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Inquiry into first home ownership
Productivity Commission
LB2 Collins Street East
MELBOURNE VIC 8003

Dear Sir or Madam,

INQUIRY INTO FIRST HOME OWNERSHIP

Here is my submission to the inquiry into first home ownership.

Facts

- This project is to be known as Tenant Equity
- To enter the first homeowner market people must have a pool of funds or 'nest eggs' available for a deposit
- In order to save for a deposit, this paper proposes a scheme which encourages tenants to save
- The project involves establishment of a suitably structured savings fund with tenants and landlords co-contributing

Figures and Data

- Tenant Equity introduces accessibility to the first homeowner market by tenants and places a material bridge to meet the deposit gap identified by research conducted (ABS 2002a see issues paper)
- Tenant Equity will implement a project that enables the measurement of impact of tenant behaviour of government policy settings
- Figures and data for the Tenant Equity project take into account that home ownership is very highly valued by families and individuals, and is central to social and family stability
- The scope of this project will encompass all tenants and has the potential to be at the foundation of an industry to rival the superannuation industry
- Attempts to introduce tax incentives to the tenant market in the past has changed the planning objectives of the tenant away from striving for first home ownership, and attracts irrelevant opportunists eager to take advantage of tax schemes
- The first homeowners grant could in some circumstances be applied to funding deposit 'nest eggs' in the Tenant Equity project in the form of progressive co-contributions in public housing

Examples

- Tenants will be able to save in a fund which will be available for a deposit on a new home, or if this amount is not achieved, to be left in the estate for succession to eligible beneficiaries

- A small tax deductible (legislation may be required to allow a deduction for this) contribution will be made by the landlord in addition to the contribution by the tenant
- The rationale for landlords to first enter this scheme will be similar to scenarios for employers who first set up employer sponsored superannuation schemes. Before employer sponsored super existed, an employer would find difficulty in identifying any reason for it. Similarly, landlords may not immediately see the value of having a faithful tenant base that is happy to look after their investments in the same manner as the landlords are.

Documentation

- Any foreseen sudden drop in housing prices will not affect the objectives of this submission on Renters Equity
- Tenants will be able to express their intention to become first homeowners by registering for the scheme
- Renters Equity will not reduce the availability or quality of affordable housing and could even have beneficial consequences for this aspect
- Appropriate prudential requirements will be put in place that allows private interests to manage the project
- Subject to usual privacy considerations, present low levels of compliance with the tax laws by landlords could be addressed by Tenants Equity project without the need to quarantine deductions as has been attempted in the past
- The properties in the scheme will need to be registered, enabling accurate measurement of landlord compliance with taxation obligations. It will be possible to measure the purported distortions and impact of the taxation treatment afforded to housing, compared to investing in other assets by landlords

I trust that you are interested in following up the Tenant Equity project with me, for which I claim to own the rights. Please contact me to find out more about further development of my implementation strategies.

Yours faithfully,

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