

Consider to only allow the capital gains concessions if the investment is geared at less than 50%. This would reduce negative gearing, because the asset would not receive the substantial benefits of capital gains concessions.

Another approach may be to not allow any interest deductions (i.e. no negative gearing) if the interests at any time more than 2 to 3 % of gross asset value

Assets that are neutrally geared or positively geared basis would be more stable through interest rates cycles. For non-property assets, there would be less propensity for margin calls through stock market cycles if gearing is reduced.

The objective of this tax ruling would be to make negative gearing less attractive by borrowing excessively against assets, and should lead to less volatility in asset prices.