July 2025

Policy Paper: A Roadmap to Australian Housing Sustainability leading to Increased Productivity

Mission: "Balancing Equality, Equity, Elevation in Housing with Economic Growth and Sustainable Demand"

Executive Summary

Australia's housing affordability crisis threatens social cohesion and economic prosperity. This white paper proposes a policy framework to realign housing as a store of value (not speculative wealth), reduce systemic inequalities, and stabilize demand-supply dynamics. By reforming tax structures, interest rate mechanisms, banking regulation and population policies, Australia can create a fairer housing system that benefits individuals and the broader economy whilst increasing productivity.

Core Principles

1. **Equality, Equity, Elevation**

- **Equal tax treatment**: Eliminate tax distortions favouring investors over owner-occupiers and renters. All citizens are treated equally for their circumstances.
- **Universal support**: Replace targeted subsidies (e.g., first-home buyer grants) with systemic reforms that benefit all citizens with equitable treatment
- **Protection for vulnerable groups**: Prioritize housing access and ownership for low-income households so that they are elevated in society

2. **Economic Prioritization**

- Redirect resources from speculative housing investment to productive, export-focused industries.
- Stabilize housing costs to reduce drag on GDP growth, currently estimated due to unaffordable housing[23].
- Affordable access to required housing for all citizens increases well-being and productivity

July 2025

Housing Policy Framework

A. Tax Reform

Policy: *Australian housing tax, grant and subsidy legislation is riddled with benefits targeted at specific groups at particular times that arguably create unintended negative consequences. In the interests of equality, housing benefits targeted at specific groups should be eliminated. All Australians all citizens should equitably benefit from government hand-outs for housing.*

Current System	Proposed System
Interest deductibility for investors only (Negative Gearing)	**Interest deductibility for all**: Owner-occupiers and investors claim mortgage interest[4] as a tax deduction against all income
No Rent Deductibility for All Renters	**Rent deductibility**: Housing rent is deductible for renters against other income or tax rebates are available for low-income earners
No deemed rent for owner-occupiers	**Deemed rent income**: Owner-occupiers recognise an imputed rent as taxable income so that OOs and investors are treated equally for both income and deductions.
Capital gains tax discount (50%)	**Indexed tax free capital gains**: A minimum amount of capital gain on principal residence and investment properties (eg $250,000) is free of CGT. All gains more than the minimum are subject to full CGT.
State-based stamp duties	**Abolish stamp duties**: Fund reforms via annual land tax (broadening base or raising rate).
Land banking by residents, non-residents and corporations at no cost	**Land Bank Levy:** Land that is zoned for housing but is vacant or not developed will be subject to an annual levy to stimulate development and discourage holding vacant unused land to manipulate demand
GST Rates at 10%	**Increase GST:** GST rates are to be increased as partial compensation for the cost of tax reform
Superannuation subsidies	**Superannuation tax:** Tax on superannuation contributions would increase as partial cost of tax reform

Benefits:

- **Fairness**: Ends preferential interest deductibility treatment for investors4 that distorts ownership.
- **Renter support**: Rent becomes tax-deductible, accelerating deposit savings2 and getting into ownership quicker
- **Revenue neutrality**: GST and super annuation plus CGT increase adjustments offset lost revenue net of abolished subsidies.
- **Land Availability**: More land and development sites will be developed at cheaper prices

B. Interest Rate & Loan Reform

Policy: *Interest rate risk for the whole economy falls mostly on mortgage holders and more so as house prices inflate. Interest reform should focus on sharing the burden of interest rate risk more equitably across all citizens*

RBA Benchmark + Margin Model

- Lenders set rates by using an **RBA base rate + margin** (covering costs/profit). The RBA sets base rates monthly to be used for setting mortgage rates. The rates would cover monthly variable rates and fixed rates up to 30 years. The rates could be set based on a market bidding mechanism. The lender's margin is set for the life of the mortgage and written into the loan contract.
- **Long-term fixed rates (10–30 years)**: Government offers to lenders interest rate swaps to absorb refinancing risks if rates fall, encouraging stability and allowing a fairer distribution of penalty and benefits from interest rate movements. This enables lenders to offer very long term fixed rates to borrowers without refinancing risk if interest rates fall.

Interest Rate Benefits

- Empowering the RBA to set specific interest rates allows much more flexibility in interest rate management and takes the base rate setting out of the hands of private banks that can set their own profitability margins
- By having Lenders set their margin for the life of the loan gives borrowers more certainty on interest rates over the term and lessens the risk of lenders profiting from interest rate changes at the expense of borrowers. (Manipulating the back-book pricing to the lender's advantage)
- The Government providing interest rate risk to lenders and borrowers provides a key stability platform for borrowers carrying large interest rate exposures providing a more equitable and equal economic system. The Federal Treasury is ideally placed to

take the interest rate risk as they already manage long term fixed rate bond programs.

C. APRA Regulation Overhaul

Policy: *APRA must treat all regulated lenders (ADIs) equally and equitably for capital allocation and risk management for business and retail loan assets in order to reduce market concentration, eliminating too big to fail responsibilities on Australian taxpayers whilst promoting new lenders and fintech competition to enter the market*

- **Serviceability Calculations**:
  - Assess a borrower's free cash flow *after tax*, applying uniform rules to all owner occupier borrowers67. Rental income for investors is assessed at 50% of actual. The Interest rate used for assessment would be the RBA's base mortgage rate plus a margin set by the RBA or APRA for bank margins and a risk buffer.
- **Capital requirements**:
  - Capital requirements are calculated on LVR and are the same for all regulated lenders/ADIs with no self-assessment of bank capital requirements under Basel 3.
  - Higher capital buffers for residential investor loans (aligning with Basel International standards)7
  - Tiered increases of capital for investor portfolios with >2 properties6.

Benefits of Regulatory Change

- Serviceability calculations ensure that owner occupiers can compete on house prices with investors.
- Capital requirements allow smaller regulated lenders to compete with major banks. Investor capital requirements encourage the focus on owner occupiers and not investors with multiple properties.

D. Demand Management: Population & Immigration

Problem: Australia builds more housing per capita than most OECD nations, yet demand outpaces supply by **197,847 homes by 2027**8. Unplanned population increase exacerbates shortages, particularly in cities9.

Population Solutions:

- **Temporary immigration**: Pause all but highly skilled migration until housing availability improves.
- **Skilled migrant quotas**: Tie skilled visas to city and regional housing availability and infrastructure capacity[18].
- **Student visa reforms**: Limit enrolments if rental vacancy rates fall below 2%[1] and require universities to provide specialised student accommodation

Economic Benefits:

- Reduced population increases may lower GDP growth short-term but prevents **$25B/year social costs** from overcrowding and homelessness by 2051[3] creating higher living standards and more opportunities for citizens.
- Enables resources and labour to focus on high-value export sectors (e.g., tech, green resources production, manufacturing). The freed-up labour for housing construction offsets labour shortages[1] in high-value areas.
- Relieving the housing affordability problems takes financial pressure from young households encouraging natural population increase that can be better planned for.

E. Renters Rights

Policy: Renters are valuable contributing citizens to Australia and should be treated equitably within Australia's housing policies. Whilst tenancy law is a state responsibility, the federal government should lead the way in providing more equitable occupancy rights for tenants equal across all states

Rent Reforms

- No fault eviction is eliminated
- Minimum of 3 month's notice at the end of the tenancy to renew or no0t.
- Rental terms less than 12 months are subject to higher tax (graduate up for terms of up to 5 years)
- Central register of renters holding personal details and records so that renting is quicker and easier with personal data not held by landlords and their agents

July 2025

Housing Policy Benefits to Affordability, Productivity & Economy

Affordability Gains

- **Median wage alignment**: A household earning the median income could afford median-priced homes without subsidies2.
- **Rent relief**: Tax deductions save renters ~$4,000/year, accelerating homeownership2.
- **Productivity:** Improvements based on a better allocation of resources and capital away from speculative housing and overpriced land to productive export focussed industrie

Economic Growth

- **Productivity boost**: Stable housing costs free up **$110B** for education, SMEs, and innovation3.
- **Construction efficiency**: Redirect skilled labour to infrastructure/export projects8 and encourage innovation in housing construction
- **Capital allocation**: Lending requirements encourage less lending into housing and more directed to industry and commerce

Implementation Challenges & Mitigations

Challenge	Mitigation
GST increase regressivity	Expand GST exemptions for essentials.
Housing Investor backlash	Phase reforms over 3 years; grandfather existing portfolios for 3 years.
Construction sector slowdown	Prioritize modular/prefab housing to offset labour gaps3.

Conclusion

Australia's housing crisis demands bold, systemic reforms. By equalizing tax burdens, stabilizing lending, and recalibrating population increase, this framework ensures housing serves as a foundation for economic mobility-not speculative gain. The result: a fairer society, a more resilient economy, and a sustainable path for future generations.

"Equity in housing is not just moral-it's economic. A society where workers can't afford shelter cannot thrive." – 4.