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26 September 2024

Senate Standing Committees on Economics
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Parliament House
Canberra ACT 2600
economics.sen@aph.gov.au

Dear Committee Secretariat,

Re: Inquiry into Australia's financial regulatory framework and home ownership

Anglicare Australia welcomes the opportunity to provide feedback to the Senate Standing Committee on Economics Inquiry into Australia's financial regulatory framework and home ownership.

Home ownership is a cornerstone of the Australia's social security and retirement systems. Yet for many Australians, home ownership continues to slip further out of reach. In many instances people have written off the possibility entirely. House prices have continued to grow at a rate that has outstripped wages. According to The Australia Institute, average home prices are now 16.4 times average household incomes.[i] The average asking price for a home is almost double what it was five years ago.[ii] Ownership is simply not achievable for a growing number of people.

This hasn't happened by accident. For decades Australian governments have walked away from a direct interest in supporting housing and homeownership. Instead, there has been an increasingly reliance on the private market to provide housing. It has incentivised rampant property speculation and turned housing into a commodity for investors. Through tax incentives, such as negative gearing and the capital gains tax discount, many ordinary Australians are being locked out of home ownership because they are unable to compete.

Anglicare Australia research has shown that over the past forty years, governments have consistently walked away from direct investment and provision of housing, instead opting to prop up private market solutions. This has resulted in more Federal Government spending on housing than ever before, while outcomes for Australians continue to deteriorate. In the early 1980s, a majority of federal housing expenditure came through investments in the Commonwealth-State Housing Agreements (CHSA), with only a small portion of spending directed to the Commonwealth Rent Assistance (CRA) supplement payment. By the mid-1990s this had reversed and Federal Budgets were allocating more to CRA each year than it was to the CSHA.

Today, the Government spends more per person on CRA than it ever has on housing through state housing agreements.[iii] This additional spending on CRA has not made matters better. The payment's strict eligibility requirements, along with cut in and cut out rates, mean that there is minimal benefit from payment, and most people on income support payments don't even receive it.[iv]

The 1990s also mark a turning point for Australia's housing market with the introduction of the capital gains tax discount, from here things have gotten much worse. Foregone revenue in negative gearing and capital gains tax deductions equate to billions of dollars of spending by the government each year to line the pockets of property speculators. The Federal Government actively choose to drive rabid speculative investment in housing, turning an essential need into a commodity for generating profit for those wealthy enough to break down the door.

Budgets are statements of intent and taxation settings say a lot about a government's priorities. By continuing to favour tax breaks and subsidies aimed at the private market, the Government will continue to push up costs. This will only encourage higher house prices and more lucrative returns for investors. The system actively designed to work against those who want to buy a home to live in.

The importance of fixing this issue spans far beyond supporting the aspirations of Australians who want to own a home. Many other parts of Australia's tax system are predicated on the assumption that everyone will own their own home. This means that home ownership is a necessary step for people to achieve any kind of long-term financial security.

For renters, there is no chance to get ahead. Anglicare Australia's Rental Affordability Snapshot painted a dire picture for renters on low incomes in 2024. With just three properties of the 45,000 listings surveyed across the country affordable for a single Australian on JobSeeker, there is no hope of ever being able to afford a secure rental. The Snapshot also showed a decline in affordability for families on the minimum wage.[v] This demonstrates that the rental crisis is slowly moving its way up the income ladder, pushing this crisis into the home of every renter.

The Australian Government must recognise that two things cannot be true at once. The private market cannot be expected to provide more affordable rental properties if tax settings are encouraging them to do the opposite. Incentivising returns for investors will always lead them to make decisions in their own best interest, rather than provide an essential service at an affordable rate.

By prioritising the goal of home ownership in Australian legislation and policy, it must be achievable for Australians. To address the issues plaguing housing across the country reform is necessary. Anglicare Australia recommends a phased approach to tax reform, reducing the incentives on landlords that keeps rental prices high and drives up property prices. A reduction and eventual removal of the capital gains tax discount will reduce incentives for property speculators to invest in housing as a commodity.

By introducing this change over a number of years, it will guard against the concerns of property commentators who claim the removal of the tax discount would crash the market. Additionally, negative gearing should be phased out for new investors in the private market.

This reform would have two effects. Firstly, it would eliminate the incentives that are a driving force of unaffordable housing. Secondly, the reform would generate new revenue that could be directed into more effective measures for increasing affordability, such as new social housing.

Without addressing the tax incentives for landlords and property speculators to use housing as a method of wealth generation, then no policies to make renting more accessible or home ownership more affordable will ever yield tangible results.

We would welcome the opportunity to expand on this submission, or further discuss our proposals. Please do not hesitate to be in touch if you would like to discuss our recommendations in greater detail.

Yours sincerely

Maiy Azize
Acting Executive Director

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[i] See data from Australian Bureau of Statistics.
[ii] SQM Research (2024) Weekly Asking Property Prices.
[iii] Anglicare Australia (2024) Rental Affordability Snapshot 2024.
[iv] Anglicare Australia (2023) Reforming Rent Assistance: Ending rental stress across Australia.
[v] Op cit: Anglicare Australia.