

## ATTACHMENT A

### ***Outcomes of analysis of changes to negative gearing and capital gains taxation***

The Property Council of Australia commissioned Deloitte Access Economics to undertake a comprehensive analysis of the negative gearing and capital gains tax policy that the Federal Opposition took the May election. [Link to full report.](#)

<b>Policy assumption</b>	<b>Outcomes of Deloitte Access Economics analysis</b>
The policy changes would boost housing construction and housing supply.	<p>Construction of new housing would drop under this policy, not increase.</p> <p><b>Construction of new housing would be 4.1% lower</b> than if there were no policy changes. This equates to a <b>\$766 million decline</b> in construction activity in 2019 terms.</p> <p>There would be no housing supply dividend. This supply drop would be bigger in Sydney and Melbourne, and bigger for apartment and townhouse developments in inner and middle ring suburbs of our cities.</p>
The policy changes would make housing more affordable.	<p>This policy would have a <b>small impact on housing affordability</b>.</p> <p>Aggregate Australian housing prices would fall by 4.6% under this policy. Price drops would be greater in Sydney and Melbourne (up to 8%), for apartments and townhouses, and in inner and middle ring areas.</p> <p>While these price drops are significant, they are unlikely to materially shift the housing affordability equation for buyers.</p> <p>By 2030 the <b>proportion of homeowners to investors would have increased by only 2.5%</b>. In the main the policy will not convert a long-term renter into a home buyer. It will result in those who are on the way to home ownership getting there a little earlier.</p>

Policy assumption	Outcomes of Deloitte Access Economics analysis
The policy changes will not increase rents.	<p><b>Rents would increase under this policy</b> because of the lower stock of dwellings for rent in the market, albeit these impacts would be modest (0.5%) and evolve over time.</p> <p>Rent effects are likely to be unevenly distributed and localised. Rents could be expected to increase the most in Greater Melbourne, followed by Greater Sydney and Greater Adelaide.</p>
The policy changes will not have a negative impact on the economy.	<p>Three scenarios were modelled – all showed the policy would reduce GDP and reduce construction industry jobs over the period 2021 to 2031.</p> <p>The central scenario shows the policy would:</p> <ul style="list-style-type: none"> <li>• <b>reduce GDP by \$1.5 billion</b> (or 0.1%), and</li> <li>• <b>lead to a loss of 7,800 full time construction jobs.</b></li> </ul>
This would be a good time in the market to introduce these policy changes.	<p>Deloitte Access Economics found that the current market conditions would make this a <b>bad time to introduce this policy.</b></p> <p>The economic costs of introducing such a policy in a falling market are likely to be significantly greater in the short term - partly due to the falls in house prices over the past 18 months, and partly because the weak market backdrop could amplify impacts on investor sentiment and construction activity in the short term.</p>

## **ATTACHMENT B**

### ***Voter attitudes to Labor's policies: post-election community research report***

[Link to full report.](#)

Survey results are based on an online survey of n=1,604 voters (99-101 per electorate) and was conducted between 12-27 June 2019.

The most important specific reasons people didn't vote Labor were:

1. Its plan to restrict negative gearing and increase capital gains tax (34% of non-Labor voters said this was a "very important reason" they didn't vote Labor); and
2. Its proposed change to franking credits on shares for self-funded retirees (34% also said this was a "very important reason" they didn't vote Labor).

These two policies had a bigger negative impact on Labor's vote than all other Labor policies including those related to income tax, climate change and industrial relations.

Conversely, only 25% of Labor voters said that Labor's proposed property tax changes were a "very important reason" they voted Labor and this was the second lowest vote driver of the 9 specific policy areas we examined.

Instead, those who did vote Labor did so because of its policies on other issues like health, education and climate change (with 47%, 42% and 40% saying these were "very important reasons they voted Labor" respectively).

There was widespread awareness of Labor's plan to restrict negative gearing and increase capital gains tax for investment properties with 77% of voters having heard of it. Amongst, aware, non-Labor voters:

- 6% said they would have voted for Labor if they weren't going to change property tax laws; and
- A further 22% said they would have considered voting Labor if it wasn't for their property taxation laws.

These results reflect widespread personal aspiration to invest in property and an expectation that the Government should support this. Specifically:

- 15% currently own an investment property;
- 44% of the rest agree they would like to own an investment property (only 31% disagree); and
- 55% agree that “The Government should encourage people to save for their future by investing in property” with only 11% disagreeing.

When asked what Labor should do now:

- Around two thirds (62%) think “The Labor Party should get rid of their policy to restrict negative gearing and increase capital gains tax for investment properties”; and
- Only around one third (38%) think “The Labor Party should keep their policy to restrict negative gearing and increase capital gains tax for investment properties”.

This clear majority desire for Labor to change its property tax policies is consistent across all ages, genders and locations. Although current Labor voters support the current policy it is significant that 68% of previous Labor voters think that Labor should get rid of its property tax policies.