REAL ESTATE INSTITUTE
OF AUSTRALIA

PR & Media Helen Hull

16 Thesiger Court, Deakin ACT 2600
Phone 0419 642 961 I Fax 02 6285 2444
www.reia.com.au I media@reia.com.au

For Immediate Release
Media Release
1 June 2017

Fed Govt should rethink deductibility of investment outgoings, travel: REIA

The Federal Government should reconsider changes announced in the 2017 Budget to allowable deductions for investment property related to depreciation and travel to inspect property, according to the Real Estate Institute of Australia (REIA).

“Whilst REIA supports the curbing of abuse of deductions, these two initiatives are contrary to the principles of a good tax system and the ATO has existing means for addressing abuses and excesses,” REIA President Malcolm Gunning said.

“One of these principles is neutrality which in essence means that two tax payers in similar circumstances should be treated the same. These initiatives are contrary to this principle with the budget initiative of not allowing for travel to inspect residential investment property meaning that an investor who owns a commercial investment property can claim deductions for their annual site inspection travel costs but an investor who owns a residential property cannot.

“As the ATO itself points out on its website there are many valid reasons why an owner of investment property would incur costs travelling to a residential rental property.

“Whilst abuses and excesses should be eliminated there are other ways of achieving this through the ATO. The ATO has a myriad of information available to identify questionable claims. Conversely it will adversely impact those tax payers who are not abusing the system.

“Ironically these changes will do nothing to improve affordability in Sydney and Melbourne and indeed it may make it worse as investors in these two cities are discouraged from investing in locations other than their home towns.

“Anecdotal evidence is indicating that as Sydney and Melbourne prices have increased investors are turning to non-metropolitan locations. This regional investment brings employment for a multitude of regional services. This measure will put a brake on this trend.

“Regarding the proposal to restrict depreciation claims to items purchased and installed in the property by the claiming taxpayer, REIA believes, like travel, it doesn’t treat the investor buying a property that is 12 months old the same as one buying a new property.

“The ATO has monitored this area and has the ability to identify abuses and excesses and deal with them. We believe it will distort the market by making properties that are not new less desirable, and the impact on affordability is questionable and may even worsen affordability as existing investors hold on to their property and new investors push up the price of new property which are currently showing signs of easing.

"These changes appear to be more about politics than good policy," Mr Gunning said.

The Real Estate Institute of Australia (REIA) is the national professional association for real estate agents in Australia. For further information or to interview REIA President Malcolm Gunning please contact Helen Hull at media@reia.com.au or 0419 642 961.