

Everybody's Home

PRE-BUDGET SUBMISSION
2024/25



Housing solutions
for all Australians



Everybody's Home welcomes the opportunity to make this submission. We also welcome the Government's recent amendments to the stage three tax cuts. This will provide welcome relief to many Australians on low-incomes experiencing significant housing stress.

Home is the foundation of a decent life. With Australia in the midst of a major housing crisis, this Budget must prioritise ensuring that everyone has a safe, affordable and decent place to live.

Despite living in one of the world's wealthiest countries, we know one million low-income Australians are now in housing stress – paying more than 30 percent of their income on housing – this represents more than half of all low income households in the private rental market.^I

Vacancy rates remain at historic lows while rents continue to soar.^{II} This month the national weekly average hit an all time high at \$613, up 10 percent in the last year alone.^{III} Hundreds of thousands of people are in severe rental stress, with 640,000 households in need of social housing.

While we welcome the Government's efforts to make a start on tackling the affordability crisis, including the recent Housing Australia Future Fund and injections into the Social Housing Accelerator, the actions to date do not match the scale of this crisis.^{IV} ^V Only the Federal Government can provide the funding and leadership to turn this crisis around, but it will take a real investment.

After decades of poor planning and underinvestment, a major ongoing budget commitment is required to meet the rising demand for social and affordable housing. Without major reform of investor tax settings, housing will continue to grow out of reach for a growing number of Australians.

- I. Australian Institute of Health and Wellbeing (2023) [Housing affordability](#).
- II. SQM Research, available online https://sqmresearch.com.au/graph_vacancy.php?national=1&t=1 [accessed 23/1/2024]
- III. SQM Research, available online: <https://sqmresearch.com.au/weekly-rents.php?national=1&t=1> [accessed 23/1/2024]
- IV. Commonwealth of Australia (2023) [Mid-Year Economic and Fiscal Outlook 2023–24](#). See p295.
- V. Joint Ministerial Statement (2023) [Delivering on the \\$10 billion Housing Australia Future Fund](#).

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About Everybody's Home

Everybody's Home is the national campaign to fix Australia's housing crisis. It was launched in 2018 by a coalition of housing, homelessness and welfare organisations to ensure everyone has a safe and decent place to live. The campaign is supported by over 500 organisations and 43,000 individuals across the country.

Recommendations

1. Abolish investor tax breaks

- Abolish negative gearing and the capital gains tax discount to reduce speculative investment.
- This reform will save an estimated \$146 billion in forgone revenue over the next decade.

2. Expand social housing

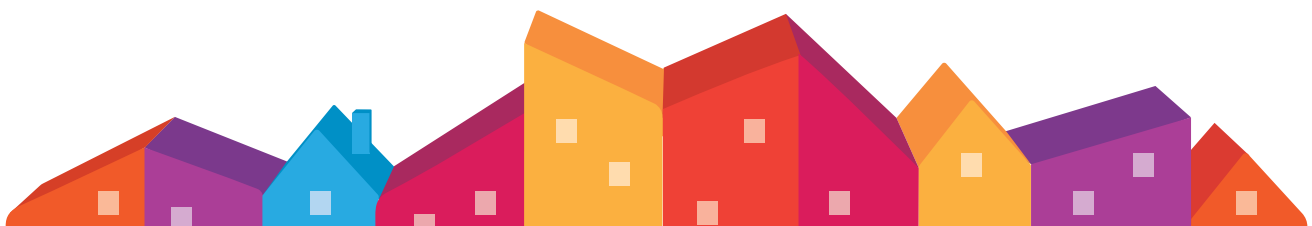
- Build 500,000 social housing properties over the next decade to meet current and future need.
- Over the longer-term, Australia should aim for at least ten percent of all housing stock to be social housing.

3. Raise and reform Commonwealth Rent Assistance

- Lift the maximum threshold for Commonwealth Rent Assistance (CRA) by 50%
- Expand eligibility for Commonwealth Rent Assistance so that it relieves financial stress for people on low incomes.

4. Boost funding for homelessness services

- Increase funding by \$450 million annually to address current unmet need and projected growth in demand
- Extend the Equal Remuneration Order funding of \$73 million which expires on 30 June 2024, and adjust funding in line with rising costs, including wage increases





Closing the gap

Housing is crucial to improving the health and wellbeing of First Nations peoples. Latest figures reveal more than one quarter of people using homelessness services identified as First Nations^{VI} and one in five Indigenous Australians are living in overcrowded dwellings.^{VII}

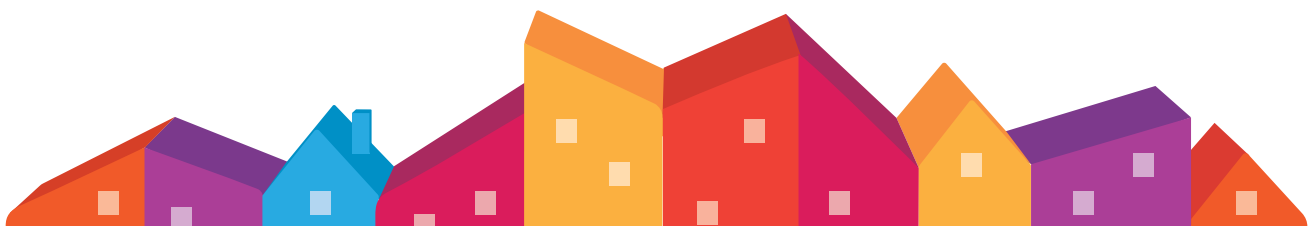
In addition to the above recommendations, Everybody's Home continues to support calls to:^{VIII}

- Address the severe overcrowding crisis by immediately investing in a minimum of 8,500 new codesigned, culturally appropriate, climate resilient properties over the next four years.
- Invest in remote housing maintenance and codesigned upgrades that includes addressing energy poverty and improving climate resilience, to meet current and future needs, and;
- Provide long-term, sustained and significant investment in the First Nations Community-Controlled Housing Sector and specialist homelessness services.

VI. Australian Institute of Health and Wellbeing (2023) [Specialist homelessness services annual report 2022-23](#)

VII. Australian Institute of Health and Wellbeing (2023) [Indigenous Housing](#)

VIII. Change the Record (2024) <https://www.changetherecord.org.au/firstnationshousingforum>





Abolish investor tax breaks

House prices in Australia have been rising much faster than incomes for decades. This is in large part fuelled by tax concessions for property ownership that encourage speculative investment. Investor capital gains and negative gearing tax concessions cost taxpayers \$8.5 billion in forgone revenue in 2021/22 – resources that would be much better targeted to directly delivering more affordable housing options.

Currently, investors receive a 50 percent discount on the tax on capital gains when they sell a property they have owned for more than 12 months, and are able to deduct the costs of owning that property against their annual wages. These tax concessions create a focus on profit from sales rather than income from renting. This encourages speculative investment and creates a market incentive that undermines security of tenure. As a result, both purchasers and renters are affected.

Recent analysis by Everybody's Home found the combined forgone revenue of both measures over the next decade is set to exponentially increase to \$146 billion.^{IX} This forgone revenue could deliver an enormous amount of social housing. Using Treasury figures, based on the average cost of building a social housing dwelling, it is estimated that revenue forgone from tax concessions could fund more than half a

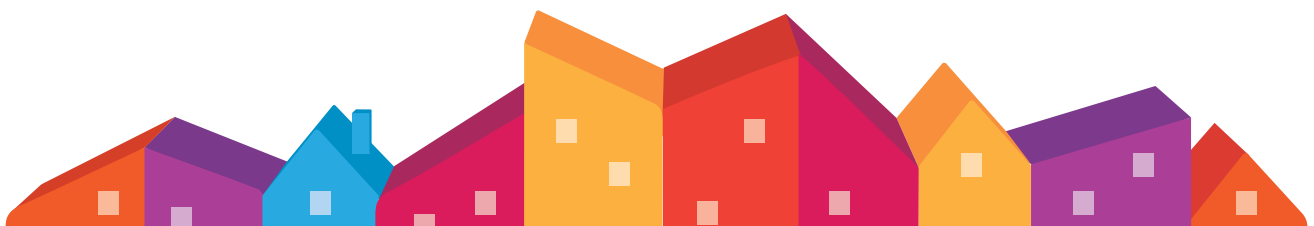
million social housing properties over the next decade.

While the collective cost of tax concessions rapidly rises, the benefits are skewed heavily toward high income earners. Analysis by Anglicare Australia found negative gearing and capital gains tax concessions overwhelmingly benefit people on the highest incomes with half of the forgone revenue from negative gearing going to the top 20 percent, and 80 percent of the savings from the capital gains tax concession go to the wealthiest quintile.^X

Abolishing negative gearing and capital gains tax exemptions would provide significant and immediate funds for homes for people on low incomes, in housing stress or experiencing homelessness. It would also reduce house price inflation, encourage further investment in affordable housing, and reduce price pressure in the private rental market.

IX. Azize, M. (2024) '[Written Off: The high cost of Australia's unfair tax system.](#)' *Everybody's Home*

X. Anglicare Australia (2023) '[A Costly Choice: Tax cuts, concessions, and widening inequality.](#)'





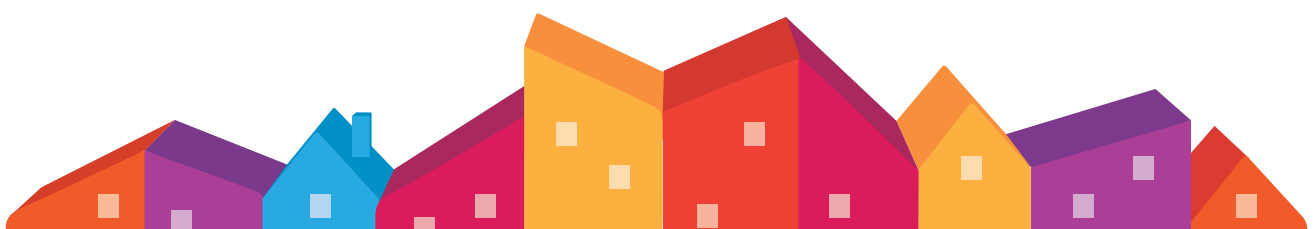
Expand social housing

The current housing crisis comes after years of undersupply of social and affordable homes. While the policy response over the last four decades has largely focused on subsidising the private market, this has demonstrably failed to make housing more affordable. We are now in a situation where Australia is spending record amounts of public money, yet housing affordability has never been worse.

The housing needs of over 640,000 Australian households are currently not being met, with projections this figure is set to blowout to nearly one million by 2041.^{XI} A review by the National Housing Finance Investment Corporation (NHFIC) similarly identified the need for an additional 890,000 social and affordable homes over the next 20 years, requiring 45,000 homes to be built per year.^{XII}

Social housing stock has not kept pace with the growth in population,^{XIII} with demand now far outweighing supply. At its peak in 1991, social housing made up six per cent of total housing stock. Today it is less than four.^{XIV} As a result, housing in the private market has become less and less affordable, and social housing waiting lists have grown, with an average waiting time of more than ten years for some groups.^{XV}

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- XI. Van den Nouwelant, R; Troy, L, Soundararaj, B (2022) [Quantifying Australia's unmet housing need: a national snapshot](#), Community Housing Industry Association, APO
 - XII. Commonwealth of Australia (2021) Statutory review: operation of the National Housing Finance and Investment Corporation Act 2018. [Final Report](#). (page 99)
 - XIII. Australian Institute of Health and Welfare (2018) [Housing Assistance in Australia 2018](#).
 - XIV. Grattan Institute (2021) [A place to call home: it's time for a Social Housing Future Fund](#).
 - XV. Australian Institute of Health and Welfare (2023) [Housing assistance in Australia 2021](#).



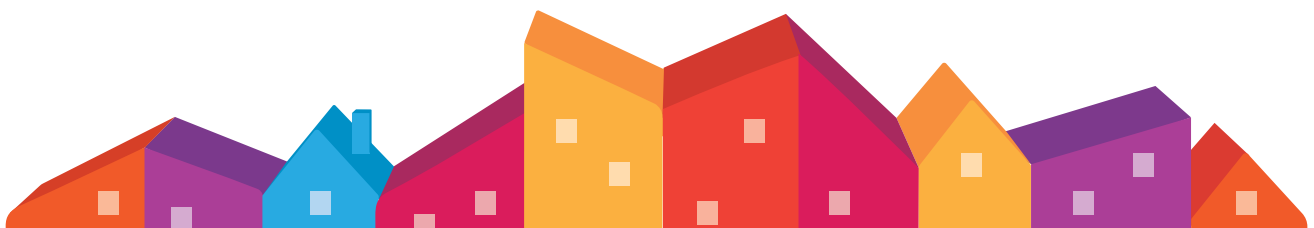


This undersupply is placing pressure on the private rental market, with rents rising as home ownership rates fall. This has increased competition for rental properties, especially those at the more affordable end. Australian households are spending a growing proportion of their incomes on rent. Lower and middle income households are struggling to find housing they can afford.

Everybody's Home proposes a program to begin building social housing to reach a goal of one million homes over the next two decades. Over the longer-

term, Australia should aim for a target of at least ten percent of all housing stock to be social housing. This should be accompanied by a plan to sustainably fund and maintain social housing once it has been built.

An ongoing investment program is needed to end the social housing shortfall. The Federal Government has once in a decade opportunity in the negotiation of the next National Housing and Homelessness Agreement to plan for this investment.



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Reform Commonwealth Rent Assistance

Record expenditure on rent assistance is doing little to address housing affordability or stress. Only one in four people on working age payments, such as JobSeeker and the Disability Support Pension, are eligible for help.^{XVI} The payment is also poorly structured for people on low payments, such as Youth Allowance, and those who are share-housing or in informal housing arrangements. This helps explain why almost half of those who do receive the benefit continue to be in rental stress.^{XVII}

The payment is also inequitably structured, further disadvantaging recipients on the lowest incomes. A single person on Youth Allowance, for example, must spend a third of their income on rent before they can receive assistance; pushing them into rental stress before they receive a payment. A single person on the Age Pension, by comparison, becomes eligible for assistance once they have spent 13 percent of their total income on rent.^{XVIII}

These inequities particularly affect single people, couples on low incomes that don't have children, and those on the lowest payments. They are the most likely to remain in rental stress after receiving the payment, and the payment is structured in a way that means that they receive the least support.

The major recommendations outlined in this submission - namely tax reform and long-term investment in social housing - will take time to yield results. In the meantime, Commonwealth Rent Assistance can play a role in reducing rental stress. To achieve that goal, major reform of the payment is needed to ensure it alleviates rental stress for those who get it, and to expand access to those who are currently ineligible.

It is important that these changes be accompanied by increases to working age payments, as Everybody's Home has previously advocated for, as the recipients of these payments are the renters on the very lowest incomes.

There are several options for reform that could expand access to Commonwealth Rent Assistance and yield better outcomes for the amount spent. For example, removing the cut-in rate for the payment would mean that households on the lowest incomes can spend a smaller proportion of their budget on rent before getting support. Removing the cut-in rate is a simple change that would expand access to young people in particular and renters on very low incomes.

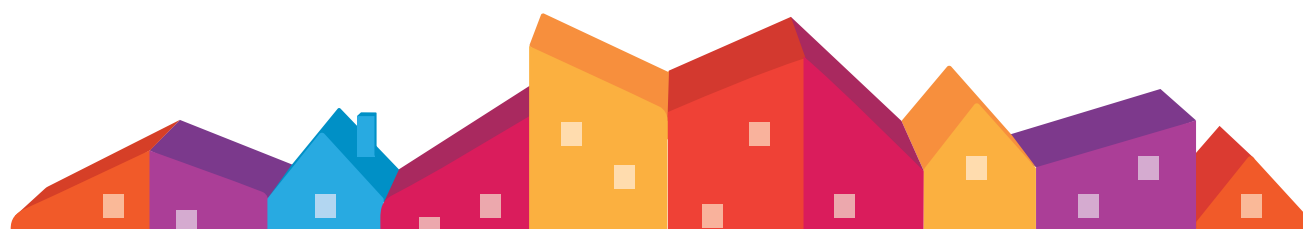
There must also be reform of the cut-out rates to make the payment equitable across income types. In addition, payment rates should be based on the amount of rent paid, not household makeup, including for a couple. This would mean that the payment partially levels the inequalities facing single people, instead of worsening them.

Prepayments should be permitted. People should be able to access a payment to help them secure a property and moving costs. Being able to demonstrate additional income from Commonwealth Rent Assistance would also make it easier for people on low incomes to secure a lease. This could be capped if needed, and could form part of a statutory declaration that a person is seeking a rental within a certain budget and requires a pre-payment. The lack of pre-payment has previously been identified by the homelessness sector as a major barrier to tackling couchsurfing and other forms of homelessness.

XVI. Department of Social Services (2023) [DSS Demographics, October 2023](#).

XVII. Productivity Commission (2023) [Report on Government Services](#).

XVIII. Anglicare Australia (2022) [Homes for All: A Roadmap to Affordable Housing](#).



Finally, it is clear that the payment has not kept pace with soaring rents. The maximum rate of the payment must be lifted, and it must be reformed to keep pace with rent increases. Several major reviews have recommended that the payment should be indexed to rental prices, rather than general inflation. The Harmer Review found that bi-annual increases to the payment had not kept pace with rental inflation in the private rental market, and recommended that Commonwealth Rent Assistance be indexed to a new measure based on the actual rents paid by income support recipients.^{XIX} The Henry Tax Review also recommended that the maximum rent threshold be indexed in line with national rents.^{XX}

Boost funding for homelessness services

The scarcity of affordable homes drives homelessness, rental bidding, and overcrowding. When people experience a housing crisis and face homelessness they expect that homelessness services will be able to help them, but in 2022-23, homelessness services had to turn away nearly 295 people per day on average; a total of around 108,000 unassisted requests for 2022-23, around 2,400 more than in 2021-22.^{XXI}

Of those being turned away, 80% are women and children, many of whom are fleeing domestic and family violence. The number of families in crisis - who fall under the 'greatest need' category - has risen to 68,000, up from 43,000 in 2014.^{XXII} This means even highly vulnerable people in immediate crisis can be left waiting for up to two years for a home.

When people can't get the help they need they fall deeper into crisis, making it harder to escape homelessness. This was apparent in the latest homelessness data which showed that the proportion of people sleeping rough when they first approached homelessness services increased 17% in 2022-23, compared to 2021-22.^{XXIII}

For homelessness services to be able to respond to everyone needing urgent homelessness help, a significant funding boost is required. Homelessness Australia has estimated that an additional \$450 million in homelessness support is needed to respond to new people needing homelessness assistance and people currently being turned away.

Rather than increasing funding in response to increasing demand, homelessness funding has instead been falling in real terms. In 2023-24, funding increased 4.4%, but CPI over the same period increased 6.0%.

In June 2024 the current National Housing and Homelessness Agreement expires and homelessness services face a funding cliff of \$73 million if the agreement continues without continued funding for the ERO component, and adequate indexation. Everybody's Home supports sector calls to extend the Equal Remuneration Order and adjust funding in line with rising costs, including wage increases.

XIX. Commonwealth of Australia (2009) [The Pension Review Report](#).

XX. Commonwealth of Australia (2010) [Australia's Future Tax System](#).

XXI. Australian Institute of Health and Wellbeing (2023) [Specialist homelessness services annual report 2022-23](#)

XXII. Australian Institute of Health and Wellbeing (2023) [Housing assistance in Australia](#)

XXIII. Australian Institute of Health and Wellbeing (2023) [Specialist homelessness services annual report 2022-23](#)

