

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2014 - 2015

Department/Agency: Treasury

Question: BET 53

Topic: BET 53 - Negative Gearing

Reference: Hansard page no. 53 - 02 June 2015

Senator: Whish-Wilson, Peter

Question:

Senator WHISH-WILSON: I saw some modelling from NATSEM that suggested that 60 per cent of all the benefits of negative gearing go to the top 10 per cent income categories. Do you have any other evidence to corroborate that kind of modelling?

Mr Brake: I think we would have to look into that.

Senator WHISH-WILSON: Okay. Would that be something that you guys would look into or would that be something another department would?

Mr Heferen: It would be us. We will take that on notice.

Answer:

A property is said to be negatively geared when the mortgage interest repayments exceed the net rental income from the property (rental income minus other deductible expenses such as property agent fees, insurance, gardening, land tax and depreciation). In these circumstances the taxpayer can deduct this 'loss' from their other taxable income, such as salary and wages.

The NATSEM modelling found that 34 per cent of the benefit of negative gearing goes to the top 10 per cent of income earners.

Given Australia's progressive personal income tax rates, higher income earners by definition will receive a greater reduction in their tax liability from the application of deductions, including deductions related to property investments, than lower income earners.