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IPA: 80 PER CENT OF AUSTRALIANS WHO NEGATIVELY GEAR HAVE INCOMES BELOW \$150,000

Contrary to recent assertions, the true median income of Australians utilising negative gearing is just \$88,751, according to new research by the free market think tank the Institute of Public Affairs.

The report, *What politicians need to know about negative gearing*, finds that middle income Australians are the greatest beneficiaries of negative gearing.

"Close analysis of ATO data for taxable income shows negative gearing is not merely a plaything of the rich," says Professor Sinclair Davidson, Senior Research Fellow at the Institute of Public Affairs, and Professor of Institutional Economics in the School of Economics, Finance and Marketing at RMIT University and author of the report.

"80 per cent of Australians who use negative gearing earn less than \$150,000 per year before the income effects of negative gearing is taken into account."

"This new finding flies in the face of the class-war rhetoric that has so far dominated the case for removing negative gearing and abandoning tax neutrality, one of our tax system's greatest strengths." says Professor Davidson.

The report also identifies critical flaws in the policies outlined by the Labor Party and the government.

"The Labor Party's proposal is superficially simple, the policy would result in barriers to entry for new investors who would be forced to buy new, expensive housing stock as opposed to cheaper, existing stock."

"The government's response remains unclear although it is very strange that a Liberal government might view an expanding small business as 'excessive'."

Professor Davidson's report uncovers a worrying trend in the political response to negative gearing.

"The tax system should not seek to deliberately limit growth and stymie entrepreneurship — it should encourage it."

"Those politicians who see tax planning as an explanation for all economic activity need to realise that lower tax rates reduce the incentives to engage in tax planning", says Professor Davidson.

The report, *What politicians need to know about negative gearing*, is available [here](#).

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