

LABOR'S HOUSING AFFORDABILITY PLAN – NEGATIVE GEARING REFORMS AND BOOSTING HOUSING INVESTING THROUGH BUILD-TO-RENT

Labor has a comprehensive plan to improve housing affordability and support housing construction. This plan includes putting negative gearing to work by limiting it to new investment properties to help boost housing supply and jobs and our 10-year plan to support the construction of 250,000 new affordable homes.

Labor first announced our plans to reform negative gearing and the capital gains tax discount in 2016. These reforms are good for the budget and good for home ownership as they will help put first home buyers back on a level playing field. Reforming these concessions will make the tax system fairer, with 70% of the benefits of the CGT discount going to the top 10% of income earners.

Independent economists like Saul Eslake, and international economic agencies like the International Monetary Fund as recently as last month, have called for reforms to Australia's overly generous property tax concessions because they encourage leveraged real estate investment.

The Government spends well over \$11 billion a year on negative gearing and capital gains tax concessions, money that could be better spent on Australia's schools and hospitals.

At the next election there's a choice: The Liberals' plan to stand up for banks and top end of town, or Labor's plan to fix our schools and hospitals.

LABOR'S PLAN TO REFORM NEGATIVE GEARING AND THE CAPITAL GAINS TAX DISCOUNT

Negative gearing

Labor will limit negative gearing to new housing from 1 January 2020. All investments made prior to this date will not be affected by the changes and will be fully grandfathered.

Losses from investments can continue to be offset against investment gains in the same financial year, regardless of asset class, and within year losses can still be carried forward and offset against the future capital gains on the investment.

Capital gains tax discount

Labor will halve the capital gains tax discount for all assets purchased after 1 January 2020. This will reduce the capital gains tax discount from assets held longer than 12 months from 50% to 25%.

All investments made prior to the 1 January 2020 will be fully grandfathered.

The policy will not affect the existing capital gains tax discount that applies to superannuation funds, or to the 50 per cent active asset reduction concession that applies to small businesses.

An incoming Labor government will consult with industry, relevant stakeholders and State governments on further design and implementation details ahead of the start date for both these proposals.

Labor's reforms to negative gearing and capital gains have been fully costed by the independent Parliamentary Budget Office, and will raise \$2.9 billion over the forward estimates (to 2022-23) and \$35.1 billion over the medium-term (to 2029-30).

BOOSTING HOUSING INVESTMENT BY REFORMING THE TAX TREATMENT OF BUILD-TO-RENT

Labor's suite of housing policies such as reforms to negative gearing will ensure that home ownership is put back in the reach of everyday Australians. But we also understand there will always be a cohort of people who rely on rental accommodation.

The logo for the Australian Labor Party, featuring the word "Labor" in white text on a red rectangular background.

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Boosting affordable and stable rental accommodation has a double dividend - it is critical for Australia's 2.7 million renters that can't afford to buy a home or are saving to do so, while it also boost construction jobs and economic activity.

Many families around Australia have faced the situation where they've tried to create a comfortable home, but unexpectedly have been forced to move after their landlord decides to sell their investment and move on.

Labor has already announced its 10 year plan to build 250,000 new affordable homes, but we believe we can do more.

This is why Labor will encourage new housing investment by reforming the tax treatment for Build to Rent to ensure it's a viable part of Australia's housing landscape, in line with the US and UK.

Federal Labor will achieve this by lowering the managed investment trust withholding rate on tax distributions attributable to investments in build-to-rent housing from 30 per cent to 15 per cent which would encourage new housing supply.

The central benefits of build to rent is it provides more stable long term tenancies and more housing in desired locations close to public transport and close to employment opportunities. This is good for families who want to spend more time with each other, and less time travelling to and from work.

The PBO has also advised that the Build-to-rent policy would have an unquantifiable financial impact.