

Federal Budget Snapshot

Making housing affordable

May 2017



Key points

- + Housing measures are a welcome start but fall short of the promised 'centrepiece'.
- + Much more must be done to make housing affordable for people with low incomes, including direct public investment in social housing and an increase in Rent Assistance.
- + A well-designed investment incentive for new homes at affordable rents is also needed to grow the social and affordable housing sectors.
- + There are some backward steps on housing affordability, including the First Home Super Saver Scheme and easing of restrictions on superannuation tax breaks for wealthy people.

What's in the Budget

- + **New Housing and Homelessness agreement**
This will be negotiated with the States from 2018-19, and combines existing funding under the National Affordable Housing Agreement and National Partnership Agreement on Homelessness
(Cost: \$130m in 2020-21 and \$380m over 4 years)
- + **New National Housing Finance and Investment Corporation**
This will be established in 2017 to aggregate low-cost credit for community housing providers. It will administer and a Housing Infrastructure Facility to finance housing-related infrastructure investments by Local Government.
(Cost: \$60m in 2020-21 and \$180m over 4 years)
- + **Tax concessions for affordable housing investment through Managed Investment Trusts** These public trusts will be able to invest in affordable housing (with rent set below market levels for at least 10 years)
(Cost: not specified)
- + **Lower Capital Gains Tax rate for individual investors in affordable housing**
The CGT rate will be cut from 50% of the normal tax rate to 40% for individuals who invest in community housing for at least 3 years.
(Cost: \$10m in 2020-21 and \$15m over 4 years)
- + **Curbs on tax avoidance by rental property investors**
Investors will no longer be able to deduct the cost of travel to inspect properties or depreciation of certain household items from their income tax, and loopholes in the GST for property sales will be closed.
(Cost: \$1,460m over 4 years)
- + **First home super saver scheme**
Individuals will be able to withdraw up to \$30,000 for a first home deposit from the proceeds of voluntary contributions to superannuation, including 'salary sacrifice' contributions. The withdrawals will be taxed at their marginal tax rate minus 30%.
(Cost: \$70m in 2020-21 and \$250m over 4 years)

+ Allowing wealthy superannuants to contribute the proceeds of sale of their home above and beyond the new contributions caps

Up to 30,000 wealthy individuals affected by recently introduced caps on superannuation contributions will be able to contribute a further \$300,000 from sale of their home. (Cost: \$20m in 2020-21 and \$30m over 4 years)

ACOSS commentary

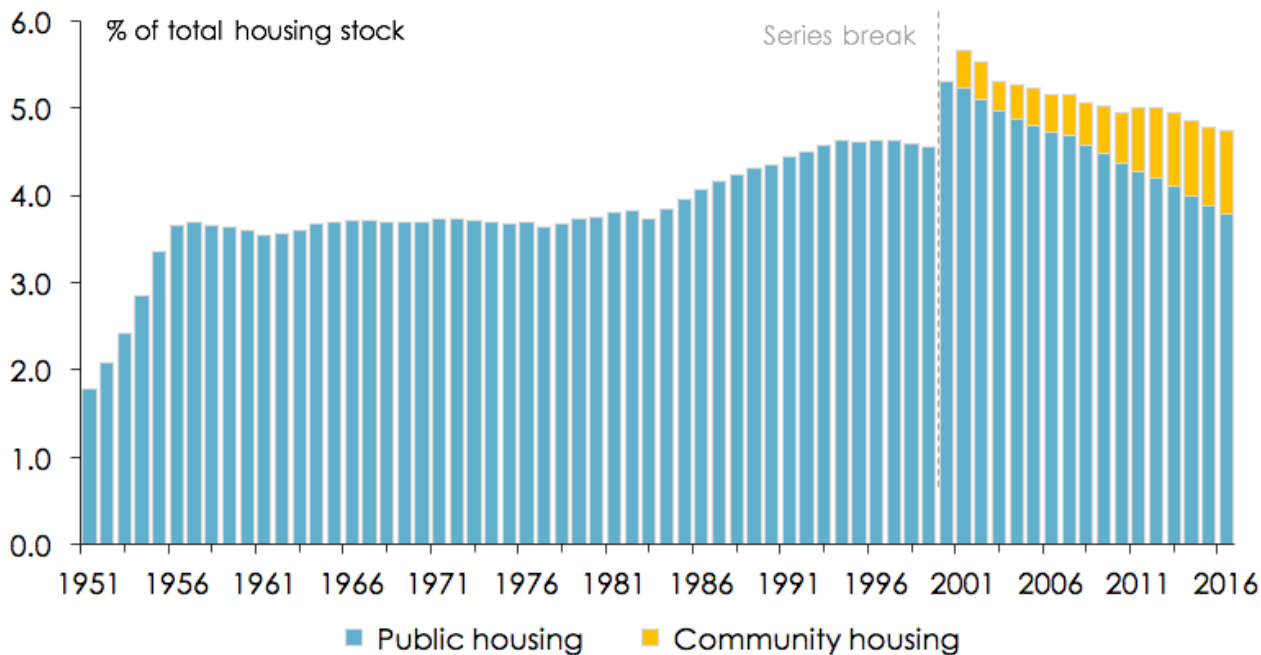
The Government foreshadowed a month ago that housing affordability would be the ‘centrepiece’ of this Budget. This was not before time. People with low and modest incomes have been hard hit by Australia’s deepening housing-affordability crisis. Australia has among the most expensive housing in the world. Over 800,000 low-income households pay more than 30% of their income in rent and they know they could lose their home at the end of their lease. Over 100,000 people are homeless.

The housing measures in this Budget fall short of a ‘centrepiece’ but they make a welcome start by securing funding for homelessness services, committing to negotiate a new Housing and Homelessness Agreement with the states with stricter accounting for results, and introducing a Housing Finance Corporation to extend low-cost credit to community housing.

The measures appear to at least maintain the present ‘floor’ of funding for social housing and homelessness services. But much more must be done to make housing affordable for people with low incomes, especially in our major cities.

Investment in social (public and community) housing has declined over the last 15 years from around 5.5% to 4.5% of all dwellings and waiting lists stand at 180,000 people.

Social housing is shrinking..



Source: Australian Institute of Superannuation Trustees (2017)

A well-designed investment incentive for new homes at affordable rents is needed to grow the social and affordable housing sectors. The bond aggregator and proposed tax concessions for Managed Investment Trusts investing in affordable housing are a positive move, but more generous Capital Gains Tax concessions for individual investors are the wrong approach. We need more institutional investment chasing stable rental returns rather than individual investors chasing speculative capital gains.

But we cannot rely on private investment alone to make housing affordable for people with low incomes. Direct public investment in social housing and a substantial increase in Rent Assistance for private and community tenants are essential.

The Budget also takes some backward steps on housing affordability. The proposed First Home Super Saver Scheme would mainly benefit people with higher incomes who can 'salary sacrifice' into super to save for a home, and is likely to be under-subscribed. The proposed easing of hard-fought restrictions on superannuation tax breaks for wealthy people is a retreat in superannuation policy, not an advance in housing policy.

It will take over a decade to repair the damage done by the last decade of unrestrained home price speculation and the running down of social housing. A long-term plan that sustains and builds on this base is badly needed.

ACOSS and National Shelter's [six-point housing affordability plan](#) includes:

- + A Commonwealth Housing Ministry and Advisory Council backed by a Supply Council to forecast housing needs and resources;
- + Curbs to tax breaks such as negative gearing and capital gains that inflate housing prices direct public investment and well-targeted incentives for private investment in social housing;
- + Increases in the lowest social security payments such as Newstart Allowance and in Commonwealth Rent Assistance; and
- + Security of funding and support for innovation in homelessness services.