


The Wealth Navigator

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The Real Cost of Negative Gearing

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Executive Summary

Leading into the 2017-2018 budget, there still remains a lot of debate about the impact, adverse or otherwise of mum and dad investors being able to negatively gear investment properties in Australia.

With the Australian Tax Office (ATO) releasing its 2014-2015 Taxation Statistics data in April 2017, this provided the most recent data available to analyse this debate with fact based analysis and not emotional statements.

So Mr Wayne Wanders, Chartered Accountant and author of the book “Avoid the Poverty Trap” analysed the Taxation Statistics data released by the ATO to determine the real cost of negative gearing by mum and dad investors.

In the 2014-2015 year there were 1.277 million negatively geared individual “mum and dad” taxpayers who reported a net rental loss of nearly \$11.9 billion dollars. This is out of 2.1 million individual “mum and dad” taxpayers who held investment properties and 13.2 million individuals who lodged a tax return.

This is a marginal increase on the 2013-2014 year where there were 1.257 negatively geared individual “mum and dad” taxpayers who reported a net rental loss of nearly \$11.8 billion dollars.

These large headline numbers result in many people having the view that the other 11.9 million Australians who lodge a tax return should not subsidise these 1.2 million negatively geared individual taxpayers.

So what is the real cost of negative gearing individual “mum and dad” taxpayers?

The direct cost to the Federal Government is that the nearly \$11.9 billion dollars in rental losses claimed by the individual “mum and dad” taxpayers, reduced the amount of income tax paid by these individual “mum and dad” taxpayers by an estimated \$2.76 billion dollars.

Now at the same time these by individual “mum and dad” taxpayers were responsible for an estimated \$1.1 billion dollars in indirect payments to the Federal Government in the way of GST and income tax paid by suppliers and employees of suppliers to the individual “mum and dad” taxpayers.

So the estimated **net** cost the Federal Budget (excluding any tax on capital gains) of the individual “mum and dad” taxpayers who negatively gear investment properties is \$1.6 billion dollars.

Now this seems a large amount, but it also needs to be put in context. In the 2014-2015 year there was \$21.87 billion dollars claimed in work related expenses by 8.6 million individual “mum and dad”

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taxpayers. This is estimated to cost the Federal budget by nearly \$5.0 billion dollars, way in excess of the \$1.6 billion dollars from individual mum and dad taxpayers who negatively gear investment properties.

And what about the cost of other Federal Government Policies. In 2015-2016 the Federal Government was projected to spend:

- \$7.4 billion dollars on the Child Care Rebate.
- \$20.9 billion dollars on the Family Tax Benefit.
- \$2.0 billion dollars on Parental Leave.
- \$6.2 billion dollars on the Private Health Care Rebate

And this **net** cost of \$1.6 billion dollars to the Federal Budget (excluding any tax on capital gains) of the 1.277 individual “mum and dad” taxpayers who negatively gear investment properties, excludes any economic benefit that these taxpayers provide.

These 1.277 million “mum and dad” taxpayers contribute at least \$3.0 billion dollars to state and local governments and authorities (and this does not include the stamp duty they paid). And on top of that they contribute at least \$5.9 billion dollars to small and medium businesses in Australia.

These numbers are summarised in the below table.

		2014-15	2014-15	2014-15	2013-14	2013-14	2013-14
		Loss	Neutral/Profit	All	Loss	Neutral/Profit	All
Rental Property Schedules	no.	1,798,532	1,202,262	3,000,794	1,755,469	1,168,031	2,923,500
Individual Taxpayers	no.	1,277,705	799,530	2,077,235	1,257,301	776,672	2,033,973
Net rental income		-11,918,822,723	8,209,501,619	-3,709,321,104	-11,771,826,731	7,948,908,896	-3,822,917,835
Impact on Federal Government Budget							
Estimated Federal Income tax (saved) paid based on average individual income tax rate		-2,760,399,343	1,901,320,575	-859,078,768	-2,641,597,918	1,783,735,156	-857,862,762
Total indirect payments to government bodies excluding income tax		1,108,048,398	653,062,776	1,761,111,175	1,049,220,146	613,911,389	1,663,131,536
Total Impact on Federal Government Budget	\$	-1,652,350,945	2,554,383,351	902,032,407	-1,592,377,772	2,397,646,545	805,268,774
Impact on Other Areas							
Impact on State Government Budget	\$	398,335,369	482,314,970	880,650,339	364,946,188	444,270,546	809,216,734
Impact on Local Government Budget	\$	2,640,190,217	1,935,682,225	4,575,872,442	2,467,473,816	1,817,389,905	4,284,863,721
Impact On Small and Medium Businesses	\$	5,957,765,794	3,500,179,082	9,457,944,876	5,649,252,677	3,291,842,674	8,941,095,351
Total Impact on Other Areas	\$	8,996,291,380	5,918,176,277	14,914,467,657	8,481,672,681	5,553,503,125	14,035,175,806
Total Contribution not including Capital Gains Tax or Stamp Duty	\$	7,343,940,435	8,472,559,628	15,816,500,064	6,889,294,909	7,951,149,670	14,840,444,580

Source: Australian Taxation Office 2013-2014 and 2014-2015 Tax Statistics and analysis by Mr Wayne Wanders

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So, the cost to the Federal Budget of the 1.277 individual “mum and dad” taxpayers who negatively gear investment properties is \$1.6 billion dollars. But this generates at least \$9.0 billion dollars, in contributions to the Australian economy.

Putting it another way, for every dollar the Federal Government “subsidises” the 1.277 individual “mum and dad” taxpayers who negatively gear investment properties, there is over \$5 of economic benefit to the Australian economy.

On those numbers, you would have a strong argument that the 1.277 million individual “mum and dad” taxpayers who negatively gear investment properties, are not costing the Australian economy and in fact are significantly contributing.

Introduction

Leading into the 2017 - 2018 budget, there still remains a lot of debate about the impact, adverse or otherwise of mum and dad investors being able to negatively gear investment properties in Australia.

With the Australian Tax Office (ATO) releasing its 2014-2015 Taxation Statistics data in April 2017, this provided the most recent data available to analyse this debate with fact based analysis and not emotional statements.

So Mr Wayne Wanders, Chartered Accountant and author of the book “Avoid the Poverty Trap” extended the research done whilst writing his book to include the 2014-2015 Taxation Statistics data released by the ATO.

So What is Negative Gearing?

A lot of people talk about the term negative gearing, but Mr Wanders feel very few people understand exactly what it is.

It simply means that the revenue earned (in the case of investment property, rents) is less than the expenses incurred (in the case of investment property things like interest, insurance, rates, water, etc.).

So in plain English, you would say it was a loss. The person who has a negatively geared investment property has an annual loss. They are hoping this annual loss is more than compensated for by appreciation in value via capital gains.

To be consistent with the language used by the ATO, this report will also refer to negatively geared investment properties as those with a net rental loss.

How Much Net Rental Loss was claimed in the 2014-2015 Year?

In the 2014-2015 year there were 2,077,235 individual taxpayers (2013-2014 2,033,973) who included an investment property in their income tax return.

1.277 million of these individual taxpayers claimed a net rental loss of \$11.9 billion dollars. There were 0.799 million individual taxpayers who lodged a net rental profit of \$8.2 billion dollars. In 2013-2014 there was 1.257 million with a net rental loss of \$11.8 billion dollars and 0.776 million individual taxpayers with a net rental profit of \$7.9 billion dollars.

In total, for the 2014-2015 year, these 2.077 million individual taxpayers with investment properties claimed a net rental loss of \$3.7 billion dollars. This is down on the \$3.8 billion dollars in 2013-2014.

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This is a substantial amount of money and would give rise to the view that this segment of the investment market enjoys considerable subsidies from the rest of society.

As such you could see why there may be grounds for changes to how negatively geared investment properties are treated for income tax purposes.

So to see if the above statement is based on fact or emotion, a detailed review and analysis of the 2013-2014 and 2014-2015 Tax Statistics provided by the ATO was performed.

The starting point in the ATO 2014-2015 Tax statistics is the Individuals Table 19A - Rental property schedule items and net rent position. The data in this table is summarised in Table 1 below. In 2013-2014 it was Individuals Table 18.

Table 1: Individual Investment Property Return Data 2014-2015

		2014-15	2014-15	2014-15	2013-14	2013-14	2013-14
		Loss	Neutral/Profit	All	Loss	Neutral/Profit	All
Rental Property Schedules	no.	1,798,532	1,202,262	3,000,794	1,755,469	1,168,031	2,923,500
Individual Taxpayers	no.	1,277,705	799,530	2,077,235	1,257,301	776,672	2,033,973
Rent and Other Income	\$	20,273,177,250	19,381,882,862	39,655,060,112	19,468,115,264	18,517,665,036	37,985,780,300
Deductions Claimed							
Bank Interest and Borrowing costs	\$	17,997,465,136	3,490,002,676	21,487,467,812	17,983,514,143	3,375,268,031	21,358,782,174
Depreciation and other capital allowances	\$	4,342,753,463	1,185,959,578	5,528,713,041	3,967,649,587	1,089,255,404	5,056,904,991
Council and Water Rates	\$	2,640,190,217	1,935,682,225	4,575,872,442	2,467,473,816	1,817,389,905	4,284,863,721
Land Tax	\$	398,335,369	482,314,970	880,650,339	364,946,188	444,270,546	809,216,734
Property Agent fees/commission (1)(2)	\$	1,481,356,721	1,064,102,844	2,545,459,565	1,409,968,954	1,009,143,190	2,419,112,144
Repairs and maintenance (1)(2)	\$	1,706,564,441	862,343,441	2,568,907,882	1,601,530,460	822,058,771	2,423,589,231
Body Corporate Fees (1)	\$	1,312,388,283	836,743,374	2,149,131,657	1,240,734,166	766,372,167	2,007,106,333
Insurance (1)	\$	855,489,994	578,242,712	1,433,732,706	807,105,584	550,729,580	1,357,835,164
Other expenses (1)(2)	\$	1,457,456,349	736,989,423	2,194,445,772	1,397,019,097	694,268,546	2,091,287,643
Total Deductions	\$	32,191,999,973	11,172,381,243	43,364,381,216	31,239,941,995	10,568,756,140	41,808,698,135
Net rental income	\$	-11,918,822,723	8,209,501,619	-3,709,321,104	-11,771,826,731	7,948,908,896	-3,822,917,835
(1) Subject to GST	\$	6,813,255,788	4,078,421,794	10,891,677,582	6,456,358,261	3,842,572,254	10,298,930,515
(2) Paid mainly to small business	\$	4,645,377,511	2,663,435,708	7,308,813,219	4,408,518,511	2,525,470,507	6,933,989,018

Source: Australian Taxation Office 2013-2014 and 2014-2015 Tax Statistics

How Much Tax was saved on this Net Rental Loss in the 2014-2015 Year?

The average tax rate for all individuals in the 2014 - 2015 year was then applied to the losses reported in the above table. This is based on data in the 2014-2015 Tax Statistics which provides an average individual tax rate of 23.16% (2013-2014 22.44% - interestingly the average tax rate is up between 2013-2014 and 2014-2015 which gifted the Federal Government an extra \$5.5 billion in tax as individuals income was up 3.5% but tax collected from those same individuals was up nearly double at 6.8%).

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From this, an estimated tax benefit for those 1.277 million individual taxpayers with a net rental loss was determined. At the same time using the same basis, the estimated tax paid by those 0.799 million taxpayers with a net rental profit was also estimated. The results of these calculations are shown in Table 2 below.

Table 2: Estimated Tax impact on Individual Investment Property Returns 2014 - 2015

		2014-15	2014-15	2014-15	2013-14	2013-14	2013-14
		Loss	Neutral/Profit	All	Loss	Neutral/Profit	All
Rental Property Schedules	no.	1,798,532	1,202,262	3,000,794	1,755,469	1,168,031	2,923,500
Individual Taxpayers	no.	1,277,705	799,530	2,077,235	1,257,301	776,672	2,033,973
Net rental income	\$	-11,918,822,723	8,209,501,619	-3,709,321,104	-11,771,826,731	7,948,908,896	-3,822,917,835
Taxable Income all individuals	\$			766,918,391,344			740,702,560,422
Tax payable all individuals	\$			177,587,055,636			166,197,130,901
Average Individual Tax rate		23.16%	23.16%	23.16%	22.44%	22.44%	22.44%
Estimated Federal Income tax (saved) paid based on average individual income tax rate	\$	-2,760,399,343	1,901,320,575	-859,078,768	-2,641,597,918	1,783,735,156	-857,862,762

Source: Australian Taxation Office 2013-2014 and 2014-2015 Tax Statistics

From this analysis you can see that the 1.277 million individual taxpayers reporting a net rental loss of \$11.9 billion dollars obtained an estimated income tax saving of \$2.76 billion dollars. This far outweighed the tax paid by the other 0.799 million individual taxpayers reporting net rental profit. And this is up \$119 million dollars on 2013-2014.

On the face of it, you could understand the view that the Australian taxpayers as a whole are subsidising 1.277 million negatively geared individual taxpayers reporting a net rental loss.

What Direct Payments did these taxpayers make to all Levels of Government in the 2014-2015 Year?

But this analysis is simplistic in its view in that it does not take into consideration what other payments these individual taxpayers made to fund all levels of government. The levels of government was defined to include the Federal Government, the State Government and State authorities, and Local Government and local authorities.

So, the next step in the analysis is to look at what direct payments these individual taxpayers made to all levels of government. Based on the ATO data, the summary of direct payments is shown in Table 3 over.

Table 3: Direct Payments by Individual Property investors to Federal, State and Local Government and Government Authorities

		2014-15	2014-15	2014-15	2013-14	2013-14	2013-14
		Loss	Neutral/Profit	All	Loss	Neutral/Profit	All
Payments direct to other Government Bodies (excluding income tax)							
Capital Gains Tax (a)	\$						
Stamp Duty (b)	\$						
Council and Water Rates	\$	2,640,190,217	1,935,682,225	4,575,872,442	2,467,473,816	1,817,389,905	4,284,863,721
Land Tax	\$	398,335,369	482,314,970	880,650,339	364,946,188	444,270,546	809,216,734
Total direct payments to government bodies excluding income tax	\$	3,038,525,586	2,417,997,195	5,456,522,781	2,832,420,004	2,261,660,451	5,094,080,455

Source: Australian Taxation Office 2013-2014 and 2014-2015 Tax Statistics

(a) & (b) Data unavailable

What this table shows is that direct payments to Federal, State and Local Government and Government Authorities by the 1.277 million individual taxpayers who reported a net rental loss was \$3.0 billion dollars (up from \$2.8 billion dollars in 2013-2014).

It is also important to note here that:

1. There is no data available to determine how much stamp duty was paid by individual property investors in the 2013-2014 year.
2. There is no data to determine how much capital gains tax was paid by individual property investors in the 2014-2015 year.

It would be fair to say that there would be significant payments made in respect of stamp duty and capital gains tax, which would increase the amounts paid directly to Federal, State and Local Government and Government Authorities well over and above those reported above.

What Indirect Payments did these taxpayers make to all Levels of Government in the 2014-2015 Year?

The next level of analysis is to then look at what indirect payments these individual taxpayers made to these same levels of government.

One of the major payments is the Good and Services Tax (GST) paid on a large number of payments made by these individual taxpayers. It is important to note that these individual taxpayers pay GST but are unable to claim the GST back. Other indirect payments include income tax paid by the businesses that receive income from these individual taxpayers and the income tax paid by property management staff (that exist to support the property investor). The summary of the estimated in direct payments is shown in Table 4 over.

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Table 4: Estimated Indirect Payments by Individual Property investors to Federal, State and Local Government and Government Authorities

		2014-15	2014-15	2014-15	2013-14	2013-14	2013-14
		Loss	Neutral/Profit	All	Loss	Neutral/Profit	All
Indirect Payments to Government Bodies							
GST (c)	\$	619,386,890	370,765,618	990,152,508	586,941,660	349,324,750	936,266,410
Income Tax from Small Business Suppliers (d)	\$	278,722,651	159,806,142	438,528,793	264,511,111	151,528,230	416,039,341
Income Tax from Banks (e)	\$	53,992,395	10,470,008	64,462,403	53,950,542	10,125,804	64,076,346
Income Tax on Property Management Staff (f)	\$	155,946,462	112,021,008	267,967,471	143,816,833	102,932,605	246,749,439
Total direct payments to government bodies excluding income tax	\$	1,108,048,398	653,062,776	1,761,111,175	1,049,220,146	613,911,389	1,663,131,536

Source: Australian Taxation Office 2013-2014 and 2014-2015 Tax Statistics and analysis on the following assumptions.

(c) Equates to 1/11 of item (1) in Table 1

(d) Assumes 30% tax on 20% net margin of all small businesses at item (2) in Table 1

(e) Assumes 1% interest margin at 30% tax

(f) Assumes property management staff paid 50% of Property management fees (ex GST) at average tax rate

This table shows a further \$1.1 billion dollars in estimated indirect payments to Federal, State and Local Government and Government Authorities was made by the 1.277 million individual taxpayers who reported a net rental loss.

What Total Payments did these taxpayers make to all Levels of Government in the 2014-2015 Year?

So to summarise, the combined the impact on Federal, State and Local Government and Government Authorities by these 1.277 million individual taxpayers who reported a net rental loss is other direct and indirect payments of at least \$4.1 billion dollars. This is set out in table 5 below.

Table 5: Total Contribution to Government Bodies including Income Tax but not any Capital Gains Tax or Stamp Duty

		2014-15	2014-15	2014-15	2013-14	2013-14	2013-14
		Loss	Neutral/Profit	All	Loss	Neutral/Profit	All
Rental Property Schedules	no.	1,798,532	1,202,262	3,000,794	1,755,469	1,168,031	2,923,500
Individual Taxpayers	no.	1,277,705	799,530	2,077,235	1,257,301	776,672	2,033,973
Direct and Indirect Payments to							
Federal Government	\$	1,108,048,398	653,062,776	1,761,111,175	1,049,220,146	613,911,389	1,663,131,536
State Government	\$	398,335,369	482,314,970	880,650,339	364,946,188	444,270,546	809,216,734
Local Government and Authorities	\$	2,640,190,217	1,935,682,225	4,575,872,442	2,467,473,816	1,817,389,905	4,284,863,721
		4,146,573,984	3,071,059,971	7,217,633,956	3,881,640,150	2,875,571,840	6,757,211,991

Source: Australian Taxation Office 2013-2014 and 2014-2015 Tax Statistics and analysis by Mr Wayne Wanders

What was the Federal Government's Net Position in 2014-2015 Year?

So from the Federal Government's point of view, it "lost" income tax revenue of \$2.76 billion dollars from those 1.277 million individual taxpayers who claimed a net rental loss (2013-2014 \$2.6 billion dollars). But these same 1.2 million taxpayers directly or indirectly resulted in the Federal Government collecting at least an extra \$1.1 billion dollars from other sources. As stated previously this excludes any tax on capital gains on investment property held by individual taxpayers.

What was all Government's Net Position in 2014-2015 Year?

So, as the next table shows, the Federal Government in 2014-2015 was faced with a net "subsidy" of \$1.65 billion dollars (2013-2014 \$1.59 billion dollars) to those 1.277 million individual taxpayers who claimed a net rental loss. At the same time, these 1.277 million taxpayers paid at least \$3.0 billion dollars to State and Local Governments and their Authorities (excluding any stamp duty paid by individual property investors).

Table 6: Net Contribution to Government Bodies including Income Tax but not any Capital Gains Tax or Stamp Duty

		2014-15	2014-15	2014-15	2013-14	2013-14	2013-14
		Loss	Neutral/Profit	All	Loss	Neutral/Profit	All
Individual Taxpayers	no.	1,277,705	799,530	2,077,235	1,257,301	776,672	2,033,973
Net Impact on Federal Government							
Direct tax impact	\$	-2,760,399,343	1,901,320,575	-859,078,768	-2,641,597,918	1,783,735,156	-857,862,762
Indirect tax impact	\$	1,108,048,398	653,062,776	1,761,111,175	1,049,220,146	613,911,389	1,663,131,536
Net impact on Federal Government	\$	-1,652,350,945	2,554,383,351	902,032,407	-1,592,377,772	2,397,646,545	805,268,774
Other Government Agencies							
State Government	\$	398,335,369	482,314,970	880,650,339	364,946,188	444,270,546	809,216,734
Local Government	\$	2,640,190,217	1,935,682,225	4,575,872,442	2,467,473,816	1,817,389,905	4,284,863,721
Total Payments to other Government Agencies	\$	3,038,525,586	2,417,997,195	5,456,522,781	2,832,420,004	2,261,660,451	5,094,080,455
Net Impact on Government Agencies	\$	1,386,174,641	4,972,380,546	6,358,555,188	1,240,042,232	4,659,306,996	5,899,349,229

Source: Australian Taxation Office 2013-2014 and 2014-2015 Tax Statistics and analysis by Mr Wayne Wanders

This means that at the government agency level alone, these 1.277 million individual taxpayers who claimed a net rental loss, made a net contribution of nearly \$1.4 billion dollars (up from \$1.2 billion dollars in 2013-2014).

What was the Benefit to the Rest of the Economy in 2014-2015 Year?

Now let's look at the overall economic benefit that these 1.277 million individual taxpayers provide to the rest of the Australian economy.

Mum and dad individual property investors tend to deal with mainly small and medium businesses. These small and medium businesses include the property manager who manages these properties, the cleaner who cleans them at the change of tenant. The person who mows the lawns and keeps the gardens tidy. The trade's person who maintains and repairs the property. The pest controller.

It would be impossible to work out how many people are employed in these industries serving the investment property market. All we can do is look at the dollars involved. These are summarised in the table below.

Table 7: Payments made to Small and Medium Business by Individual Property investors

		2014-15	2014-15	2014-15	2013-14	2013-14	2013-14
		Loss	Neutral/Profit	All	Loss	Neutral/Profit	All
Payments made to Small and Medium Businesses							
Property Agent fees/commission	\$	1,481,356,721	1,064,102,844	2,545,459,565	1,409,968,954	1,009,143,190	2,419,112,144
Repairs and maintenance	\$	1,706,564,441	862,343,441	2,568,907,882	1,601,530,460	822,058,771	2,423,589,231
Body Corporate Fees	\$	1,312,388,283	836,743,374	2,149,131,657	1,240,734,166	766,372,167	2,007,106,333
Other expenses	\$	1,457,456,349	736,989,423	2,194,445,772	1,397,019,097	694,268,546	2,091,287,643
Total Small and Medium Business Benefit	\$	5,957,765,794	3,500,179,082	9,457,944,876	5,649,252,677	3,291,842,674	8,941,095,351

Source: Australian Taxation Office 2013-2014 and 2014-2015 Tax Statistics and analysis by Mr Wayne Wanders

Note this does not include any money spent on capital improvements during the year either.

This table shows that not only do the 1.2 million individual taxpayers who report a net rental loss contribute nearly \$1.4 billion dollars to the Federal, State and Local Government and Government Authorities, but they are responsible for at least \$5.9 billion dollars of economic benefit to the small and medium business sector in Australia.

What was the Benefit to the Total Economy in 2014-2015 Year?

This is a combined economic benefit of over \$7.3 billion dollars not including the positive impact on big business like the banks and insurance companies. The benefits are set out in the table below.

Table 8: Economic Benefit to Governments and Small and Medium Businesses Combined

		2014-15	2014-15	2014-15	2013-14	2013-14	2013-14
		Loss	Neutral/Profit	All	Loss	Neutral/Profit	All
Individual Taxpayers	no.	1,277,705	799,530	2,077,235	1,257,301	776,672	2,033,973
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Impact on Federal Government Budget							
Estimated Federal Income tax (saved) paid based on average individual income tax rate		-2,760,399,343	1,901,320,575	-859,078,768	-2,641,597,918	1,783,735,156	-857,862,762
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Impact on Other Areas							
Impact on State Government Budget	\$	398,335,369	482,314,970	880,650,339	364,946,188	444,270,546	809,216,734
Impact on Local Government Budget	\$	2,640,190,217	1,935,682,225	4,575,872,442	2,467,473,816	1,817,389,905	4,284,863,721
Impact On Small and Medium Businesses	\$	5,957,765,794	3,500,179,082	9,457,944,876	5,649,252,677	3,291,842,674	8,941,095,351
Total Impact on Other Areas	\$	8,996,291,380	5,918,176,277	14,914,467,657	8,481,672,681	5,553,503,125	14,035,175,806
Total Contribution not including Capital Gains Tax or Stamp Duty	\$	7,343,940,435	8,472,559,628	15,816,500,064	6,889,294,909	7,951,149,670	14,840,444,580

Source: Australian Taxation Office 2013-2014 and 2014-2015 Tax Statistics and analysis by Mr Wayne Wanders

In terms of the economic benefit of all the 2.0 million mum and dad property investors out there, not only do they contribute over \$6.3 billion dollars to the Federal, State and Local Government and Government Authorities (up from \$5.9 billion dollars in 2013-2014), but they are responsible for at least \$9.4 billion dollars of economic benefit (\$8.9 billion dollars in 2013-2014) to the small and medium business sector in Australia. This is a combined economic benefit of nearly \$15.8 billion dollars benefit (\$14.8 billion dollars in 2013-2014).

As stated previously this is at the low end of the estimate as this does not include 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.
- Any tax on capital gains paid to the Federal Government by individual property investors.
- Positive impact on big business like the banks and insurance companies.

Nor does this include any benefit to the Federal Government by any of these individual taxpayers later in life not qualifying for the pension because of the assets and income they have provided themselves.

Let's Put All of this in Context

Let's compare with a couple of other key numbers.

The first key number is work related expense deductions.

In 2014-2015 individuals claimed \$21.87 billion dollars in work related expenses. This is nearly double the net rental loss claimed by individual mum and dad taxpayers who negatively gear investment properties. Using the average tax rate of 23.16%, that's a \$5.0 billion impact on tax collections – well above the \$1.6 billion dollars from individual mum and dad taxpayers who negatively gear investment properties.

What about other spending by the Federal Government. In 2015-2016 the Federal Government was projected to spend:

- \$7.4 billion dollars on the Child Care Rebate.
- \$20.9 billion dollars on the Family Tax Benefit.
- \$2.0 billion dollars on Parental Leave.
- \$6.2 billion dollars on the Private Health Care Rebate

So in terms of context, these areas far outweigh the impact that individual mum and dad taxpayers who negatively gear investment properties have on the Federal Government Budget.

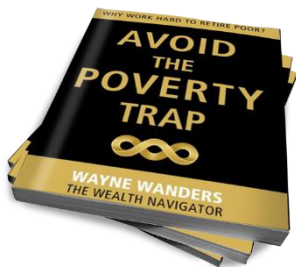
About the Author

Wayne Wanders, author of the book “Avoid the Poverty Trap”, and The Wealth Navigator believes the system is rigged in favour of the government, big businesses (especially the banks) and the unions.

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 system in Australia is rigged. And if you stay in the system this is the reality today



“Go to school, get on the treadmill to work hard all your life for a boss you don’t like, get your termination notice and try and survive on the dole or what’s left of the pension”.

Heading straight for what Wayne Wanders calls the Poverty Trap. This is not what could be called living. And not really something to look forward to is it?

So Wayne made it his mission to use his personal experience and knowledge to help hard working Australians to beat the system, avoid the Poverty Trap and improve the health of their wealth.

And this is why Wayne Wanders wrote the book “Avoid the Poverty Trap” and developed his Wealth Ignite Program. These show you:

- The truth about how the system is rigged; and more importantly,
- In plain and simple English, steps you can action today,

to beat the system and improve the health of your wealth.



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