At budget time, remember 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 or social housing tenant, a private renter or a homeowner, chances are your house was subsidised through a rental subsidy, housing grant or taxation credit. On budget night there will be housing winners and losers, but it’s worth remembering we all live in subsidised housing.

Public housing subsidies

The National Commission of Audit urged the Commonwealth to limit its involvement in public and social housing by providing rent assistance to income support recipients.

If treasurer Joe Hockey followed through with these recommendations public housing tenants would have to pay market rent for their housing after receiving rent assistance. This would undermine the central purpose of public housing as a form of affordable housing tenure that provides very low-income people with housing at below market rates, often as a percentage of their income.

Providing rent assistance to people to contribute to market rate rental properties 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.
Private housing subsidies

Private housing subsidies are like chocolate, we know that we should use them in moderation but we just cannot cut back. We often pretend they are not subsidies at all. AMP’s chief economist Shane Oliver 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% of private housing subsidies go to property owners over private renters (see figure below). This includes the roughly A$30 billion capital gains tax benefit for owner-occupiers and the A$7 billion negative gearing benefit for landlords each year.

![Figure 4.1: Annual government expenditure on housing policy](image)

Report: Renovating Housing Policy Grattan Institute

Often taxation concessions – the National Rental Affordability Scheme (NRAS) excluded – 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. It is bad for first homebuyers and private renters. The removal of housing subsidies that operate below or offset market rents would be catastrophic for the most disadvantaged people in Australian cities.

While the Commission of Audit was largely silent on private housing taxation subsidies, under its recommendations NRAS would go too. NRAS was designed to encourage private investors to provide affordable rental housing. Associate Professor Michael Darcy argues:

> NRAS is also a tax benefit, but it provides a fixed rebate of around A$10,000 a year for ten years. Investors can claim the rebate so long as a property is rented through an approved non-profit housing manager at 20% below the market rate. Potential tenants are means tested. In this way NRAS sought to keep investors in the affordable sector for the longer term.

Post-budget affordable housing?

The forecast is grim for housing affordability in many Australian cities. According to
Australian Property Monitors, of Sydney’s approximately 600 suburbs 170 now have A$1 million median house prices. This constitutes an increase of about 47 suburbs in six months.

In Melbourne “the numbers of first home buyers have shrunk to record lows” as more first home buyers remain in rental accommodation or live with family members.

There is scope for innovation with public, non-government and private sector housing models and taxation policy. The National Rental Affordability Scheme is certainly not perfect, but at least it provides additional housing stock that operates below market rates.

As the details of the budget come in, the great Australian housing subsidies will be revealed. But Hockey has indicated he will take most of the tax reforms to the next election. Any move toward greater housing equity would require a significant recalibration of public and private housing subsidies and taxation reforms.

When housing subsidies are revealed on budget night, remember, we will always need housing options that operate outside the market for the poorest and most disadvantaged Australians.