



John Daley, Nigel Stapleton, Andrew Leigh and Angus Taylor at the debate on Tuesday. PHOTO: LOUISE KENNERLEY

Rival sides passionate in negative gearing debate

Robert Harley

The Labor Party's proposal to reform negative gearing went through the ringer once more on Tuesday with a panel of key promoters and opponents debating its impact on property prices, affordability, equity and the budget bottom line.

The shadow assistant treasurer, Andrew Leigh told a Sydney lunch organised by a developers lobby, the Urban Taskforce, that since the change to the capital gains tax regime under the Howard Government, negative gearing had cost the federal budget \$4-\$10 billion a year.

"We have moved from a nation where landlords paid tax, to a nation which cuts cheques for landlords," he said speaking strongly in favour of the Labor proposal.

Speaking against the proposal, the Coalition's assistant minister for cities and digital transformation, Angus Taylor warned that the housing market was "ripe for destabilisation from bad policy." "Whether you are measuring

this on fairness, or its impact on affordability, it is clear to us, this is not good public policy," he said.

Labor Opposition leader, Bill Shorten has proposed cutting the ability to deduct losses on investment property against traditional income and proposed reducing the capital gains tax concession.

The chief executive of the Grattan Institute, John Daly, a long term critic of the current negative gearing regime laid out its flaws.

He said negative gearing was not a natural principle of taxation and not available in jurisdictions like the UK and US; it distorted investment decision; it encouraged additional gearing which introduced additional volatility to the housing market; it reduced home ownership, "at the margins"; and, most importantly, it reduced the money available to the Federal Budget, forcing government to raise money from other sources or cut spending.

All speakers rejected the claim that the abandonment of negative gearing in the 1980s forced up rents.

However, the Andrew Roberts Fellow and Director Real Estate Research and Teaching at the University of NSW, Nigel Stapleton said that over time, as the fewer investors entered the market, rental affordability would decline.

Mr Daly rejected the rental argument, at least in the medium term. If a house is not owned by an investor, it would be filled by an owner occupier.

Mr Leigh said half the current tax benefit went to the top 10 per cent of earners. "Nurses are 16 times less likely to benefit from negative gearing than surgeons," he said.

Mr Taylor said the top 10 per cent would be unaffected by the Labor proposals because they would discount their losses against other investment income.

The chief executive of the Urban Taskforce, Chris Johnson, said the debate had been passionate "as you would expect" with possible changes to how housing is taxed.

Every speaker agreed on one policy. "We need to increase supply," said Mr Taylor.