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AFR BOTCHES NEGATIVE GEARING COSTING

The central accusation in the *Australian Financial Review* today in the article ‘Negative gearing savings botched’ that savings from Labor’s negative gearing reforms “could be overstated by between \$2.5 billion to \$8 billion” is complete rubbish.

Furthermore, the AFR was told the PBO stands by the costing yesterday afternoon, but instead, the AFR has chosen to run uninformed guesses around costings and investment numbers from a mortgage broker and other property vested interests.

As late as February this year, [Grattan Institute](#) stated that “**around 90 per cent of investment lending is for existing housing**”. And on multiple occasions over recent years, the Grattan Institute has referred to 93 per cent of investment lending for existing housing.

The AFR instead countenances property industry views that lending for new property could be as high as 50 per cent, based on what, exactly? The Housing Industry Association has proposed no data to back their claims, just “anecdotal evidence” and “intuition”. I am afraid anecdotes and intuitions do not amount to a costing.

Federal Labor’s reforms are driven by putting negative gearing to work to support new construction – and our costings are done by the independent and universally respected Parliamentary Budget Office.

The PBO consulted with the ABS, the RBA and major banks in order to estimate the proportion of lending to investors for purchases of existing housing. The PBO has drawn upon these sources and adopted a considered assumption that the proportion of negatively geared investment by individuals in new dwellings is 22 per cent in the first year and rising over time.

The PBO costing has relied on ABS data on owner-occupier lending with other

data sources, including unpublished data by the RBA regarding lending to households for residential property investment, and other surveys of investor lending.

Our policy has been fully costed by the independent PBO. The PBO has indicated they stand by their costing. In addition, all Labor's policy costings are reviewed by a panel of eminent Australians; Professor Bob Officer, Dr Mike Keating and James MacKenzie, who ensure they are satisfied with the robustness of the costing.

Every reputable international economic agency and many Australian think tanks back reforms to negative gearing and the capital gains tax discount. While vested interests in the property sector will continue to try and undermine Labor's reforms, the case for putting first home buyers on a level playing field with property investors is greater than ever.

WEDNESDAY, 10 APRIL 2019

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