

Who really benefits from negative gearing?

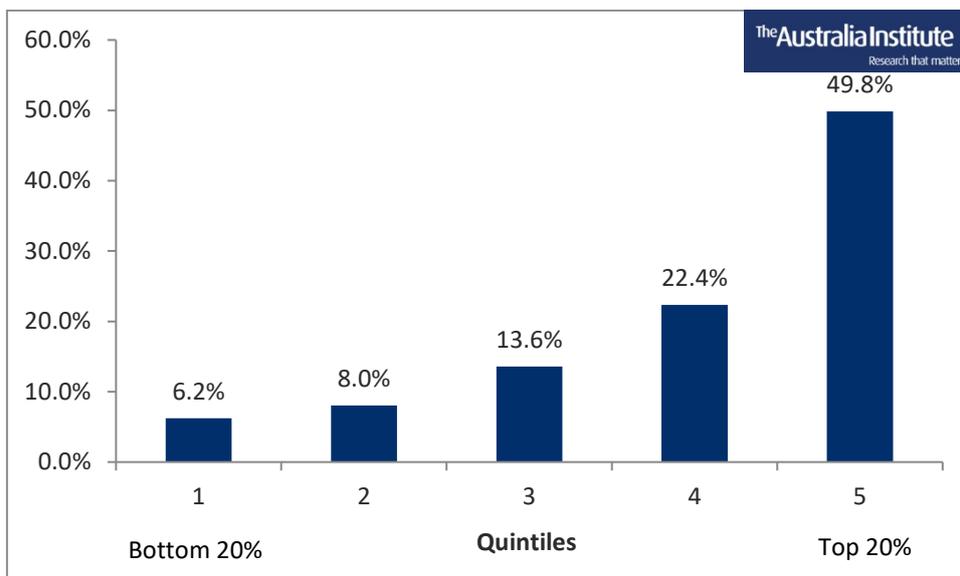
High income households and Liberal held electorates are the biggest beneficiaries of negative gearing

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Negative gearing primarily benefits high income households

Most of the benefit of negative gearing goes to high income households. About 50% of the benefit goes to the top 20% of households. While only 6% goes to the bottom 20% of households.

Figure 1 - Benefit of negative gearing by quintile of household income



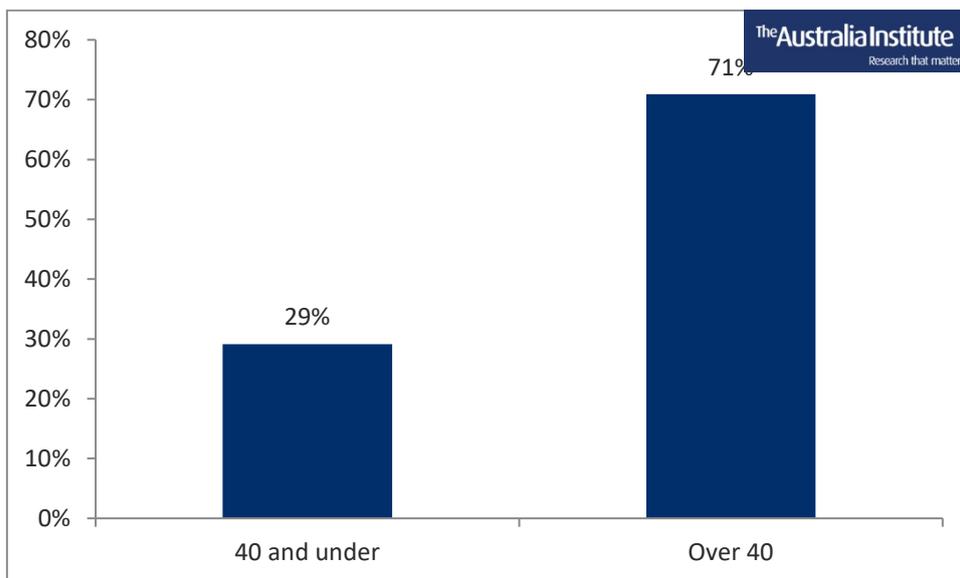
Source: NATSEM modelling (see methodology for further information)

The Morrison government is keen to highlight the number of people who negatively gear but this hides where most of the benefit is going. There are a small number of high income property investors who are negatively gearing large numbers of properties or expensive properties.

Young are the biggest losers from negative gearing

Negative gearing has not only pushed young people out of the housing market by pushing up house prices but the tax concessions also overwhelmingly goes to those over the age of 40. About 70% of the benefit of negative gearing goes to those aged over 40 while just 30% goes to those aged 40 or younger. This represents a double hit for young people. They are missing out on the negative gearing tax concession and they're being priced out of the housing market.

Figure 2 – Benefit of negative gearing by age



Source: NATSEM modelling (see methodology for further information)

Liberal held electorates the biggest winners from negative gearing

The Morrison government is focusing on the number of people negatively gearing and not the size of the benefit. When we look at the size of the benefit by electorate we see that 8 of the top 10 electorates are Liberal held. The electorate that benefits most is Wentworth, which was recently won by independent Kerryn Phelps. The only Labor electorate in the top 10 is Melbourne Ports at number 8.

Figure 3 – Size of the negative gearing deduction by electorate; top 10 electorates

Rank	Electorate	State	Party	Average net rental loss for those who negatively gear
1	Wentworth	NSW	Independent	-\$15,685
2	Curtin	WA	Liberal	-\$14,124
3	Kooyong	VIC	Liberal	-\$13,242
4	Higgins	VIC	Liberal	-\$12,785
5	North Sydney	NSW	Liberal	-\$12,301
6	Warringah	NSW	Liberal	-\$12,158
7	Bradfield	NSW	Liberal	-\$12,033
8	Melbourne Ports	VIC	Labor	-\$11,907
9	Brisbane	QLD	Liberal	-\$11,845
10	Goldstein	VIC	Liberal	-\$11,789

Source: Tax statistics 2014-15

Methodology

The Australia Institute commissioned modelling from the National Centre for Social and Economic Modelling (NATSEM) in 2015 to assess the distribution of benefits from negative gearing by households of different income levels and age groups.

NATSEM calculated the changes to negative gearing and the CGT discount using NATSEM's extensive data on households combined with Australian Tax Office (ATO) statistics from 2011-12, updated to 2014-15.

A full explanation of the modelling results can be found in The Australia Institute report *Top Gears: How negative gearing and the capital gains tax discount benefit drive up house prices*, available at <<http://www.tai.org.au/content/top-gears-how-negative-gearing-and-capital-gains-tax-discount-benefit-drive-house-prices>>