Also no increase in government

rent assistance would be needed.

P.S. I believe that Land Taxes  
should be abolished (very inflationary)

Furthermore, without residential  
negative gearing, there is a less  
chance of an increase in residential  
property prices, because it would  
discourage the short-term property  
speculator, not the long term investor,  
from the market. This could enable  
first home buyers to obtain affordable  
property.

Other benefits of this system  
are that there would be a less  
inflationary effect and thus there  
would be a lesser need to place  
upward pressure on interest rates.

There would also be less  
pressure on the public housing system,  
as the government would not have  
to provide as much money for housing,  
as the private sector would take up  
the short fall in the supply of  
housing.

This system would also,  
take the speculative investor out of  
the residential property market, far  
the short term gain and attract  
them into the share market, where  
money could be invested into much  
needed infrastructure etc and enable

RESIDENTIAL property prices to remain more stable.

I see that the GOVERNMENT LOSES more money by reimbursing the SPECULATIVE investor in OVERGearing refunds, than they would get in TAX on residential rental TAXABLE INCOMES.

This change in conjunction with capping LOCAL COUNCIL V.G. Land charges to that at the time of purchasing a RESIDENTIAL INVESTMENT property and abolishing or AT the VERY least capping LAND TAXES would be the solution to not only the present HOUSING crisis, but INFLATION, INTEREST RATES AND A FAIRER system for all.

I hope that this letter will be GIVEN due CONSIDERATION and subsequent ACTION.

Yours faithfully,  
A. J. P.