

Federal election 2016: Home ownership an election issue as Government takes reform off table

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MALCOLM Turnbull will today pledge to leave negative gearing for property investors unchanged, warning that Labor leader Bill Shorten will drive rents up and property prices down if elected.

In a major election pledge, the Prime Minister will warn that voters will be gambling the value of their family home if Mr Shorten is elected and bans negative gearing for existing houses.

This would drive rents up and property prices down, he says, with investors forced to buy new homes only.

Both parties are neck and neck, the latest Newspoll putting Labor in front 51:49.

But Liberal strategists believe the pledge on negative gearing will prove a game-changer, forcing voters to consider seriously the impact of Labor's policy. They claim that nurses, teachers, tradies and defence force personnel — not just the rich — would be hit by Labor's reforms.

"Labor is taking a sledgehammer to the ambitions of regular Australian mums and dads who want to invest," Mr Turnbull said.

The Coalition seriously considered a \$20,000 negative gearing cap that would have targeted a relatively modest 100,000 taxpayers. Its abandonment of that follows concerns the real estate market is cooling and a backbench revolt, including a dramatic intervention from former PM Tony Abbott who urged his successor to rule it out.

Mr Shorten called Mr Turnbull's criticism "desperate stuff" and a scare campaign, pointing out that senior economists backed his proposal.

But other economists have warned it could temporarily distort the housing market as investors surged into the market to beat the ban.

Mr Shorten wants to ban negative gearing for existing properties from 2017, a move he argues would force investors into targeting new homes, boosting supply and construction jobs. Existing investors who already negatively gear homes would not be affected.

LIBERAL POLICY

- No change to negative gearing in Australia for current or future investors
- Labor's reforms would drive down value of the family homes and now is risky time to make changes
- Labor's policy would also drive up price of new homes because investors would be restricted to new houses

LABOR'S POLICY

- Negative gearing banned for investors on existing properties from 2017. Would save the budget \$32 billion in tax breaks for investors over decade
- Existing investors will not be affected and continue to negatively gear existing homes
- Negative gearing would only be available on newly constructed homes, a move Labor argues will boost construction jobs and "level the playing field for first-home buyers"

WHO USES NEGATIVE GEARING?

- Around two-thirds (810,000) have taxable income of \$80,000 or less
- 52% are in the two middle tax brackets (\$18,200 to \$80,000)
- only 7% are in the top tax bracket (over \$180,000)