

- [Title Tattle](#)
- [China](#)
- [Investment Strategy](#)
 - d
 - [Property News and Insights](#)
 - [Market Trends](#)
 - [Economy and Demographics](#)
 - [Politics and Policy](#)
 - [Observers](#)
 - [Q&A](#)
 - [Adding value](#)
 - d
 - [Renovation and Improvement](#)
 - [Gardens and Exteriors](#)
 - [Subdivision and Zoning](#)
 - [Tools](#)
 - d
 - [Polls](#)
 - [Calculators](#)
 - [Ebooks and Webinars](#)
- close
- [f](#)
- [t](#)
- [i](#)
- [s](#)

m

search r

[Politics and Policy](#)

Jessie Richardson | 12 May 2014

Property Observer exclusive: Industry experts on Australia's 2014 federal budget



Treasurer Joe Hockey will tomorrow announce the Abbott government's first federal budget.

The Coalition pledges to return the budget to surplus by 2023-24. With talk of a [budget "emergency" or "crisis"](#), [some are worried that the government will deliver a tough budget](#) to the detriment of the economy.

Here's what the experts think of the prospective federal budget and the impact it will have on the country's housing sector.

DALLAS ROGERS - *Research Fellow, Urban Research Centre at University of Western Sydney*

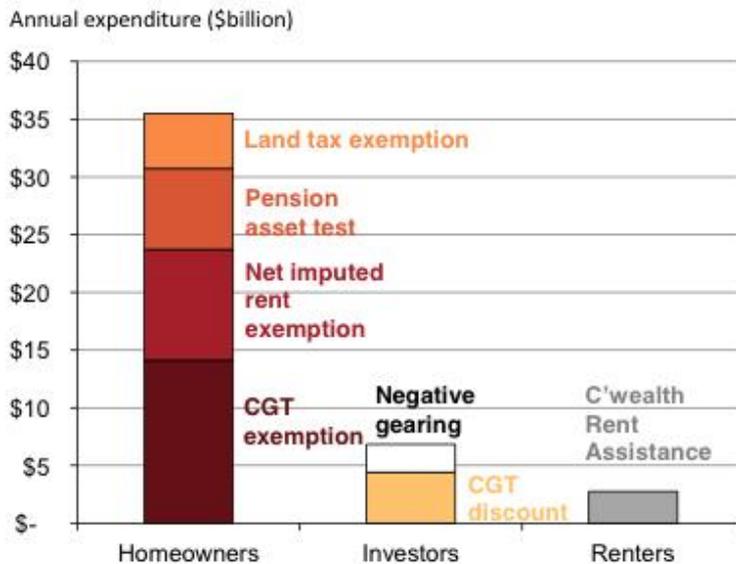
It's worth remembering on budget night that we all live in subsidised housing. The great Australian dream to own a house has long been underwritten by the great Australian housing subsidy. Whether you are a public housing tenant, a private renter or a homeowner, chances are your house was subsidised through a rental subsidy, housing grant or taxation credit. There will be housing winners and losers on budget night.



It's not looking good for public and social housing subsidies this budget. The Commission of Audit urged the Commonwealth to limit its involvement in public and social housing by providing rent assistance to income support recipients. If Hockey followed through with these recommendations social and public housing tenants would have to pay market rent for their currently subsidised housing. The National Rental Affordability Scheme would go too. This would be bad news for housing equity. The frail and elderly, those with carer responsibilities or complex medical needs, or very low-income Australians in public or social housing would be hit hardest.

Comparably, The Commission of Audit was silent on private housing taxation. Private housing subsidies are like chocolate, we know that we should use them in moderation but we just cannot cut back. We often pretend that they are not subsidies at all. AMP [chief economist](#) says 'changes to negative gearing or the CGT exemption on the family home would be seen as "unAustralian"'. [Grattan Institute](#) data suggests that more than 90 per cent of private housing subsidies go to property owners over private renters (see below). Including the roughly \$30 billion pa capital gains tax benefit for owner-occupiers and the \$7 billion pa negative gearing benefit for landlords. Most tax concessions do not generate new housing stock. They all, with the addition of the first homebuyers grant, drive up property prices. This is good for homeowners and developers, and bad for renters.

Figure 4.1: Annual government expenditure on housing policy



Source: Grattan Institute analysis of ABS (2013a) Survey of Income and Housing 2011-12
 Note: The items in Figure 4.1 focus on annualised benefits. As the First Home Owners Grant is a one off payment, and is relatively small once annualised, it is not covered in this analysis. Estimates vary depending on assumptions and data sources. For consistency we use the Survey of Income and Housing 2011-12. See the Commonwealth Treasury Tax Expenditure Statement and individual state budget papers for alternative measures of tax expenditures.

If we want housing equity and socially just cities we need to rethink public and private housing subsidies. There is scope for innovative private sector models and taxation policy – e.g., National Rental Affordability Scheme – that provide additional housing stock. But we will always need housing tenure forms that operate outside the market for the poorest and most disadvantaged Australians.

You might also want to read: [Joe Hockey treating Australian public as fiscal fools ahead of the federal budget](#)

SHANE OLIVER - Head of investment strategy and chief economist, AMP Capital

There is a possibility that negative gearing might be tightened, but at this stage I'd only put it in the possibility camp. I think it's probably unlikely. I can't see any other changes that directly affect housing. The government has virtually ruled out including family homes in the means test for pensions, and it's unlikely that they'll remove CGT tax-free status for the family home.



Most implications will be indirect. That's the biggest risk. The government is fairly intent on significant fiscal tightening to deal with the "budget emergency."

That means tougher means testing and reducing eligibility criteria for family benefits. We might see possible tax hikes for high income earners and numerous cuts to the level of government spending. Those changes could adversely affect spending power in the economy and could affect housing demand. The risk is that they'll get carried away. There's tough budget talk prior to every budget. Often things aren't quite as tough as you'll expect, but the rhetoric has been quite a bit tougher this time.

[The Coalition] have painted themselves into a corner, saying that there's an emergency. Having talked up the budget crisis, there's a bit more pressure than normal for the government to deliver.

There is a potential upside for property in the sense that if the budget is too austere and too aggressive with cut backs, it may mean lower interest rates for a longer period of time. [AMP Capital] have predicted a September or October rate hike, but we'd be inclined to think that that won't occur if the budget is too tight. And if upper

income tax rates rise, people might more inclined to negatively gear.

You might also want to read: [What do we need to see from the federal budget? The experts have their say](#)

Article continues on next page. Please click below.

- [1](#)
- [2](#)
- [Prev](#)
- [Next](#)

tags [FEDERAL BUDGET](#)



[next](#)
[At budget time, remember we all live in subsidised housing](#)

0 Comments

Property Observer

Login ▾

Sort by Best ▾

Share Favorite



Start the discussion...

Be the first to comment.

ALSO ON PROPERTY OBSERVER

WHAT'S THIS?

Is the Victorian budget “a terrific budget for business”?

1 comment • 7 days ago



Gavin R. Putland — Payroll tax, in so far as it applies to labour embodied in goods, is apparently a duty of excise, ...

Howard government era Canberra property price falls tipped in ...

2 comments • 2 days ago



Pete — I can't understand why Libs hate Canberra residents so much, there is something pathological in their ...

Controversial Queensland property bill passes despite “groundswell” ...

1 comment • 7 days ago



John Keating — So, under the new Queensland auction rules if an agent in QLD aspires to 100% transparency ...

National Rental Affordability Scheme (NRAS) fifth round will not proceed: ...

1 comment • 11 hours ago



Gg — It's a good decision, the scheme has been rorted from the beginning. So called non profit organisations ...

[Subscribe](#)

[Add Disqus to your site](#)

DISQUS

p top listings

AUCTION



[10 Barkly Street](#)

[BRIGHTON](#)

[VIC 3186](#)

4 3 2

AUCTION



[2 Gray Street](#)

[NORTHCOTE](#)

[VIC 3070](#)

3 1 1

AUCTION



[39 Stephens Street](#)

[BALWYN NORTH](#)

[VIC 3104](#)

5 3 4

AUCTION



[62 Donald Street](#)

[PRAHRAN](#)

[VIC 3181](#)

3 1 1

interested in other listings in your area?

Take luxury city living to a new level

Fatal error: Theme CSS could not load after 20 sec. Please download the latest theme at <http://galleria.io/customer/>.

Sydney's most unique boutique building is nearing completion. Just two whole-floor residences remain. Features include:

- 4 bedroom, 3 bathroom residences in prime CBD location
- Sweeping Hyde Park and Harbour views
- Direct elevator entrance
- Dual parking and exclusive media room

[Visit the website or call 0432 333 383 to arrange a private inspection.](#)



[subscribe to our newsletter](#)



[Clemton Park Village by Australand](#)

Clemton Park Village by Australand

INVESTOR SHOWCASE_r



ttweets [Follow @propertyjobs](#)

direct links

- [contact us](#)
- [register](#)
- [advertise](#)
- [about us](#)
- [terms & conditions](#)
- [sitemap](#)
- [rss feeds](#)
- [search](#)
- [privacy](#)
- [code of conduct](#)