

Sent: 21 November 2003 4:38 PM
To: housing@pc.gov.au
Subject: Submission

Dear Sir/Madam

I see the housing issue as a struggle between various dilemmas.

We are saying the price is too high beyond the reach of first homeowners. However, house price should indeed be high, but not too high. If house price is easily reached, why society has to improve, why productivity has to increase, why people have to work hard, why young people have to learn? People need to be educated to know what the risks behind the price they pay. If one can afford, go for it.

Should we help young people to own home? Preferably, we should help young people learn how to earn and save to own a house. However, we may have less expansive housing in various ways. For example, smaller land sizes between 100 - 400 square metres, and allowing more duplex. I personally do not prefer high-rise because of the density issue. A small back yard is still a good back yard. There can be infrastructure and crime issues. But, please tackle them and let the processes create new jobs.

Should we help poor people to own home? Preferably, we should help them out of their struggles. However, we need to provide temporary low cost housing to people in needs. If they can get out of their troubles, they should move out so other people in needs can move in.

Should we suppress the speculative elements? Preferably, the market should work it out. However, we should have a sound financial system. The financial institutions must be regulated so that they are not exposing themselves to great and unbearable risks. People who can afford high risks, eg. High-income earners or people with high net worth can borrow more money. People, who aren't, borrow less. Risky people can be allowed to burn themselves, but not financial institutions. Financial institutions must have sufficient securities.

Should we change the tax system for negative gearing? I see the negative gearing provides consistency among personal and company taxes. If negative gearing is removed, many people may use company to operate similarly. Some people complaint the rich people use it to buy excessively. However, if they can afford it, it's not an issue. It's the responsibility of the financial system to make sure the financial system is not getting burn. We also do not want to scare investors away, they are important in the sense they provide affordable housing for the renters. Consistent with depreciation allowance, negative geared amount may be changed to reduce the cost base of investment. This cost base adjustment change together with change in capital gain described below, may encourage long term investment.

Should we change the capital gain tax system? If we tax more on short-term sales, it would be unfair to large developers. To large developers, houses are just trading stock. If we target small investors, we may be bias towards them. However, I do suggest a long-term hold of housing investment. As such, I suggest all house held for more than 10 years should be capital gain exempted, and house held for 5-10 years should be 75% capital gain exempted. We are not prohibiting gains, but we are encouraging long term holds.

House investment is an important part of retirement. Investments, in different forms, can provide income for retirement. Some people may buy million dollars of shares without being complained. To produce the income level equivalent to shares, a couple may need a few investment properties. People just need to be educated about the features and risks of various investments.

We cannot choose our parents, so we cannot complaint the rich are becoming richer. For people who are not rich yet but are taking risky measures, please learn about the risks and possible future consequences. People want fairness and freedom. However, we also want protection and security. We need appropriate regulations, but not being highly regulated. Regulations may be fair to some parties, but bias towards another. We do not need an equalisation of asset among all people, as long as the poor can get enough help to get them out of the struggles. We do not need to tax the riches heavily, as this may discourage the successors. I enjoy hearing success stories of young and poor people. We cannot change our parents, but we can change the destiny of our children and ourselves by providing them and us with better educations and opportunities. I started from nearly negative burdens many years ago, not aiming to be rich, but aiming to be self-sufficient. I provide good education, not money, for my next generation.

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