

MEDIA RELEASE

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Is Negative Gearing an Investment Property a Drain on the Australian Economy? And should the tax rules be changed as a result?

A new report released today by Sydney Author and Chartered Accountant Wayne Wanders shows that the economic benefit to the Australian economy by taxpayers who have negatively geared property is substantially higher than the income tax “subsidy” they receive.

Mr Wanders said that the 1.2 million individual taxpayers who had negatively geared properties in the 2013 – 2014 tax year contribute in excess of \$10 billion dollars annually in economic benefit to the Australian economy.

“This is substantially higher than the estimated \$2.6 billion dollar income tax “subsidy” these 1.2 million taxpayers received,” said Mr Wanders.

“This shows that care needs to be taken when considering changes to the way negatively geared properties are taxed.”

“The Federal Government may save in one area, but given the extent of the economic benefit generated by these 1.2 million individuals currently, the Federal Government may feel the pain in other areas.”

“This could be from higher support required at State and Local Government levels. Or from lower income tax and Goods and Services Tax collections from other sectors of the economy.”

“All of this needs to be properly understood before any changes in federal income tax rules around negatively geared properties are considered.”

In respect of these 1.2 million individual taxpayers with negatively geared property, Mr Wanders was able to use the Australian Tax Office’s own data from its recent release of the 2013-2014 Taxation Statistics, to determine the benefits to the Australian economy. These benefits included:

- More than \$0.9 billion dollars paid indirectly to the Federal Government via collection of Goods and Services Tax or income tax paid by the businesses who supplied services to these 1.2 million individual taxpayers.
- In excess of \$2.8 billion dollars paid directly to State and Local Government and Government Authorities.
- At least \$5.6 billion dollars paid directly to the small and medium business sector in Australia.

On top of this \$9.3 billion dollars of economic benefit able to be quantified by Mr Wanders, there are other benefits which Mr Wanders was unable to find accurate data for. This includes:

- The value of capital improvements paid for by these 1.2 million individual taxpayers.
- The amount of stamp duty paid to State Governments by individual property investors.
- The amount of tax on capital gains paid to the Federal Government by individual property investors.

“Once these are taken into consideration, it would be reasonable to assume that the economic benefit provided by these 1.2 million property investors exceeds \$10 billion dollars per annum before taking into consideration the Federal Government subsidy.”

“All of which leads to the conclusion, any changes to the tax laws on negative gearing need to be properly analysed across all areas.”

The full version of the report *“Is Negative Gearing an Investment Property a Drain on the Australian Economy?”* is available at www.avoidthepovertytrap.com.au/media/

Mr Wanders book “Avoid the Poverty Trap” will be published later this month. In this book Mr Wanders explains why he believes most Australians are on the treadmill to work hard all their life, just to retire poor. Heading for straight for what Mr Wanders calls the Poverty Trap. The book also explains in plain English actionable ways to avoid the Poverty Trap. An extract of the book is available at www.avoidthepovertytrap.com.au.

About Wayne Wanders

Wayne Wanders, the Wealth Navigator, is committed to getting Australians off the treadmill of working hard all their life, just to retire poor. Whilst Wayne has been a chartered accountant for over 30 years, Wayne is not your normal accountant. His philosophy of “why think outside of the square when you can just make the square bigger”, gives Wayne an open mind and the ability to dig deeper into challenges. Some say Wayne’s true talent is in seeing things that others do not. As Wayne makes the invisible, visible, you could call Wayne a forensic accountant.

It was this thinking that made Wayne realise that the retirement system in Australia is flawed. And that most Australians are on the treadmill to work hard and retire poor, heading straight for what Wayne calls the Poverty Trap.

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High res images and interviews available on request

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Full report available: www.avoidthepovertytrap.com.au/media/

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