

## Introduction

### Referral of the inquiry

- 1.1 On 24 April 2015 the then Treasurer, the Hon Joe Hockey MP, referred an inquiry into home ownership to the House of Representatives Standing Committee on Economics (the committee). The committee adopted the following terms of reference for this inquiry:
- current rates of home ownership;
  - demand and supply drivers in the housing market;
  - the proportion of investment housing relative to owner-occupied housing;
  - the impact of current tax policy at all levels; and
  - opportunities for reform.
- 1.2 The committee had not reported when the House of Representatives was dissolved on 9 May 2016. The Treasurer, the Hon Scott Morrison MP, re-referred the inquiry on the 22 November 2016 and asked that it be concluded.

### Objective, scope and focus

#### Previous reviews

- 1.3 The committee was cognisant during this inquiry of a number of previous reviews that related to the housing market and home ownership. These include a Productivity Commission inquiry report in 2004<sup>1</sup>, the report of the Senate Select Committee on Housing Affordability in Australia in

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1 Productivity Commission, *Report no 28, First Home Ownership*, March 2004.

2008<sup>2</sup>, and the report into housing affordability by the Senate Economics References Committee.<sup>3</sup> The committee did not seek to duplicate the work of these previous inquiries. The inquiry was focussed specifically on whether the present policy settings are optimal in terms of giving Australians a fair chance of becoming home owners.

- 1.4 The principal issues raised in the inquiry are discussed in Chapter 2 and can be broadly summarised as follows.

### Home ownership – trends, patterns and challenges

- 1.5 Evidence to the inquiry indicates that the rate of home ownership in Australia is among the highest in the developed world and has remained quite stable for many decades. Current house prices are very high in the major capitals but the committee was advised that the current price cycle is not out of step with historical trends given the current economic conditions and low interest rates.
- 1.6 The challenges facing first home buyers were raised throughout the inquiry and were central to the committee’s deliberations. In addition to price, these included demand side issues such as competition from investors and supply side constraints, such as the release of land, development of infrastructure, and the costs and taxes associated with new construction.
- 1.7 There are potential avenues for intervention by the Commonwealth on the demand side, for example through increases to taxation rates for investors. As summarised below, however, the committee’s view is that there should be no change to existing negative gearing or capital gains tax discount arrangements and that any evaluation of stamp duties or land tax would have to form part of a broad review of the whole tax system.
- 1.8 On the supply side, principal considerations such as planning authorisation and land release to address undersupply are largely a matter for the States and Territories.
- 1.9 However, the committee notes in relation to supply issues that the Assistant Minister for Cities and Digital Transformation, the Hon Angus Taylor MP, released a Smart Cities Plan for public consultation on 29 April 2016. As part of this initiative, the Commonwealth Government will invite state and territory governments to partner on City Deals.<sup>4</sup> According to

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2 Senate Select Committee on Housing Affordability in Australia, *A good house is hard to find: Housing affordability in Australia*, June 2008.

3 Senate Economics References Committee, *Out of reach? The Australian housing affordability challenge*, May 2015.

4 Department of the Prime Minister and Cabinet, *Smart Cities Plan*, April 2016, p. 21.

the Assistant Minister, the 'new City Deals approach to urban planning will link infrastructure investment to the delivery of more affordable homes in our cities.'<sup>5</sup>

- 1.10 Social housing requirements were also raised during the inquiry and the committee notes the establishment of an Affordable Housing Working Group following a request from Treasurers at the Council on Federal Financial Relations (CFFR) meeting in October 2015. The Treasury states that the Working Group is:

focussed primarily on investigating ways to boost the supply of affordable rental housing through innovative financing models. These models are aimed at the social housing sector and the private rental market for low-income and disadvantaged households.<sup>6</sup>

## Taxation

- 1.11 The current taxation on housing was also a major theme in this inquiry. This included negative gearing, capital gains tax on investment properties, stamp duty and land tax.
- 1.12 Both the abolition and the retention of negative gearing and the capital gains tax discount were advocated by different contributors to the inquiry. In contrast, the removal of stamp duty as an inefficient and out-dated tax was almost universally supported.
- 1.13 As discussed in Chapter 2, the committee supports the maintenance of existing arrangements for negative gearing and the capital gains tax discount. The committee does not support tax increases in relation to either negative gearing or capital gains tax.
- 1.14 As the Federal Government has no jurisdiction over stamp duty and land tax, the committee cannot make any direct recommendations to reform these measures. However, the committee would support any future cross-government discussions on possible changes to these taxes.

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5 The Hon Angus Taylor MP, Assistant Minister for Cities and Digital Transformation, 'New City Deal approach will deliver more affordable homes', *Media Release*, 12 September 2016.

6 The Treasury, Council on Federal Financial Relations Affordable Housing Working Group - Innovative financing models, 6 April 2016, <<http://www.treasury.gov.au/ConsultationsandReviews/Consultations/2016/CFFR-Affordable-Housing-Working-Group>>, viewed 1 December 2016.

## **Conduct of the inquiry**

- 1.15 The details of the inquiry were published on the committee's website at the link given below. A media release announcing the inquiry and seeking submissions was issued on 13 May 2015.
- 1.16 Eighty six submissions and five exhibits were received and are listed at Appendix A. The committee held public hearings on 26 June 2015 in Canberra, 6 and 7 August 2015 in Sydney, 12 August 2015 in Canberra, 14 August 2015 in Melbourne, and 21 August and 25 September 2015 in Canberra. The witnesses who appeared are listed at Appendix B. The submissions and transcripts of the public hearings are available on the committee's website at: [www.aph.gov.au/HomeOwnership](http://www.aph.gov.au/HomeOwnership).