REAL ESTATE INSTITUTE OF AUSTRALIA

EDUCATION AND TRAINING EXPENSE DEDUCTIONS FOR INDIVIDUALS

About the Real Estate Institute of Australia

The Real Estate Institute of Australia (REIA) is the peak national association for the real estate profession in Australia.

The REIA's members are the State and Territory Real Estate Institutes, through which around 75-80 per cent of real estate agencies are collectively represented. The Census records the Rental, Hiring and Real Estate Services Industry employment sitting at a total of 117,880. By occupation the key data recorded by ABS Census were some 65,000 business brokers, property managers, principals, real estate agents and representatives.

The REIA represents an important element of the broader property and construction sector which together makes a significant contribution to Australia's social climate and economic development. Property contributes $300 billion annually in economic activity.

Importantly, REIA represents an integral element of the small business sector. Some 99 per cent of real estate agencies are small businesses and 11 per cent of all small businesses in Australia are involved in real estate.

REIA is committed to providing and assisting research and well-informed advice on a range of issues affecting the property market.

Overview

The REIA welcomes the opportunity to provide a submission to Treasury in response to the Discussion Paper on Education and Training Expense Deductions for Individuals, seeking comments on allowing deductions for education and training expenses not associated with current employment activities.

Specifically, this discussion paper seeks stakeholder views on whether tax arrangements should play a greater role in encouraging Australians to retrain and reskill to support their future employment and career.

About the Australian Real Estate Industry

Property is a part of our social and cultural fabric with 75% of Australians considering home ownership to be part of the 'Australian way of life.'

Property also has strong economic credentials with the real estate agency sector representing:

133,360

AUSTRALIAN DIRECT JOBS

46,793

AUSTRALIAN BUSINESSES

11%

OF ALL AUSTRALIAN SMALL BUSINESSES, WITH 99% OF AGENCIES BEING CLASSIFIED AS A SMALL BUSINESS

1 in 4

INDIRECT EMPLOYMENT

$ 182 Billion

ESTIMATED WORTH TO GDP

$ 360 Billion/annum

AGENT SALES

(BASED ON THE MEDIAN PRICE IN JUNE 2020)

Impacts of COVID-19

The ongoing impacts of COVID-19 measures on Australia's real estate businesses had some critical impacts. The property sector was put to the test since the initial national 'lockdown' in Australia in late March 2020. Whilst REIA anticipates in 2021 a positive outlook driven primarily by strong demand and limited supply, COVID-19 health and economic policy measures have led to some critical impacts on real estate businesses and markets.

RENTAL EVICTION MORATORIUMS

The percentage of impacted tenants is now reported anecdotally by agents on the ground **to be less than 5% in major cities and less than 1% in regional parts of the country (as of January 2021).**

FIRST HOME BUYERS, OWNERS, INVESTORS

The ABS November 2020 Lending to Households and Business shows that across the property spectrum, players remain active in the market.
Investors reported a 6% increase on the previous month; first home buyers saw the highest lending activity since 2009, and the number of new owner occupier loan commitments rose 23.7% over the past year.

LOCKDOWNS

Snap and longer-term lockdowns prolong listings cycles and have prevented Australians from securing housing solutions in the pandemic.
Victoria's Stage 4 lockdown had an estimated inital impact of $2 billion to the property market.

HOUSING AFFORDABILITY

Housing affordability for the June 2020 quarter for renters was the best it has been since 2007.
By December 2020, first home buyers represented 40% of the market with housing affordability improving for both renters and home owners.

HIGH PANDEMIC PROPERTY PRICES

An increase in property prices have caught the eye of central banks, with New Zealand's Reserve Bank exploring putting in place loan-to-value lending criteria.
The Reserve Bank of Australia is expected to consider actively their own monetary response in 2021.

HOUCE PRICES & VACANCY RATES

Over the 12 months to the September quarter, the weighted average capital city median house price increased by 3.6%.
Vacancy rates for rentals increased substantially over the past year in Sydney and Melbourne.
The inner areas of these capital cities have been impacted the hardest with vacancy rates in Inner Sydney reaching 5.5% and Inner Melbourne reaching 5.3%.

HOME LOAN DEFERRALS

The resumption of home loan deferrals has showed promising signs of recovery with Australian Banking Association data showing that home loan deferrals reduced from **436,139 deferred loans to 145,250 deferred loans in November 2020.**

POLICY REVIEWS & REFORM

COVID-19 has led to a broad suite of intended reforms for policy makers across Local, State and Federal Governments. There are a range of intersecting reviews and consultations that may impact outlooks for agencies and property across jurisdictions including but not limited to: **stamp duty, responsible lending obligations, occupational mobility and digital economy.**

Discussion

For the real estate profession, education is critical to its performance with successful completion of a training course, provided by the Vocational Education and Training (VET) system, being a prerequisite for employment in almost all cases.

In this regard, REIA notes that as part of its Economic Response to COVID-19, the Australian Government is providing free or low-fee training courses through its $1 billion JobTrainer Fund.

Whilst this is a welcome response to the current economic circumstances, longer-term initiatives are, however, needed to ensure Australia's economic growth and business productivity including for education and training. The proposal to allow deductions for education and training expenses not associated with current employment activities by improving labour mobility would assist in achieving this goal.

At a time when education has never been more important to improve productivity and economic growth, the proposal will remove a constraint on education and training and Australia's ability to become an innovative knowledge-based economy.

A feature of those entering the real estate profession is that the vast majority have had careers in other areas and, with the successful completion of a training course being a prerequisite to obtain a licence to practice, the training is undertaken while employed outside the real estate sector.

Similarly, those wishing to return to the real estate profession after an absence will, in most cases, need to undertake some Continuing Professional Development (CPD) to remain knowledgeable in their chosen field and current on such things as changes in legislation, "conduct laws", consumer law, and other industry developments so as to continue to provide the best service and sound advice to consumers.

It is important for real estate professionals in a position of trust to keep up to date with changes affecting their profession. Given that agents are entrusted to either sell or manage the biggest investment many consumers will make, it is necessary to ensure that those with that responsibility retain their knowledge base.

Ongoing self-education offers a public benefit, and it is appropriate that it should be fully tax-deductible.

Allowing deductibility of expenses to upgrade skills and education will also improve female participation rates. In a survey undertaken by the REIA of its state and territory member Real Estate Institutes in 2013, when the then Labor Government proposed a cap on the deductibility of self-education expenses, there was evidence that women were spending more than their male counterparts on self-education. This is not surprising as it is typically women who are returning to the workforce after having children and who are upgrading their skills and knowledge. In the real estate profession, according to ABS statistics, 55% of all employees are females.

Response and Recommendations

The REIA recommends that the proposal to allow deductions for education and training expenses not associated with current employment activities be implemented.

The Discussion Paper seeks a response to a number of questions including:

Should any new deduction be targeted to courses delivered by education and training providers registered with the appropriate regulatory bodies?

REIA's view is that courses provided by Registered Training Organisations and leading to a qualification should be the only ones eligible for the deductibility of the cost.

Should any new deduction be further targeted to study or training that has a vocational outcome, such as VET courses based on industry Training Packages, for example to exclude 'lifestyle and personal development courses'?

REIA's view is that deductions be focussed on those courses with a vocational outcome specifically, excluding lifestyle courses. Personal development courses aimed at improving one's productivity should be eligible for deductibility.

Should deductions be targeted to courses in areas of expected jobs growth, for example as determined by the NSC?

REIA believes that deductibility should not be targeted to any specific sectors. This view is based on two premises: picking winners in an environment of ever-changing technologies and uncertain market opportunities, including exports, is not a successful pursuit, and; any sector has periods of alternating job opportunities due to economic variability.

Is there any reason to change the types of expenses that are able to be deducted? For example, should any new deduction be limited to tuition fees?

REIA's view is that deductibility should be linked to employment prospects and include courses leading to a recognised qualification, professional development associated with that qualification, industry information sessions, seminars, discussion forums and conferences.

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