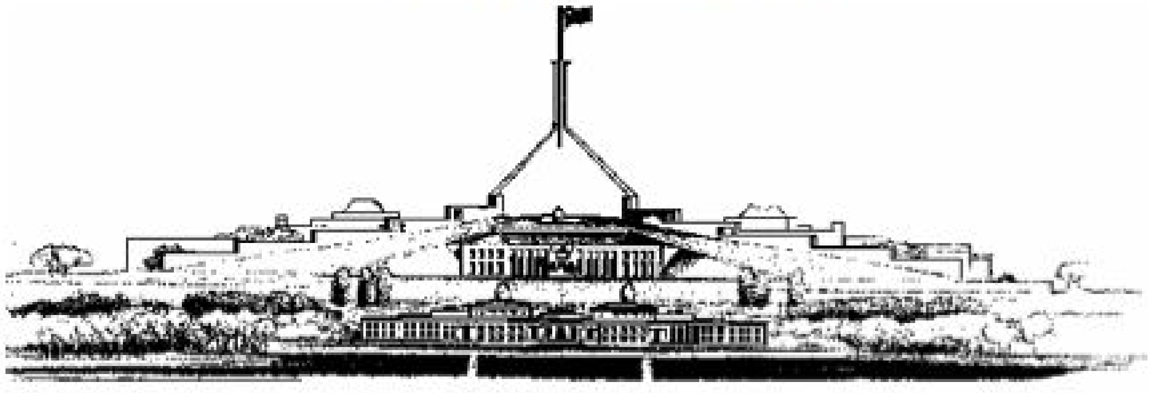
COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

PROOF

BILLS

Treasury Laws Amendment (Housing Tax Integrity) Bill 2017, Foreign Acquisitions and Takeovers Fees Imposition Amendment (Vacancy Fees) Bill 2017

Second Reading

SPEECH

Wednesday, 18 October 2017

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date	Wednesday, 18 October 2017	**Source**	House
Page	79	**Proof**	Yes
Questioner		**Responder**	
Speaker	O'Brien, Ted, MP	**Question No.**	

Mr TED O'BRIEN (Fairfax) (17:08): I'm surprised that the member for McMahon didn't take his tie and shirt off and start beating his chest during his contribution on the Treasury Laws Amendment (Housing Tax Integrity) Bill 2017 and related legislation. Such bravery: the big silverback from the Labor Party drags his knuckles across to the dispatch box and tries to claim—and this was the entire theme of his contribution, and he said it I think three times—'This all you got?' Says the big, brave silverback, 'This all you got?' The problem is that what the silverback is suggesting would actually give an entire backhander—not to the government, but to the Australian economy. It would completely smash longstanding, proven tax principles while, by the way—in true Labor form—introducing new taxes. It would totally crash property prices and completely destabilise rental markets. So I'm glad the silverback kept his tie and shirt on. And for the sake of the Australian economy, thank God he is not the Treasurer of this country.

I rise today to support this bill. We're talking about homeownership and property investment. For the past 20 years it has been difficult to imagine a topic that is more consistently talked about around the dinner tables across Australia. The footy and the cricket all have off-seasons, but not this topic. Obsession with residential real estate rolls on and on, following every twist and turn and every up and down of the market. It's a roller-coaster. It seems that the almost irresistible lure of property, whether for occupation or speculation, is a shared characteristic found deep within the DNA of most Australians.

However, times are changing. Today, the great Australian dream of owning your own property, and in particular owning your own home, is slipping beyond the grasp of many Australians and is becoming a distant dream. The recent Grattan Institute analysis of the 2016 census data shows a continual decline in homeownership in all but the 65-plus age group. There has been a steady decline over the past 30 years, coupled with an unprecedented increase in housing prices. This has resulted in an extraordinarily high mortgage-to-income ratio of 25 per cent for 25- to 34-year-olds.

Those who have traditionally transitioned to homeownership by their 30s and 40s are staying longer in the rental market, placing increased pressure on the reliable supply of affordable rental properties, especially around locations where employment and career prospects are best. While it has long been the norm in Europe, and to a lesser degree in the United States, for there to be a far higher proportion of long-term and even lifelong tenants than owner-occupiers, this is a relatively new challenge for Australia, one that flies in the face of our traditional aspirations and, perversely, is at odds with the sense of boundless space that has come to define us as the only people on earth with an entire continent to ourselves.

While these observations are demonstrably true, it must be said that the Australian real estate market, both for sales and rentals, is inherently patchy. In Australia, not all markets are equal, and not all locations experience the same phenomena at the same time. You could, in fact, liken the Australian residential property market to a rolling earthquake, with powerful epicentres in Sydney and in Melbourne and shockwaves radiating outwards, striking satellite and secondary markets later—sometimes much later, if at all. There is one key observation here, which is that the challenge of housing affordability is most critically acute in Sydney and Melbourne, followed at quite some distance by Canberra and still further by Brisbane. This is such a crucial point, as it highlights the danger of taking a heavy-handed, silverback-like, one-size-fits-all sledgehammer approach when addressing this problem, because it's a problem that runs the full gamut of market variability, all the way from a full-blown supply-driven affordability crisis in middle to inner Sydney to almost the reverse situation elsewhere around the nation.

That is why this government has sought to introduce a suite of measures through a targeted and comprehensive plan to reduce pressure on housing affordability, as opposed to dangerous market manipulations involving the removal of negative gearing and capital gains provisions, as is currently being advanced by an economically hapless opposition and hapless shadow Treasurer. The Turnbull government prefers to take a more sophisticated and sensitively nuanced approach to addressing housing affordability and supply in both the selling and rental markets, especially in those markets that need it most. The bills before the chamber today further reinforce a package of measures proposed by the government, reforms squarely aimed at improving housing affordability and rental availability by implementing key provisions of the 2017 budget.

There are three key reforms in this bill. The first two seek to strengthen the integrity of the tax system, while the third goes to boosting the supply of rental properties in key markets. The housing tax integrity bill makes changes to the Income Tax Assessment Act to tighten existing laws and remove tax deductions relating to travel expenses for individual investors when visiting their residential investment properties. Frankly, I think we all know that some residential property investors have been rorting the system, some for many years, by claiming expensive annual holidays as tax deductions on the pretext of inspecting or maintaining their conveniently located investment property.

Well, the gig is up. This bill makes a very welcome amendment, removing this deduction for individual investors without affecting genuine claims for third-party property management services. Aside from the expectation that this reform will reclaim an estimated $540 million over the forward estimates, small business is also set to gain, with likely increased demand for local property services—everything from professional property managers to handyman service providers. This means jobs. We in the coalition just can't help ourselves: by instinctively helping small business, we help those businesses to grow and create more jobs, even when the direct aim of a reform, such as this one, is in fact something else.

The second proposed amendment to the Income Tax Assessment Act closes another loophole by limiting depreciation deductions on plant and equipment assets, such as dishwashers and air conditioners, to only the original purchaser of that asset. Under the current system, depreciation may be claimed by consecutive property owners, in many cases to an amount well in excess of the value of the asset. In provisions allowing some relaxation for new residential property investments purchased within six months of completion, and providing a grandfathering mechanism for existing investments, the benefits of extensive community and stakeholder consultation on this and related measures is plain to see. These changes make perfectly good sense. They will remove another obvious abuse of the tax system and better target deductions for residential investment properties.

Complementing these reforms, which improve taxation integrity and assist housing affordability, is a crucial amendment to the Foreign Acquisitions and Takeovers Act—a reform to help unlock the supply of rental accommodation right where it is needed most and reduce pressure on housing affordability. First, some context. The 2016 census revealed that 11.2 per cent of homes were unoccupied on census night. That is over one million empty homes. Granted, many of these would have been unoccupied holiday homes, homes under renovation or those belonging to people on holidays; however, when seen in the context of a 14.3 per cent rise in the national occupancy rate over the decade—conceding market variations and vacancy rates across state capitals—this strongly suggests many investment properties are being deliberately left unoccupied, particularly in supply-depleted state capitals.

The Turnbull government is responding to genuine community concerns on this issue. We are acting to improve the supply of rental accommodation in key capital city markets, and this measure is intended to do precisely that. By amending the Foreign Acquisitions and Takeovers Act to establish a significant annual vacancy charge on foreign owners of residential properties who leave them unoccupied for six months in any 12-month period, the government is providing a strong financial incentive to have the properties tenanted. This is good news on two fronts: firstly, for those looking to rent, and secondly, and perhaps less immediately, for those looking to buy. By releasing supply back into the market, either for rent or for sale, housing affordability is expected to be improved, particularly in strained inner-city markets, which have traditionally seen higher levels of foreign investor activity in recent years.

Unlike Labor's own ill-conceived housing affordability plan, designed to disrupt the longstanding principles of taxation, to smash property prices and to completely destabilise the rental markets across Australia, the coalition prefers to utilise a comprehensive suite of subtle targeted reforms that will assist pressured markets to self-correct and return to balance. However, it must be said that even the Labor Party can find little fault with this reform. That is why, despite their poor attempts at mockery, they stand with the government in wishing to support this bill. There is also a fine balance to consider here, where the government must ensure adequate, affordable housing for Australians while at the same time continuing to encourage sustainable, job-creating foreign investment. That's what we are doing with this bill. By creating the right incentives to strengthen the integrity of Australia's tax system, while helping to unlock supply, this government is delivering on its commitment to improve housing affordability for all Australians. For that reason I'm delighted to commend this bill to the House.