



Australian Government

Australian Government response to the
House Committee on Tax and Revenue report:

The Australian Dream - Inquiry into housing affordability
and supply in Australia

May 2024



Response to the recommendations

Recommendation 1

The Committee recommends that state and local governments should increase urban density in appropriate locations using an empowered community framework as currently being trialled in Europe. Australia's cities are some of the least densely populated in the world. There are significant benefits of higher density living. However, the benefits of higher density are not shared with those bearing the cost. Government planners force density on communities without discussing the benefits of their proposals and how they are going to ameliorate negative outcomes.

State and local governments impose a growing list of levies on developers that are ultimately passed onto the purchaser. These levies are increasingly not used to improve local areas, creating communities that feel disempowerment.

We recommend that state and local governments need to create more density in appropriate locations, specifically those well-served by underused transport infrastructure. This should be done by allowing local communities to negotiate for higher densities in return for better infrastructure and more convenience, and in such a way that protects and preserves the character of surrounding areas.

The objective is to ensure that communities that are open to higher density experience an uplift in value and improved infrastructure.

Australian Government response

The Government **notes** this recommendation. However, given the passage of time since this report was tabled, a substantive Government response is no longer appropriate. However, the Australian Government is delivering a broad and ambitious housing reform agenda, which includes new investment of more than \$25 billion.

Recommendation 2

The Committee recommends that the Australian Government should provide incentive payments to state and local governments to encourage the adoption of better planning and property administration policies. There is abundant and growing evidence that planning restrictions substantially boost the cost of housing. Land use policy is primarily the responsibility of state and local governments. Nevertheless, the Australian Government can and should play a useful role in co-ordination, guidance and improving incentives.

Specifically, the Australian Government should provide financial assistance to state and local governments to encourage better planning policy and administration of that policy. We should reward better planning policy administration, for example streamlining of approvals or bringing infrastructure contributions in line with social costs such as value capture and sharing. A good model is the National Competition Policy, which made payments averaging about \$600 million a year from 1997-98 to 2005-06.

Australian Government response

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Recommendation 3

The Committee recommends that the Australian Government should institute a grant scheme that pays states and localities for delivering more housing supply and affordable housing. The Australian Government should reward better outcomes with grants for those states or localities that deliver more affordable housing. Grants could be in the form of cash or infrastructure. They could, for example, be proportional to overall housing completions or proportional to completions in excess of some benchmark. If the latter, consultation would be needed to determine appropriate benchmarks.

If budgetary conditions are tight, these incentive payments could replace existing programs that deliver low value. In particular, the Australian Government provides substantial grants to state and local governments on an unconditional basis. The Committee recommends that these payments are linked to outcomes that result in better and more available housing that will in turn see an uplift in home ownership.

Australian Government response

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Recommendation 4

The Committee recommends that the Australian Government should adopt the recommendations of the House of Representatives Standing Committee on Social Policy and Legal Affairs' Final Report – Inquiry into homelessness. The Committee endorses the recommendations of this separate inquiry.

Australian Government response

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Recommendation 5

The Committee recommends that the Australian Government should work with state governments through grants and subsidies to increase the supply of critical housing such as crisis housing. In addition to the recommendations in the House of Representatives Standing Committee on Social Policy and Legal Affairs' Final Report – Inquiry into homelessness, the Committee recommends that the Australian Government work alongside the states to prioritise an increase in the supply pipeline through grants and subsidies of critical housing, particularly targeted for single income families who are fleeing domestic violence situations and are needing to secure long-term housing solutions.

Australian Government response

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Recommendation 6

The Committee recommends that the Australian Government should implement schemes to facilitate private sector partnerships to deliver discount-to-market rent-to-own affordable housing. The Committee recommends that the Australian Government, led by the Department of the Treasury, implement schemes to facilitate partnership with the private sector to deliver discount-to-market rent-to-own affordable housing. This will diversify the housing market as well as provide affordable housing options for low to medium income earners, people experiencing homelessness, women escaping domestic violence, parents and children.

Australian Government response

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Recommendation 7

The Committee recommends that the Australian Government allow first home buyers to use their superannuation assets as security for home loans. The Committee recommends that the Australian Government develop and implement policy allowing first home buyers to use their superannuation balance as collateral for a home, without using the funds themselves as a deposit, thereby expanding the opportunity for home buyers. Implementation of this policy should depend on also implementing policies to increase the supply of housing (such as Recommendation 2). Otherwise, an increase in households' ability to borrow would likely increase property prices. This recommendation will therefore remove the largest barrier for home buyers; being the deposit.

Australian Government response

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Recommendation 8

The Committee recommends that the Australian Government not change its current policy regarding negative gearing. The Committee recommends that the Australian Government maintain current policy with regard to negative gearing. The Committee believes the benefits this policy provides in the form of lower rents, higher housing supply, diversity of ownership and the efficiency of the tax system, outweigh the nominal impact it has on housing prices.

Australian Government response

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Recommendation 9

The Committee recommends that state and territory governments replace stamp duty with land tax. The Committee recommends states and territories replace stamp duty with land tax. This should be implemented over time, avoiding those who have already or recently paid stamp duty facing double taxation through the replacement land tax. This change would increase housing turnover, remove an unnecessary obstacle to home ownership and stabilise government revenues.

Australian Government response

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Recommendation 10

The Committee recommends that the Australian Government conduct a review into how transitional costs regarding Recommendation 9 might be smoothed. The Committee recommends that the Australian Government, led by the Department of the Treasury, conduct a review of how transitional costs for Recommendation 9 might be smoothed and how adverse effects on fiscal equalisation might be avoided. As the states and territories would be the biggest beneficiaries of this transfer, any money provided by the Australian Government should be repaid by the states and territories. In the interim, the Committee recommends that states and territories that adjust stamp duty brackets to redress decades of stamp duty bracket creep will not be penalised by the Commonwealth Grants Commission in Goods and Services Tax (GST) distributions. Furthermore, the Committee recommends that states and territories should adjust stamp duty brackets to redress decades of stamp duty bracket creep and that they should be indexed in line with inflation in the housing market.

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Recommendation 11

The Committee recommends that the Australian Government work with state and territory governments to reform developer contributions, ensuring that the money is used to fund value adding and demanded infrastructure. The Committee recommends that developer contributions are reformed as they have ballooned, adding nearly half of the housing cost and have failed to provide increased infrastructure. There are two ways this could occur, either replacement with a value capture model or ensuring that developer contributions can only be expended on their intended purpose, development infrastructure and services. This should form part of the incentive payments recommended in Recommendation 2. The Committee recommends that the Australian Government work with the states and territories to increase the consistency and transparency of developer contributions across the nation, and to ensure that such contributions are only used to fund useful, value adding infrastructure that is genuinely essential for the development on which they are levied.

Australian Government response

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Recommendation 12

The Committee recommends that the Australian Government conduct a review into the build-to-rent housing market and how it is affected by current regulations and tax policies. The evidence the Committee has heard suggests that build-to-rent housing would provide consumers more choice and has the potential to increase security of tenure. As a result, the Committee recommends that the Australian Government, led by the Department of the Treasury, conduct a review into the build-to-rent housing market and how it is affected by progressive land tax and other tax and regulatory settings.

Australian Government response

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Recommendation 13

The Committee recommends that the Australian Government continue to support the Australian Prudential Regulation Authority's (APRA) Prudential Standard APS 2020 to manage authorised deposit-taking institutions' (ADIs) lending on housing loans. The Committee supports APRA's Prudential Standard APS 2020 to manage ADI lending on housing loans. This support transpires to the powers introduced in 2018, to allow APRA to make rules relating to the lending activities of non-ADI lenders if APRA considers that lending by non-ADI lenders is materially contributing to financial system stability risks.

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Recommendation 14

The Committee recommends no changes be made to the Reserve Bank of Australia's current charter and monetary mandate, ensuring that house prices are not a specific objective of monetary policy. The Committee recognises that internationally, policy makers have been considering whether house prices should be taken into account, in addition to inflation and the unemployment rate, when setting monetary policy. The Committee rejects the recent changes to the Reserve Bank of New Zealand's mandate by the New Zealand Labour Government to consider house price sustainability when setting interest rates. The Committee reaffirms that housing prices should not be an objective of monetary policy. The Committee considers these changes to be retrograde to the economy with questionable benefit to home buyers.

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Recommendation 15

The Committee recommends that the Australian Government, led by the National Housing Finance and Investment Corporation, implement mechanisms and work with the states and territories to receive their current and up-to-date forecast data on population, housing approval and completions.

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Recommendation 16

The Committee recommends that the Australian Government continue to support the National Housing Finance and Investment Corporation's concessional loans to infrastructure projects and community housing providers that will unlock new housing supply, particularly affordable housing, with a stronger focus on funding being contingent on supply outcomes.

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