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Discourses around negative gearing of investment properties in Australia

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Abstract

A tax rule whereby losses on a rental property are deductible against personal taxable income (commonly known as ‘negative gearing’) is an almost uniquely Australian practice. This article explores how this practice is legitimised and justified by politicians despite coherent criticisms that the practice misdirects investment into unproductive asset speculation causing house price inflation and inequality. This article uses critical discourse analysis to examine how ‘negative gearing’ is criticised and legitimised. It is argued that the interests of the property-owning majority and electoral pragmatism determine government housing policy. There is a disjunct between the political imperative of the major parties to maintain high housing prices in order not to erode the wealth of the majority of voters (property owners) and the emerging problem of housing unaffordability. Despite mounting coherent critique coming from economists,

and younger cohorts excluded from home ownership, the policy continues due to realpolitik considerations.

Keywords:

Negative gearing | housing affordability | housing policy

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Disclosure statement

No potential conflict of interest was reported by the author.

Notes

1 For a useful summary, see Tables 14 and 17 in Oxley et al. (2010).

2 While this includes commercial and other non-residential real estate, this article will focus on residential dwellings.

3 It should be noted that there are a growing number of landlords who reside in a rented dwelling themselves and rent out their investment propert(ies).

4 This refers to the Australian Labor Party and the Coalition (the Liberal Party of Australia and The Nationals.

5 After head of the Review, economist Ken Henry.

6 After head of the Review, economist Ken Henry.

7 The Liberal Party of Australia. This party forms coalition governments with the Australian Nationals.

8 The overall Australian population increased by 8 per cent.

9 For a discussion of the idea that planning restrictions are to blame, see Murphy's (2014) powerful critique of how the Demographia metric of affordability and acceptance of the 'Houston model' of minimal planning controls was adopted by government in New Zealand.

10 An early gentrifying inner city suburb of Sydney characterised by Victorian terrace housing.

11 Rental legislation in NSW offers little security of tenure outside of the industry-standard six-month term of most residential tenancy leases, with a 30-day notice of termination period required if the landlord wishes to sell their property and a 90-day notice of termination period for ‘no grounds’ (no reason) termination. There is no limit on the quanta of rent increase provided proper notice is given.

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