THE GREENS HOUSING PLAN
EVERYONE NEEDS A HOME

Australia is facing a housing crisis. Everyone needs a home where they can feel secure, live comfortably and be part of the community. But this is becoming increasingly difficult for millions of us. The rigged housing system has locked generations of Australians out of a place to call their own. The Greens' plan to fix housing will end the market lock-out for first home buyers by scrapping unfair tax breaks and ending negative gearing practices that favour wealthy investors.

Australia's obsession with housing is more of a worry than boring dinner table conversations. Our economy is dominated by housing investment, and not in a good way. Record high house prices sit at the heart of rising inequality and have created enormous risk in the financial system.

This is no accident. Our tax system encourages speculation on housing and enables investors who are buying-to-rent to spend more money than owner-occupiers. This is driving up the price of homes across the country and putting home ownership beyond the reach of many young Australians.

Young people who have saved for a deposit are being out-bid by rich investors who are getting a leg-up from taxpayers. These same young people are then left to pay more rent to these same investor landlords under outdated and unfair tenancy laws.

And because homes are so expensive, the level of household debt in Australia is the highest in the world. Instead of this debt being used to build much needed infrastructure that would create jobs and set us up for the future, we are funnelling it into, mostly, speculative investment in existing housing that does little to improve employment or productivity.

The Australian Greens have a plan to end the rigged system that benefits the already wealthy at the expense of those less well off, especially younger Australians.

> TIME TO FIX OUR HOUSING MESS

It is time to dismantle the rigged system that privileges investors and landlords over the rest of us. The Greens plan to fix housing will:

- **End negative gearing for all future investment properties.**
- **Phase out negative gearing for investors with two or more properties by 20 per cent each year over five years. Investors with a single property would be exempt.**
- **Phase out the Capital Gains Tax Discount over five years.**
- **Support state governments to replace stamp duty with a broad-based land tax.**

> NEGATIVE GEARING, NEGATIVE OUTCOMES

Negative gearing refers to the ability of property investors to deduct a loss on a rental property from their taxable income. Investors who earn less (negative) money from rent than they spend on interest (gearing) and other expenses are able to use this shortfall to reduce the amount of tax they pay.

In other words, everyone who is not a property investor is subsidising property investors to borrow more money than they otherwise would. For many people it's more cost effective to rent out the house you own, and live in a house you rent off someone else. That is a broken system.

583,000 individuals own two or more investment properties. These are homes that should be available for purchase by first home buyers.

To slowly release around 1 million existing homes onto the market, the Greens plan to fix housing will phase out negative gearing for investors with two or more properties over a five year period.

This will occur by reducing the value of deductible properties by 20 per cent a year over five years. For instance if a landlord 'lost' $10,000 on their multiple properties, then they could only claim $8,000 of deductions after the first year, $6,000 the year after and so on.

This reduction in tax breaks will lead to the slow release of existing properties onto the market for young people to live in areas they want to, not just on the urban fringe.

Existing single investment properties would be grandfathered until sold or transferred and no new negative gearing would be available for future purchases for investment properties.

Printed and authorised by Senator Richard Di Natale, Parliament House Canberra ACT 2600.

> CAPITAL GAINS TAX BREAKS FOR THE WEALTHY

Property investors pay less tax on the proceeds of property sales than most people pay on their income from work. Investors who have owned a property for more than 12 months get a 50% tax break or 'discount' on the profit or 'capital gain' from selling a house.

So if someone profited $100,000 from a sale of a property, only $50,000 is assessed against income for tax. Whereas if you earned that same $100,000 from work, you would be assessed for the whole $100,000.

Investors are pushing up house prices for the rest of us because they pay very little tax for their speculative profits.

Because the great majority of people who buy and sell investment properties are already wealthy, this tax break entrenches income inequality. 73% of capital gains discounts go to the top 10% of households by income levels.[1]

The Greens will phase out the capital gains tax discount for trusts and individuals by 10% a year over a five year period. Then capital gains will be taxed at the owner's marginal tax rate, just like it was when Keating created the Capital Gains Tax regime.

> SWAP STAMP DUTY FOR LAND TAX

The family home is currently taxed in one of the worst possible ways. Stamp duty is a tax on home purchases by state governments. It is, in effect, a tax on moving house. It penalises home owners who, for work or relationship reasons, might need or want to move. It also discourages older people from downsizing once their children have left home. This means that people are more likely to stay in homes that no longer suit their lives and that are further away from the places they need to be.

The Greens Housing Plan includes a bridging finance scheme so that the Federal Government can help state governments transition from stamp duty to a broad-based land tax. The Federal Government would make available a loan to state governments to apply a much smaller annual land tax instead of a large upfront stamp duty.

To protect against people who have just paid stamp duty, this would only apply to property sales after a certain date. Home purchased before these changes come into effect will have paid stamp duty, therefore will not be charged any (new) land tax.

The state government would receive the difference between what they would have collected in stamp duty and the new lower land tax so that States don't lose revenue.

The States would then repay the commonwealth for these loans from the annual land tax receipts until the transition of housing stock is complete.

This would enable Australia to switch from one of the least efficient taxes to the most efficient. It would result in massive economy-wide benefits, encourage States to invest in infrastructure (because they could collect a portion of the increased local property values) and it is a progressive, fair tax that benefits everyone.

> FINANCIAL IMPLICATIONS

Cost ($m)	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Total**
Negative gearing reform	$750	$1,750	$2,450	$3,350	$8,300
CGT reform	$1,300	$1,450	$1,600	$1,700	$6,050
Stamp duty for land tax	-$300	-$300	-$200	-$100	-$900
Total	**$1,750**	**$2,900**	**$3,850**	**$4,950**	**$13,450**

[1] The Australian Institute, *Top Gears: How negative gearing and the capital gains tax discount benefit the top 10 per cent and drive up house prices*, April 2015.