3 Housing assistance to home owners

3.1 Overview

This section examines direct assistance and indirect assistance to home owners. This assistance represents an important form of benefit that can be compared with the provision of assistance to renters.

In Australia, the majority (70%) of households are in owner-occupation, both mortgaged and owned outright. While owner-occupation is predominantly a tenure for more advantaged households, issues of housing affordability are as relevant for owner-occupiers as they are for public or private renters. Affordability is an issue for home owners with a mortgage, mostly notably for households entering home purchase for the first time (see Box 3.1). Also affordability may be an important issue for older households, particularly older households who are either Centrelink income support clients or low income self-funded retirees. For these low income aged person households, owner-occupation is a major factor in preventing after-housing poverty (Yates 2002b).

Recently there have been significant changes in relevant policies and programs that have the potential to affect homeownership: the introduction of the GST; changes in the structure of income tax and the treatment of capital gains; and the introduction of a First Home Owner Grant (FHOG) (Yates 2002b).

Housing assistance for home owners in the broad sense used in this report comprises a number of areas:

- government outlays such as for the First Home Owner Grant;
- taxation expenditures arising from the non-taxation of imputed rent from owner-occupation;
- taxation expenditures from the non-taxation of capital gain from owner-occupation;
- CSHA home purchase assistance and the Aboriginal and Torres Strait Islander Home Ownership Program;
- taxation expenditures including rates, land tax concessions and stamp duty exemptions;
- government regulations and standards in housing and financial markets; and
- other assistance such as home purchase advisory and counselling services.

This report examines the first three areas of assistance listed above. These three areas of assistance form only a part of a complex range of taxes and benefits that are relevant to home owners and this should be borne in mind when interpreting the data in this section. A narrow view of housing assistance may exclude taxation expenditure as a form of housing assistance for home owners.

The other forms of assistance are not examined due to data limitations and data availability or because the level of assistance is relatively unimportant compared with the assistance measures that are examined. This includes home purchase assistance programs under the CSHA that provide significant housing assistance for home purchasers. For example in

2001–02 the home purchase assistance programs included $586 million in direct lending, $1.8 million in deposit assistance, $10.5 million in interest rate assistance, and $1 million in mortgage relief (AIHW 2003e).

Of the forms of assistance that are examined, the FHOG is the largest program for deposit assistance current in Australia. It is, however, not the only one providing this type of assistance. As discussed below its purpose differs from assistance that may be more tightly targeted and aimed at meeting specific social policy objectives such as assisting access for specific socioeconomic groups.

The two tax expenditures related to owner-occupiers examined in this report arise from the income tax system and are part of a larger-system of taxation revenue and expenditure that impacts on homeownership. However, this report does not attempt to examine how the full range of state government taxes and fees relevant to homeownership interact to influence the entry to and the sustainability of homeownership.

It should be noted that state government taxation revenue and expenditures vary significantly across Australia. For example a recent study by the Housing Industry Association speculated that recent increases in housing prices relative to income was seen as a result of indirect state taxes and land shortages. In relation to indirect taxes the study calculated that these indirect taxes accounted for 20–35% of the purchase price of a new house and land package with the variation in the value of these taxes dependent on the local government area in which new houses were developed. The study noted more than 20 different state and local government taxes and levies on new housing, with the result that in 2002 an estimated $11 billion was levied on new housing—an average of $67,000 per house. Also over the past decade indirect taxes increased by 300% while general inflation only increased by 25% (HIA 2003:I).[8]

The effects of government taxes, benefits and other activity on first home purchasers and affordability are being examined in the Commonwealth Inquiry into First Home Ownership. The terms of reference for this inquiry are shown in Box 3.1 and the draft inquiry report was released in March 2004 (Productivity Commission 2003).

3.2 Direct assistance to home owners through the First Home Owner Grant

Home deposit assistance for first home buyers, in the form of the First Home Owner Grant (FHOG), was introduced on 1 July 2000 in order to offset the anticipated impact on house prices of the introduction of the GST. These non-repayable grants, funded by the Australian Government but administered by the states, provide first home buyers with a one-off $7,000 payment to provide compensation for expected price increases of dwellings with a construction cost (that is, excluding land value) of up to $150,000 (Costello 1998:97). There was no means test on applicants and no restriction on the value of property that could be purchased with this assistance. The only eligibility restrictions related to citizenship or residency and to the requirement that the home be a principal place of residence, occupied within a reasonable period. Eligible applicants were also entitled to an additional grant of

[8] Included in this trend was the shift in taxation for community-wide urban infrastructure (e.g. public transport upgrades, major roads and social facilities) such that purchasers of new homes are now bearing the majority of the cost (rather than the cost being shared by the broader tax-paying community).

$7,000 if they purchased or built a new home between 9 March 2001 and 31 December 2001. This additional grant was reduced to $3,000 on 1 January 2002.[9]

Box 3.1: The Commonwealth Inquiry into First Home Ownership—terms of reference

Terms of reference

Identify and analyse all components of the cost and price of housing, including new and existing housing for those endeavouring to become first home owners;

Identify mechanisms to improve the efficiency of the supply of housing and associated infrastructure; and

Identify any impediments to first home ownership, and assess the feasibility and implications of reducing or removing such impediments.

Particular attention should be given to the following matters as they affect the cost and availability of residential land and housing in both metropolitan and rural areas:

- *the identification, release and development of land and the provision of basic related infrastructure;*
- *the efficiency and transparency of different planning and approval processes for residential land;*
- *the efficiency and transparency of taxes, levies and charges imposed at all stages of the housing supply chain;*
- *the efficiency, structure and role of the land development industry and its relationship with the dwelling construction industry and how this may be affected by government regulations;*
- *the effect of standards, specifications, approval and title requirements on costs and choice in new dwelling construction; and*
- *the operation of the total housing market, with specific reference to the availability of a range of public and private housing types, the demand for housing, and the efficiency of use of the existing residential housing stock.*

Source: Productivity Commission 2003

Outlays for FHOG assistance

Since the FHOG was introduced in July 2000, an estimated total of $2.4 billion has been provided through the initial and additional grants with over 300,000 grants to first home buyers being paid under the initial scheme and 40,000 additional grants for new homes (Commonwealth Treasury 2002). A further $784 million has been budgeted for 2002–03 (Costello 2002).

While this assistance is targeted to first home buyers, there is no means test on income or restriction on the value of property that can be bought. By explicit acknowledgment, its primary function has been one of fiscal stimulus (Costello 2001). As a form of housing assistance it does not feature the type of targeting that is present in the various types of home purchase assistance programs currently operating through the CSHA (AIHW 2003e).

Currently there are insufficient data collected through the FHOG program on how the grants have been distributed. Because the characteristics of the grant recipients are not known, it is not possible to determine whether this grant helps low income or Indigenous households enter homeownership. Anecdotal evidence points to a number of high income, high wealth households who can afford homeownership without any assistance but who have benefited from it (Wainwright 2002). Data provided by the New South Wales Office of State Revenue

[9] Details of this scheme and subsequent changes to it can be found on the FHOG web site, <http://www.firsthome.gov.au>.

show that almost 50% of the 2000 and 2001 grants in New South Wales went to first home buyers purchasing a dwelling with a market value in excess of $200,000 and almost 4% (more than 4,000 loans) went to first home buyers purchasing a dwelling with a market value in excess of $500,000.[10]

While this scheme has provided assistance of up to $14,000 per first home buyer household, it provides a one-off grant, rather than the continuing assistance provided by tax expenditures on home owners or assistance to renters under the CSHA and CRA.

Some indication of the relative size of its impact can be seen by averaging the annual expenditure over all owner-occupier households. On this basis, the annual grant of approximately $1 billion has provided the equivalent of $200 per owner-occupier household per year since 2000.

3.3 Indirect assistance to home owners arising from the tax system

The indirect assistance provided to home owners through tax expenditures associated with the current personal income tax system comprises exemption from payment of:

1. tax on the value of rental services (the imputed rental income); and
2. income tax on any capital gains derived from the sale of their owner-occupied dwelling.

Unlike all other property owners, owner-occupiers are not required to pay income tax on any capital gains derived from the sale of their dwelling. Unlike landlords, they are also not required to pay tax on the value of rental services (the imputed rental income) provided by their dwelling. Against this, however, they are not able to deduct the costs associated with ownership. These tax concessions, which result in most owner-occupiers being treated favourably by the tax system, give rise to what are described as tax expenditures. A detailed discussion of the conceptual issues that apply in measuring this assistance can be found in the Australian Housing and Urban Research Institute position paper on which this section is based (Yates 2002a).

The tax expenditures estimated in this report are based on a revenue foregone approach: they represent a potential taxation revenue that is not collected. Because the costs of tax expenditures cannot be measured directly, any method of valuing these is subject to a range of assumptions which must be borne in mind when interpreting the results. The assumptions made here are clearly identified in the relevant sections of the text.

Aggregate estimates of tax expenditures from time series data

Table 3.1 below summarises the aggregate estimates of the tax expenditures arising from the capital gains tax exemption and from the net effect of not taxing imputed rent but also not allowing deductions against this income. Details of the specific assumptions employed in deriving them are outlined in Appendix 1.

[10] Data provided on request from the Office of State Revenue. At current market rates of interest, an income of well into the top two quintiles is required to support the loan required to purchase a $200,000 dwelling with a 10–20% deposit.

The tax expenditures associated with the capital gains tax exemption are based on the tax regime introduced in 1999.[11] The tax expenditures associated with the non-taxation of imputed rent are separated into the positive tax expenditures arising from the non-taxation of net rental income and the negative expenditure arising from the non-deductibility of mortgage interest and operating costs such as rates and maintenance expenditures. The value of these tax expenditures is affected by the level of income exempted from taxation and from the relevant tax rate that applies to this income. The former are affected primarily by the growth in the value of owner-occupied dwellings and by trends in market rents over time. In the decade under consideration, the real value of owner-occupied housing wealth has increased steadily as have the gross rental values of these dwellings. Net rental values (after operating costs) less interest costs have increased more slowly. These trends have resulted in a rising real value of concessionally treated income. However, over the time period covered by this study, marginal tax rates on average incomes declined from 38.15%prior to 1993 to 31.5% by 2001. The effect of this decline in tax rates is to offset the increase in indirect assistance arising from increases in the real value of untaxed income associated with the rising values of rents and capital gains.

The results presented in Table 3.1 suggest that, under the current income tax system, the average real value of the tax expenditures associated with capital gains taxation amounted to $13 billion in 2001 with an average annual value of almost $9 billion per year over the past decade had the discount approach to capital gains taxation been in place throughout the period.

On average over the period, the aggregate estimates of the net benefit from the tax expenditures associated with the non-taxation of imputed rent are of the same order of magnitude as those provided by the capital gains tax exemption. In real terms the net benefit has been relatively stable, amounting to $8 billion in 2001 and averaging the same real value over the period under consideration. In part, this stability arises from an increasing real value of the exemption of the net rental income being offset by an increasing real cost of non-deductible mortgage interest costs.

[11] The marginally higher and more volatile estimates based on the pre-1999 indexation method are presented in Table 11 and full details of the relevant tax scales are provided in Table 10 in Yates 2002a.

Table 3.1: Aggregate tax expenditures ($), 2001 constant price, Australia, 1999–2001

		Capital gains tax exemption	Imputed rent exemption		
Year	Marginal tax rate on average income %	Discount method $b ($2001)	Non-taxation net imputed rent $b ($2001)	Non-deductibility of interest $b ($2001)	Net effect of imputed rent exemption $b ($2001)
1990	38.15	12	11	–5	7
1991	38.15	7	12	–5	7
1992	38.15	1	12	–4	9
1993	38.15	8	13	–4	9
1994	36.9	9	12	–3	9
1995	35.5	7	12	–4	8
1996	35.5	2	12	–5	7
1997	35.5	10	13	–4	9
1998	35.5	10	14	–5	9
1999	35.5	12	15	–5	10
2000	35.5	14	15	–5	10
2001	31.5	13	13	–5	8

Source: Yates (2002a), Tables 11 and 12, in turn, primarily based on Table 57 Income from Dwelling Rent and Table 46 Household Balance Sheet in ABS 2001, and Annual Tax Packs and Budget Papers.

These aggregate estimates suggest that the tax concessions accorded to owner-occupied housing as a result of the capital gains tax exemption alone is equivalent to more than 1%of GDP. This is of the same order of magnitude as that accorded to superannuation in 2001.[12] The total tax expenditures to owner-occupied housing of $21 billion in 2001 are equivalent to approximately 3% of GDP.

Table 3.2 presents the equivalent data on a per household basis.

These data show the indirect assistance provided to owner-occupier households amounted to $4,200 per household in 2001, consisting of $2,600 for the Capital Gains Tax exemption and $2,600 per household for the non-taxation of imputed rent, less $1,100 for the non-deductibility of mortgage interest.

[12] The concessions to superannuation, in turn, represented 30% of total tax expenditures (estimated by Treasury to have a value of $30 billion in 2001).

Table 3.2: **Per household tax expenditures ($), 2001 constant price, Australia, 1990–2001**

Year	Non-taxation capital gains—discount method	Imputed rent: Non-taxation net imputed rent	Imputed rent: Non-deductibility of interest	Imputed rent: Net effect of imputed rent exemption	Total
			$ per year ($2001)		
1990	2,800	2,700	–1,100	1,600	4,400
1991	1,600	2,800	–1,100	1,700	3,300
1992	200	2,800	–900	1,900	2,100
1993	1,800	2,800	–800	2,000	3,800
1994	2,000	2,700	–700	1,900	4,000
1995	1,600	2,500	–900	1,700	3,200
1996	500	2,500	–1,000	1,500	2,000
1997	2,000	2,700	–900	1,800	3,700
1998	2,000	2,800	–900	1,900	3,900
1999	2,500	2,900	–1,000	2,000	4,500
2000	2,800	3,000	–1,100	2,000	4,700
2001	2,600	2,600	–1,100	1,600	4,200

Sources: Yates 2003a, Table 13, based on Table 3.1 in ABS200; and annual tax packs and budget Papers, various years; ABS 2001:Tables 46 and 57; Household and Family Projections, ABS cat. No. 3236.0

The data show these tax expenditures have been both significant and relatively constant throughout the decade.[13] The results in Table 3.2 can be contrasted with those of Flood and Yates (1987). They suggest that the real value to owner-occupiers of the imputed rent tax expenditures that were untouched by the tax reforms since 1985 is broadly of the same order of magnitude in 2001 as it was in 1985. The major difference between the 1985 and 2001 results, however, arises from the additional tax expenditure introduced post 1985 as a result of the introduction of a capital gains tax that exempted gains on owner-occupied housing. The value of this exemption has meant the real value of total tax expenditure for owner-occupied housing in 2001, at $4,200 per household, was more than treble the 1985 value of $1,200 per household.

The benefits of these tax expenditures for owner-occupied housing are not distributed evenly across the population. All owners enjoy the benefits of the positive tax expenditures. The costs of the negative tax expenditures, however, are borne solely by home purchasers. It is not clear, on a priori grounds, what the overall implication of this asymmetric distribution is likely to be. Positive benefits depend on the value of owner-occupied dwellings, the capital gains enjoyed and on the homeowner's marginal tax rate. Negative costs depend on the amount paid out in interest costs and also on the homeowner's marginal tax rate. Outright owners may have high or low incomes, and hence high or low marginal tax rates, depending

[13] Because it covers only the period from 1990, the table does not highlight the significant increase in the value of tax expenditures to owner-occupied housing brought about by the introduction of capital gains taxation in 1985 and by the exemption of owner-occupied housing from this tax.

primarily on their life stage. Home purchasers, on the other hand, generally tend to have higher incomes than those who do not or cannot enter owner-occupation. A complex range of factors influence dwelling values. Life stage and location are two that will be examined below.

The following section examines the question of who benefits from the increased indirect assistance provided to owner-occupiers under the Australian tax system.

Distributional estimates of tax expenditures from survey data

This section provides distributional estimates of tax expenditures based on data from the 1999 Australian Housing Survey. To estimate the tax benefits, certain assumptions have been made about the extent and value of capital gains and imputed rent. Capital gains are based on an extremely conservative assumption of an underlying trend rate of 3%per annum growth rate in nominal house prices. Gross rents are estimated by applying the gross rental rate of return implicit in the aggregate data reported in the previous section to the dwelling values reported in the survey. Net rents are derived from the estimated gross rents by subtracting reported operating costs. Interest paid is derived from the value of the mortgage debt outstanding and the current rate of interest on loans to owner-occupiers. The background to, and rationale for, these assumptions is provided in Appendix 2.

These assumptions generated an average total tax expenditure benefit of $2,800 per household in 1999, as measured in 1999 dollar value.[14] This arises from owner-occupation of dwellings that had an Australia-wide average value of $222,000 in 1999 and for which there was an average of $94,000 in outstanding mortgage debt.

Figure 3.1 illustrates how the tax expenditures for all owners, outright owners and owner-purchasers have been distributed according to household income given the assumptions outlined above. The data that underpin the results illustrated in Figure 3.1 are presented in Tables A3.1 in Appendix 6. The results illustrated in Figure 3.1 clearly show the strong bias towards high income outright owners that arises from the positive benefits of the net imputed rent and capital gains exemptions in the current income tax system.

High income owner-occupiers received an average total benefit of $4,700 in 1999 from the tax expenditure to their owner-occupied housing. Owner-occupiers in the lowest income quintile received $0. These concessions, which apply to all owners, are offset for purchasers by the non-deductibility of interest costs. Outright owners received an average total benefit of $4,400, close to five times the benefit than that received by purchasers. High income outright owners received a total tax benefit of $8,800 per household in contrast to $2,100 received by high income purchasers. Low income outright owners and low income purchasers received $0. The impact of age on these results is shown below.

Households in the bottom quintile receive no benefits from this form of assistance because their incomes are below the tax threshold. Households in the top income quintile received average benefits that, in absolute terms, are three times higher than those received by

[14] This is equivalent to just over $3,000 in 2001 dollar value, and is well below the average per household estimate of $4,500 for 1999 reported in Table 3.2. This is primarily due to the conservative assumption made about the extent of capital gains in the survey data. Estimates of capital gains in the aggregate data were based on the growth in the actual values of owner-occupied dwellings. The data used pre-date the significant increases in dwelling values that have occurred on an Australia-wide basis from 2001.

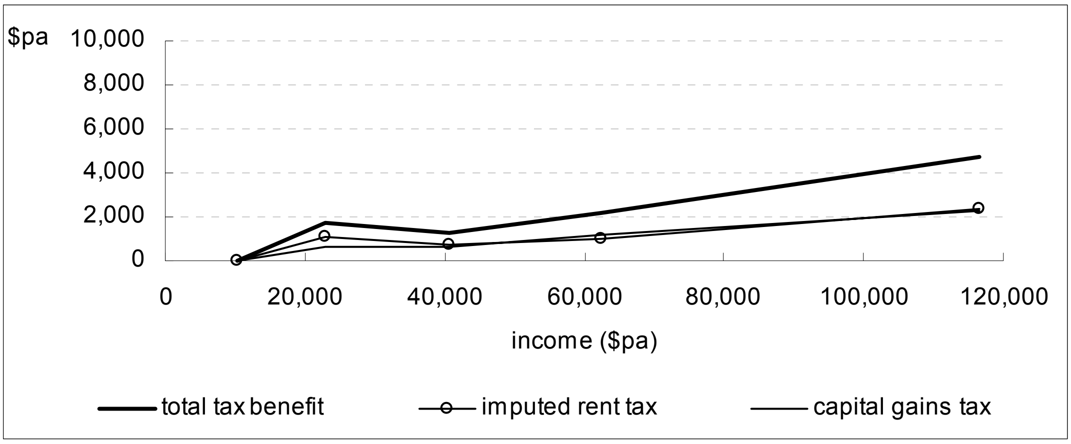
households in the second and third income quintiles. Outright owners in the top income quintile received a benefit that is four times higher than the benefit received by low income outright owners. Purchasers in the top income quintile received a benefit that is more than six times that received by purchasers in lower income quintiles and more than four times that received by purchasers with moderate to high incomes.

As can be seen from the data reported in Tables A3.1 and A3.2, these outcomes can be attributed as much to the progressively of the marginal tax rates in the current Australian income tax system as to the differentials in dwelling values. Marginal tax rates for high income earners are almost 2.5 those of low income earners. Dwelling values for high income households are less than double those of lower income households.

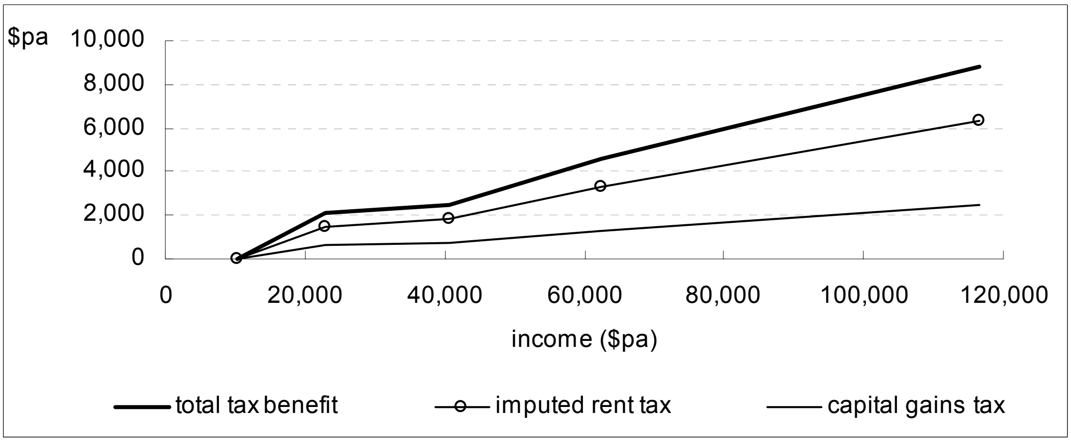
The results illustrated in Figure 3.1 show that those who benefit most from tax expenditures that arise from the federal income tax system are high income households who live in high valued dwellings and have little housing debt. In part, the change from home purchase to outright ownership varies with a household's life cycle. Older households, for example, are more likely to be outright owners than are younger households.

Figure 3.2 illustrates the strong income and life-cycle effects that are associated with tax benefits that accrue as a result of the net housing wealth. The data that underpin the results illustrated in Figure 3.2 are reported in Table A3.3. Table A3.4 and Table A3.5 report the breakdown of these data for outright owners and purchasers. For the data illustrated, Table A3.3 shows that households with a reference person over age 65 and income within highest income quintile, for example, occupy dwellings with an average value of $437,000. This is almost 2.5 times the value of dwellings occupied by their low income counterparts and is significantly greater than the value of dwellings occupied by younger high income households. The relatively high values of owner-occupied dwellings with owners over age 65 are more likely than not to be a result of the capital gains that have accrued as a result of reaching outright home ownership that occurs for many older households. At the same time, older households have an average equity of 98% in their home. In other words, the vast majority of older high income owners (and, indeed, all of all older owners) own their dwellings outright.

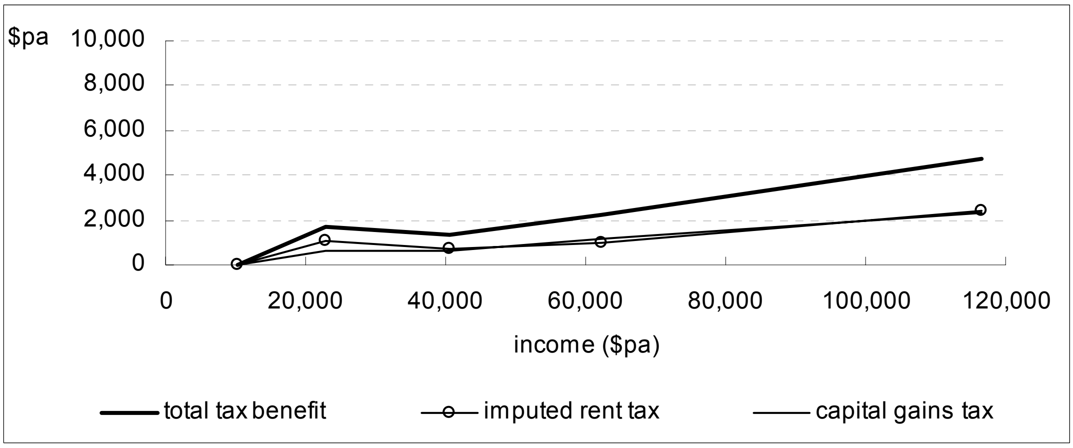
All owners



Outright owners



Purchasers

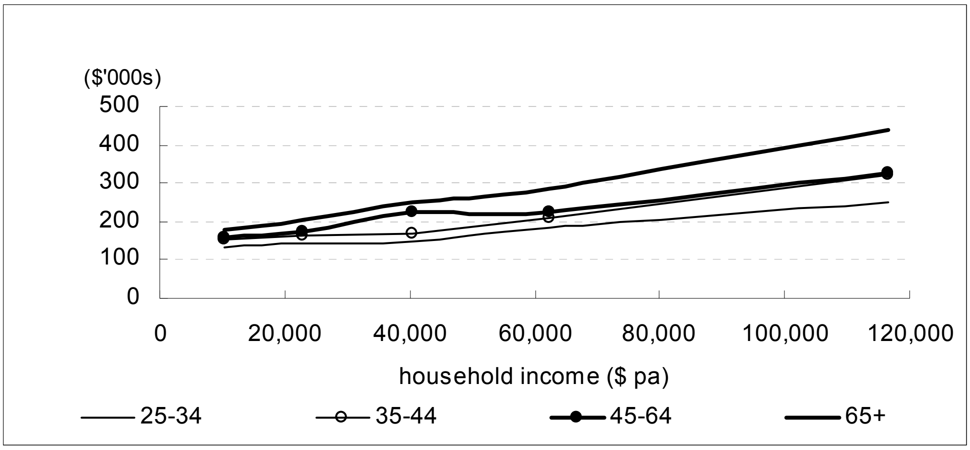


Source: Yates (2003) based on Australian Housing Survey 1999, confidentialised unit record files.

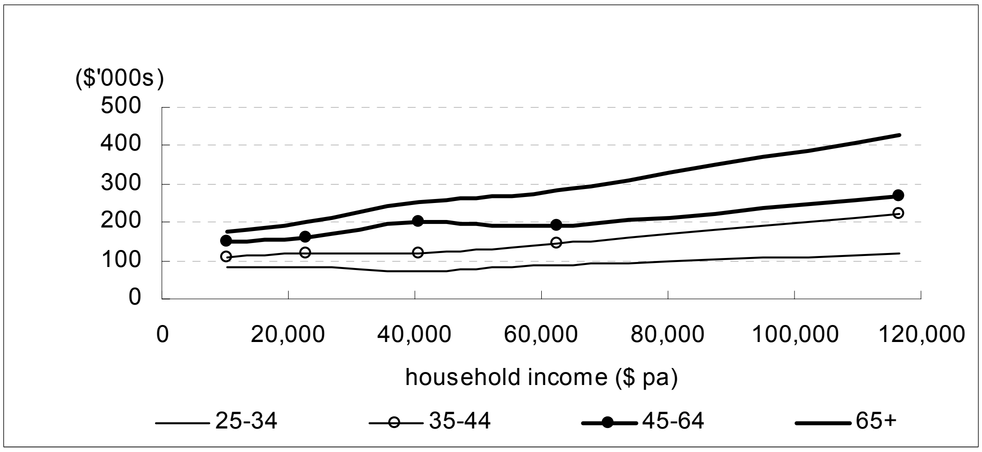
Figure 3.1: Tax benefits by household income and tenure type, Australia, 1999

The average equity in owner-occupied dwellings over all households, while not as high as that for older households, is still a very high 81% with even households in the youngest age group reported in Table A3.3 (those in the 25–34 years age group) having an average equity of 50%. Younger households have a considerably higher average mortgage debt than do older households, with an average debt of $92,000 for those in the 25–34 years age group compared with an average debt of $1,000 for those 65 years and older. At the same time, the average dwelling values of younger households (of $185,000) is also lower than those occupied by older households.

Dwelling value



Equity



Source: Yates 2002a, Figure 3, based on Australian Housing Survey 1999, confidentialised unit record files.

Figure 3.2: Dwelling value and equity by age and income

Lower dwelling values and higher housing debt at every level of income mean that young households benefit less from the tax concessions to owner-occupied housing than do older households with the same level of income. The age breakdowns of the tax expenditures illustrated in Figure 3.2 are presented in Figure 3.3. The data that underpin these results are presented in Tables A3.7 and A3.8 for outright owners and purchasers respectively. The average data for all owners (not illustrated) are presented in Table A3.6.

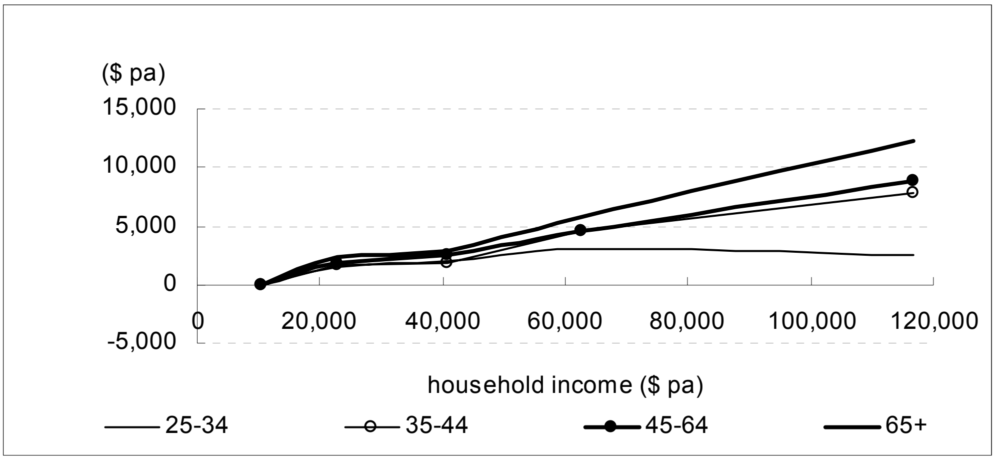
These data show that high income households with a reference person aged 65 years and older, on average, received almost $12,000 in 1999 in tax benefits arising from the exemption from the income tax system of the income from their owner-occupied dwellings. Those older households who are outright owners benefit most from this. The benefit derived by those who still have an outstanding mortgage debt is considerably less. The average annual benefit to high income households of $12,000 exceeds the total income of $8,400 received by a single aged pensioner from the pension system and is of the same order of magnitude of the $15,700 received annually by a married couple on the pension.[15] Owner-occupier households aged 65 years who are on pension levels of income, on the other hand, receive no indirect assistance through the tax expenditures associated with their housing. Older households in the first income quintile, with incomes below $307 per week or $16,000 per year receive no tax benefits. Those in the second income quintile, with incomes below $596 per week or $30,000 per year, receive a mere $2,200 per year—less than 20% of that received by high income households aged 65 years or more with incomes of more than $75,000 per year.

At the opposite end of the age spectrum, households in the 25–34 years age group received an average tax benefit of negative $200 in 1999. Young households who owned their dwellings outright had the benefit of $2,700 while the benefit to young households with a mortgage was a negative $700 per household. Negative benefits applied on average only to purchasers under the age of 35 years and are larger for higher income young households, because of their greater capacity to service mortgage debt.

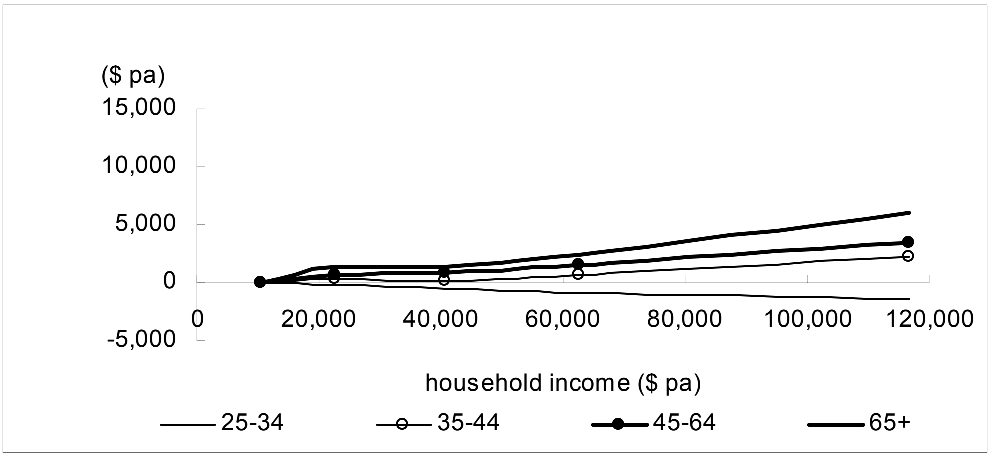
While the benefits to high income older households are considerably greater than those enjoyed by younger households, households with a head over 65 years make up just 4% of high income home owners. Households aged between 35 and 64 years account for 81% of all high income owners and two-thirds of all high income households. Conversely, young lower income purchasers aged between 25 and 45 years with incomes in the three lowest quintiles receive minimal assistance. It is this group of households for whom 1986 and 1996 census data indicate that home purchaser rates declined the most dramatically over the decade (Yates 2000).

[15] These amounts are based on payments in June 1999 and exclude rent assistance of $37.90 per week for a single person and $35.70 for couples.

Outright owners



Purchasers



Source: Australian Housing Survey 1999, confidentialised unit record files.

Figure 3.3: Tax benefits by age and household income, 1999

Spatial variations in direct assistance

The data presented above have demonstrated varying distribution of indirect assistance to owner-occupiers by income and by age. The differences recorded are exacerbated by spatial variations in dwelling values in rents and in the differences in the dollar values of capital gains that, in part, have contributed to the differences observed.

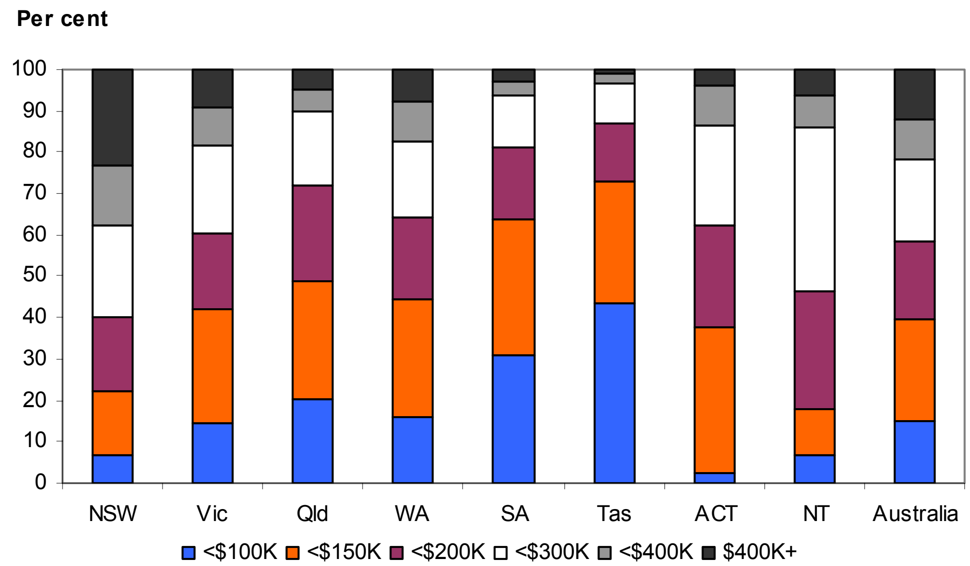
An overview of the extent of the spatial variations in these key variables is provided in Table 3.3 below. This summarises the data on mean dwelling values, mean equity in housing and mean income. More detailed information can be found in Tables A3.9–A3.14 in Appendix 6. The final column in Table 3.3 reports the mean tax expenditures per household that arise from the interaction of dwelling value, equity and income. On average, average total tax expenditures in each state in 1999 varied from a low of $1,200 per household in Tasmania (as a result of the lowest average dwelling values, the lowest average equity in owner-occupied housing and the lowest average household incomes amongst the states or territories) to a high of $4,300 per household in New South Wales. The New South Wales average, in turn, is dominated by the even higher tax expenditures of $5,500 per household in Sydney. In other words, on average, households in New South Wales receive more than three times the assistance provided to households in Tasmania.

Table 3.3: Mean dwelling values, equity and household income across regions, 1999

	Dwelling value	Equity	Income	Tax expenditures
	$	$ pa	$ pa	$ pa
Australia	222,000	180,000	54,600	2,800
NSW	297,000	248,000	58,800	4,300
Vic	203,000	166,000	55,600	2,600
Qld	173,000	129,000	49,900	1,600
SA	147,000	117,000	47,800	1,600
WA	206,000	162,000	53,000	2,400
Tas	125,000	99,000	42,600	1,200
NT	218,000	141,000	77,000	1,600
ACT	192,000	142,000	67,600	1,500
Sydney	374,000	314,000	66,000	5,500

Source: Australian Housing Survey 1999, confidentialised unit record files.

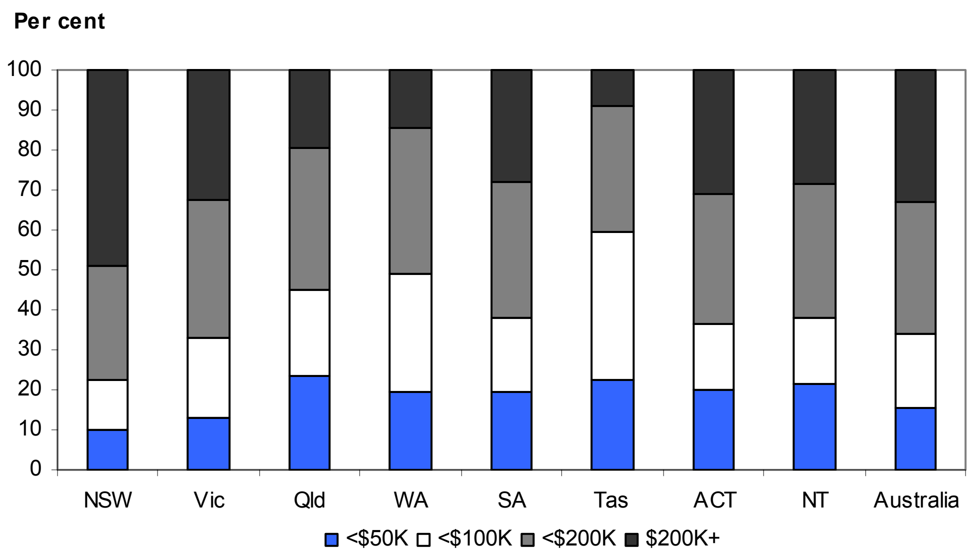
In general the spatial distribution of indirect assistance provided to owner-occupiers through the tax expenditures associated with the Australian Government's income tax system is influenced by equity values and household income.



Source: Yates 2002a based on Australian Housing Survey 1999, confidentialised unit record files

Figure 3.4: Distribution of values of owner-occupied dwellings within each state, 1999

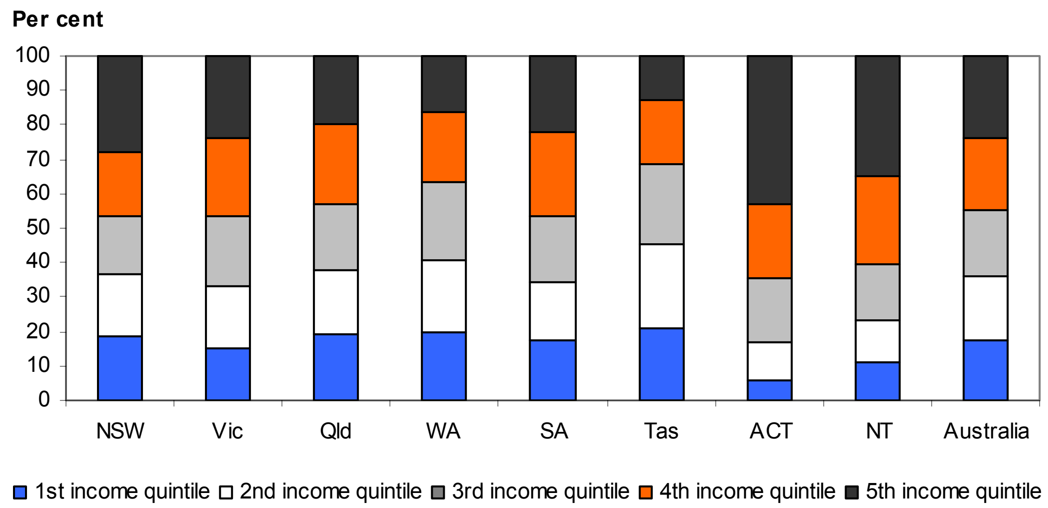
Figure 3.4 shows the relatively higher proportion of high valued dwellings (over $400,000) in New South Wales compared with all of the other states or territories. Figure 3.5 shows the even higher proportion of dwellings in which the owner-occupiers have high equity (over $200,000). In part this arises from the impact of house price inflation increasing dwelling values while not affecting the mortgages of existing owners; in part it reflects a high proportion of outright owners. A high proportion of low cost dwellings (below $100,000) in South Australia and Tasmania contribute to the low average dwelling values in those states.



Source: Yates (2003), based on Australian Housing Survey 1999, confidentialised unit

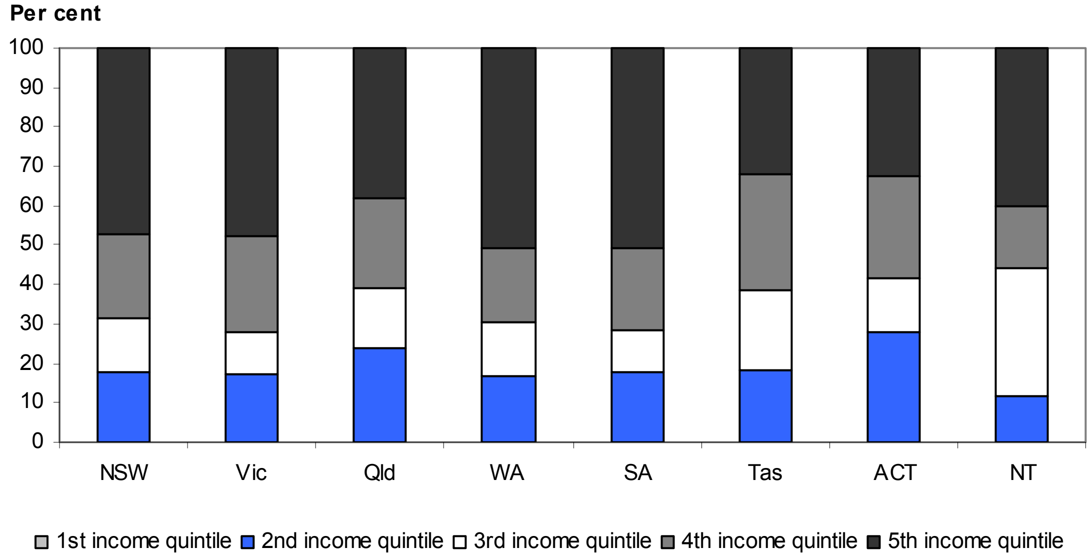
Figure 3.5: Distribution of equity in owner-occupied dwellings within each state/territory, 1999

The differences that arise in the benefits from the exemption of capital gains and rental income from owner-occupied dwellings because of spatial differences in dwelling values and housing equity are exacerbated by spatial differences in the distribution of household incomes. These are summarised in Figure 3.6 with the distributional outcomes for tax expenditures illustrated in Figure 3.7.



Source: Yates 2002a based on Australian Housing Survey, 1999, confidentialised unit record files

Figure 3.6: Distribution of income of owner-occupiers within each state/territory, 1999



Source: Yates 2002a based on Australian Housing Survey, 1999, confidentialised unit record files.

Figure 3.7: Distribution of tax expenditures within each state/territory, 1999

These data mirror those for Australia as a whole. They suggest that in virtually every region, almost half of the total value of tax expenditures are distributed to households in the top income quintile, with none going to those in the lowest income quintile (because in the methodology used in this study these households are assumed to have a zero marginal tax rate).

3.4 Summary

The estimates presented in this section indicate that direct and indirect assistance paid to home owners is broadly distributed across this tenure with high income households receiving the greater share of this assistance. The amount of FHOG provided is small compared with that provided indirectly through the tax system.

4 Distribution of direct and indirect assistance across tenures

4.1 Overview of direct and indirect assistance

This section combines the two components of work presented in previous sections and provides a summary of direct and indirect assistance in terms of aggregates and distributions.

The direct comparison of the size and distributions between areas of assistance needs to be approached with caution as:

- The assistance examined covers a range of different policy and program areas, from recurrent government outlays to tax expenditures. The distributional impact of a targeted social expenditure is expected to be different from tax expenditures where redistribution may not be a principal objective.
- Different methodology has been used to estimate the value and distribution of these forms of assistance—the magnitude of the value of assistance in each area could change if other approaches were used[16].
- Use of survey data in the distributional analysis introduces sampling variability into the results and these data may differ from other sources such as administrative data.

For estimates of tax expenditures the lack of official estimates in these areas means the assumptions used in this analysis do not have any unique status. They produce estimates of the values of taxation revenue foregone based on current levels of homeownership. This revenue forgone approach ignores the impact that the existence of such a tax may have on levels of ownership and equity. If such a tax existed it would likely affect decisions by households in relation to owning/purchasing a house as well as impact on the overall housing market. Also this approach ignores the impact that any revenue raised by expanding the tax base might have on average and marginal tax rates at each level of income as determined by policy makers. The assumptions used have been subject to debate but do represent one generally recognised approach to assessing the value of tax expenditures.

Based on the results obtained from the approaches employed, this section also examines the distribution of each tenure group across various areas, such as income quintiles, age of household reference person and state or territory.

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[16] In particular a market value method of allocating the value of public rental housing was used and a budget outlays approach could produce different estimates. Also estimating the value of tax expenditures was undertaken using several conservative methodologies. The sensitivity of the methodologies employed has been indicated and for tax expenditures is further discussed in Yates (2002b).

4.2 Aggregated measure of direct and indirect assistance

Total benefit dollar amount

In 2001–02 the value of the assistance measured in this report was estimated to be $25.2 billion. As shown in Figure 4.1 this comprised:

- direct assistance to renters valued at $3.2 billion comprising:
  - $1.8 billion for CRA to private renters, and
  - around $1.4 billon for housing assistance programs under the CSHA;
- direct assistance for homeownership through the FHOG of approximately $1 billion;
- indirect assistance to home owners valued at around $21 billion in the form of:
  - capital gains tax exemption of $13 billion, and
  - imputed rent exemption benefit of $8 billion.[17]

Total number of recipients

This assistance was distributed amongst households with:

- 1,000,800 renter households assisted through direct assistance in 2001–02 covering:
  - 698,300 private renter households receiving CRA, and
  - 302,500 public renter households receiving rebate assistance under the CSHA.
- An estimated 114,200 home owners receiving direct assistance from the FHOG based on data from the 1999 AHS. This estimate is directly derived from first home buyers in the survey and uses the assumption that the FHOG was in place in 1999.
- About 4,167,500 home owners benefiting from indirect assistance through tax exemption for capital gains and imputed rent exemption on the basis of the assumptions outlined in the previous section.[18]

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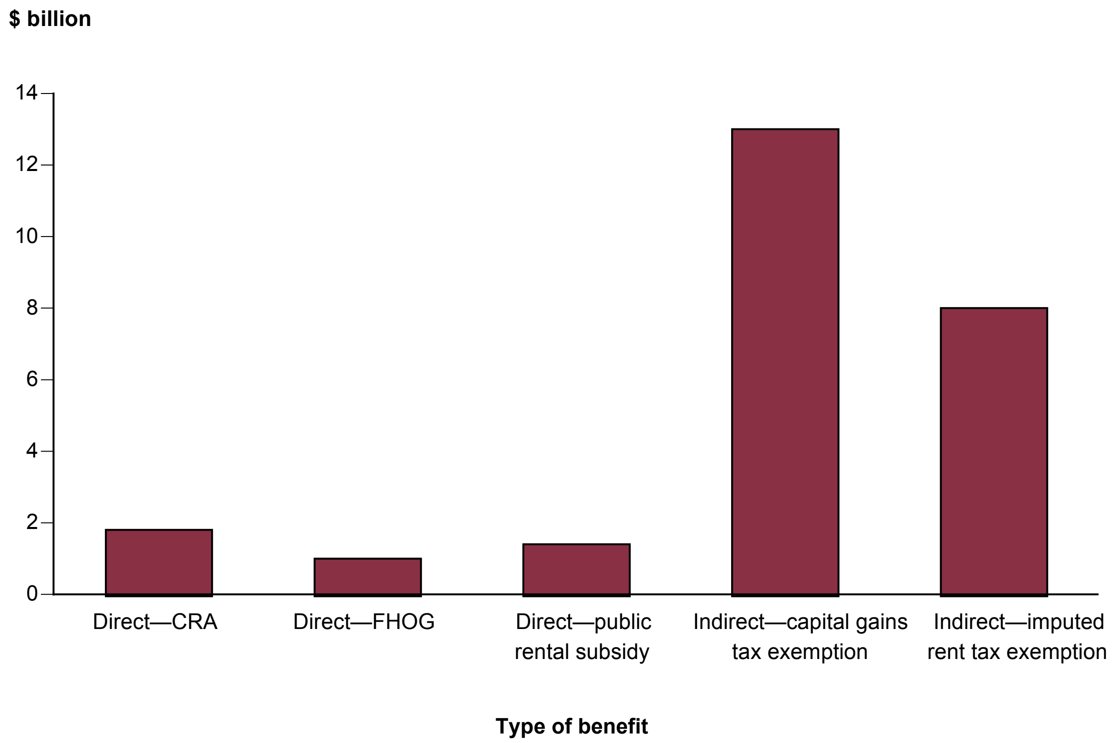
[17] The methodology used in the calculation of the imputed rent value is based on a number of assumptions which created negative or zero values for some purchaser households with low housing equity. Under alternative assumptions the net benefit may have varied and could have been positive for these households. The estimates reported in Figure 4.1 are derived from average aggregate values rather than adding up the estimates for individual recipients.

[18] The distribution of direct benefits was based on the identification of the actual number of recipients. The number of assistance recipients for home owners is estimated as the total number of home owners less the total number of home owners with incomes in the first income quintile as the income of households in this quintile is below the tax threshold with the result that there are no tax benefits on the basis of the assumptions made. Also it should be noted that for capital gains tax expenditures the value of capital gains have been annualised across all households whereas the actual number realising this assistance during the year would be significantly lower (and the tax benefits received by households realising their gains, higher).



Source: Table A4.1

Figure 4.1: Total government assistance ($ value) across tenure and type of assistance, Australia, 2001

Average annual benefits amount

In 2001–02 the average value of the assistance measured in this report was estimated to be:

- For direct assistance to renters receiving assistance:

  – $2,480 per household per year for private renters receiving CRA (averaged across all private renters this represents an average of $1,220 per year), and

  – $4,150 per household per year for public renters receiving a rebate (or $3,820 per year averaged across all public renter households).
- Direct assistance for homeownership through the FHOG of $7,000 per recipient (or $200 across all home owner households);
- Indirect assistance to home owners (calculated for all home owners) valued at around $4,200 in the form of:

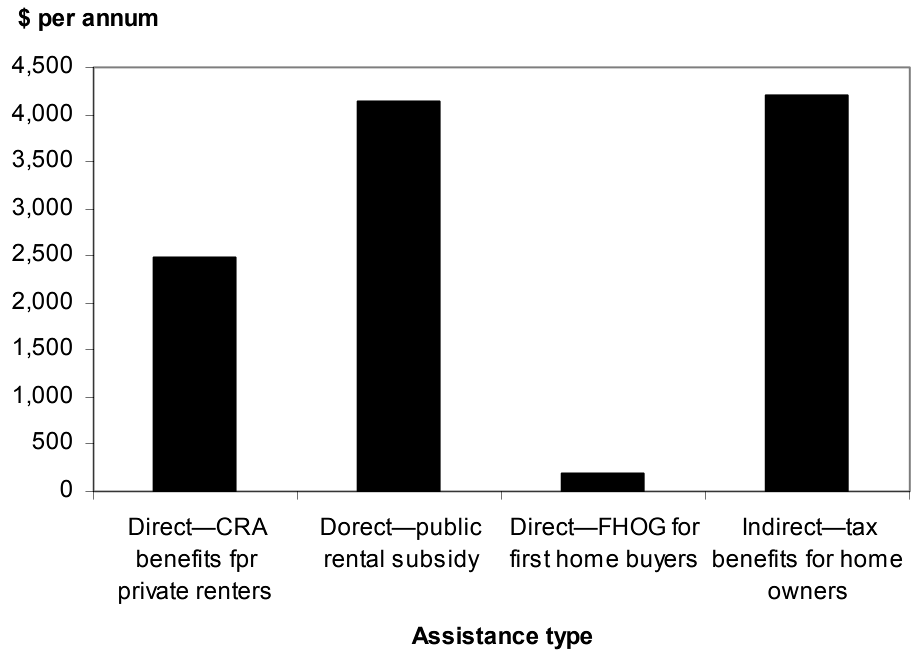
  – capital gains tax exemption of $2,600,and

  – imputed rent exemption benefit of $1,600.

The value of housing assistance to homeowners provided a greater benefit amount than that to renters (Figure 4.2). Even though the methodologies used do not facilitate direct comparisons across all these areas of assistance the figure clearly shows that the tax expenditures are considerable and are greater in overall value than the forms of direct housing assistance.

It is important to recognise the different nature of these benefits and consider that:

- While each eligible first home buyer in 2001 can receive the $7,000 in FHOG it is a one-off payment to a household[19] while CRA or rebates may be paid for as many years as the household is renting. If the annual grant of approximately $1 billion in FHOG is averaged across all home owners at a point in time it provides the equivalent of $200 per owner-occupier household.
- The indirect assistance provided to owner-occupier households through tax expenditures of $4,200 per household in 2001 is a hypothetical value of tax relief and the actual value is debatable. The degree to which these two current tax exemptions influence home ownership is difficult to quantify as they form only a part of a range of taxes and tax expenditures that may influence homeownership decisions.



Source: Appendix Table A4.2

Figure 4.2: All households receiving assistance: Average annual benefit dollar amount per household across tenure and type of assistance, Australia, 2001

4.3 The distribution of direct and indirect assistance

Total benefit value by type of assistance

Figure 4.3 clearly shows that direct assistance, in the form of public rental subsidy and CRA, is generally received by households with an income in the lower income quintiles, reflecting the targeted nature of this assistance. Overall, more than 77% of the total CRA benefit was

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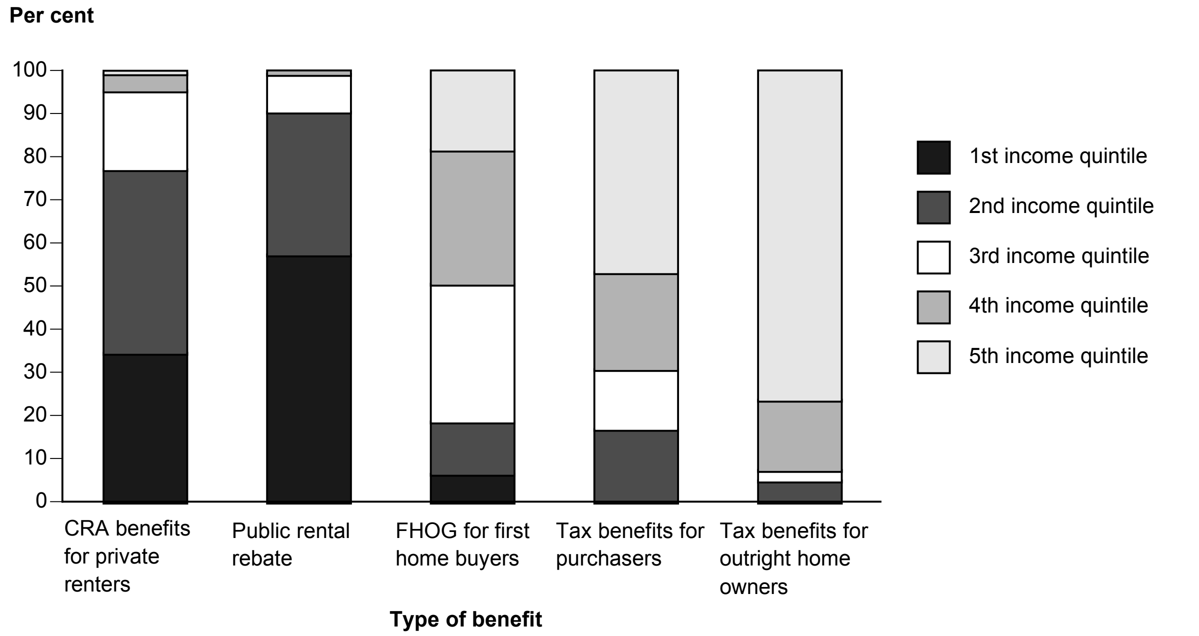
[19] The size of this assistance has varied over time. For example between 9 March 2001 and 31 December 2001, each first home purchaser household received an additional grant of $7,000. This additional grant was reduced to $3,000 on 1 January 2002.

received by households with incomes in the bottom two income quintiles. Meanwhile, 57% of the total public housing rental subsidy was received by households in public housing with incomes in the lowest income quintile; a further 33% of the public housing rental subsidy was received by households with incomes in the second income quintile (Table A4.3).

However, assistance to home owners, on the other hand, primarily benefits higher income households. Analysis based on the AHS 1999 data shows that nearly 70% of tax benefits towards home purchase went to households with incomes in the top two income quintiles. The tax benefit towards home owners shows that a significantly higher proportion of this benefit (93%) was received by households with incomes in the top two income quintiles (Table A4.3).

Since the FHOG was only introduced in 2000, the figures shown here are the estimate of what would have been the distribution of this benefit had the scheme in 2000 been in place in 1999. As the FHOG provided first home buyers with a one-off $7,000 lump sum payment regardless of the income status of the home buyer, the distribution pattern across income quintiles is the same as the distribution of first home buyers in income quintile.

Analysis of AHS 1999 data shows that in 1999 almost half of the FHOG was received by households with incomes in the top two income quintiles. Another 32% of this benefit went to households with incomes in the third income quintile (Table A4.3).



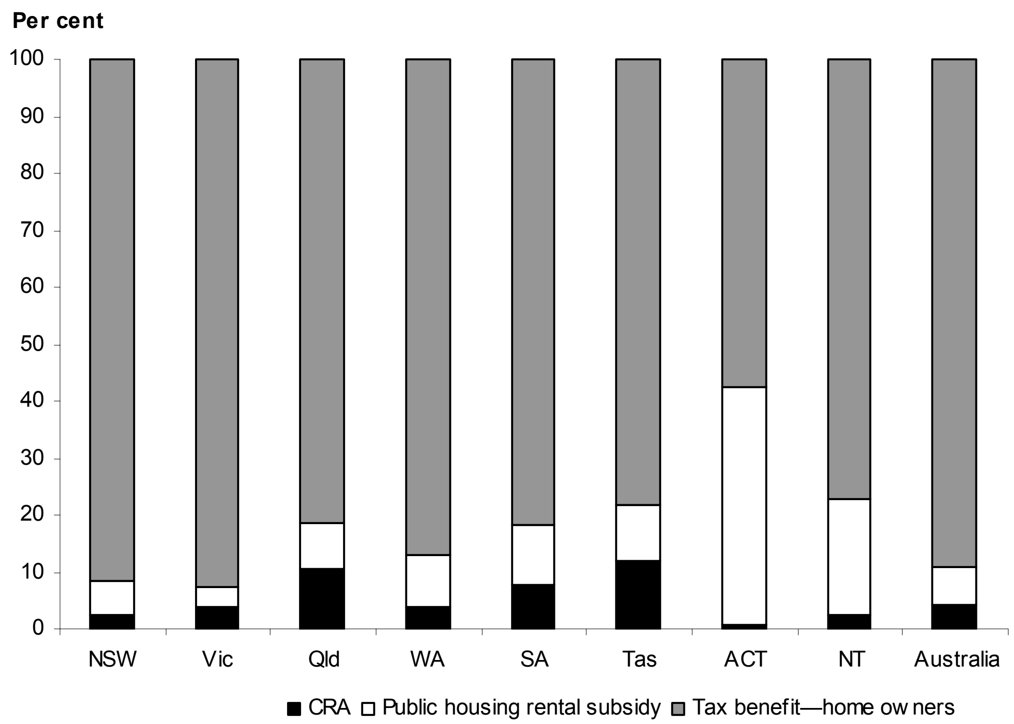
Source: Table A4.3.

Figure 4.3: Distribution of total government assistance across income quintiles by type of housing assistance, Australia, 1999

Total benefit value by type of assistance within each state/territory

If taxation expenditures are assumed to be a form of housing assistance then, nationally, this assistance to home owners comprises nearly 90% of the total government housing assistance examined in this report. Public housing rental subsidy accounted for 6% of the total benefits and the remaining 4% was CRA outlays.

Bearing in mind the different methodologies used to value these areas of assistance there is significant variation in the distribution of type of benefit between jurisdictions. Within New South Wales and Victoria, the proportion of tax benefit to home owners exceeds the national averages (92% and 93% respectively). This is likely to reflect higher household incomes, higher dwelling prices and greater capital gains in those states than elsewhere. In the Australian Capital Territory and the Northern Territory the percentage of public housing rental subsidy was extremely high (42% and 20% respectively). This may reflect the high percentage of public housing households and the high level of average rental rebate within these jurisdictions. South Australia and Tasmania also had relatively high proportions of this benefit. The Australian Capital Territory, the Northern Territory and New South Wales had relatively lower proportions of CRA benefits (0.6%, 2.6% and 2.6% respectively) compared with the national average (Table A4.4).



Note: FHOG has been excluded.

Source: Table A4.4.

Figure 4.4: All households receiving assistance: Distribution of total government assistance by type of assistance within each state/territory, Australia, 1999

Average benefit value

Income quintiles

Table 4.1 shows the average value of assistance across household gross income quintiles for 1999. On average, households who owned their home outright received the highest amount of assistance, $4,400. The distribution of the benefit that was received by those who own their home outright is skewed towards the highest income quintile where the highest average annual amount of assistance received was around $8,800. Households in the lowest income quintile receive no assistance in this form.

The second highest amount of assistance received on average across all income quintiles goes to those households residing in public rental housing who received a rent subsidy. The average amount of assistance received through rent subsidies by households residing in public housing was $3,700. The distribution of this benefit is relatively even among households within the first four income quintiles, ranging from $3,330 in the fourth income quintile to $3,990 in the second income quintile. Households in the highest income quintile receive no assistance of this kind, indicating that the benefit is targeted at lower income households.

Table 4.1: Average annual benefit in dollars by housing tenure and income quintile, Australia, 1999

	Income quintile[a]					
Tenure[b]	1st	2nd	3rd	4th	5th	All
			All recipients ($ per year)			
Private renters receiving CRA	1,650	1,690	1,710	1,340	*980	1,660
Public renters receiving rent subsidy	3,550	3,990	3,710	3,325	—	3,700
			All households ($ per year)			
All private renters	860	790	320	90	20	430
All public renters	2,860	3,070	2,060	*800	—	2,760
All owners	—	1,700	1,300	2,200	4,700	2,800
Home owner with mortgage	—	*400*	*100*	*500*	*2,100*	*900*
Home owner without mortgage	—	*2,100*	*2,500*	*4,600*	*8,800*	*4,400*

(a) Income quintiles are derived from the Australia-wide population.

(b) FHOG has been excluded.

Source: Australian Housing Survey, 1999, confidentialised unit record files

Households who are home owners with a mortgage received the lowest average benefit ($900), with this being distributed for households with incomes within the second to the fifth income quintile; the lowest amount, $100, was received in the third income quintile and the highest, $2,100, in the fifth. Purchasers are disadvantaged compared to outright owners as they incur non-deductible interest expenses which offset the tax benefit they may be receiving through the imputed rent.

States and territories

The average annual benefit in dollars received across the various housing tenures nationally in 1999 ranged from $900 to purchasers, to $4,400 for outright home owners. Nationally, the two types of direct assistance extended, on average, $1,660 to CRA recipients in 1999 and $3,700 to those in receipt of a public rental subsidy.

The amounts of public rental subsidies vary across jurisdictions from $4,940 in the Northern Territory to $2,420 in Western Australia. This variation is due to several factors. As the public rental subsidy is the difference between the estimated market rent of the dwelling and the rent deemed to be affordable to households targeted by the particular public housing program, the dollar value of the subsidy is affected by the general price of rental housing within the jurisdiction. Those jurisdictions in which the benefit is greater than $4,000 are also those in which the capital city median rents are the highest[20] (SCRCSSP 2001:22).

[20] For a three-bedroom house.

Table 4.2: All households receiving assistance: average annual benefit to households in dollars by housing tenure and income quintile by state/territory, 1999

Tenure	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
				All recipients ($ per year)					
Private renters receiving CRA	1,690	1,640	1,690	1,580	1,590	1,520	620	1,800	1,660
Public renters receiving rent subsidy	4,690	2,940	3,540	2,420	3,710	2,600	4,940	4,050	3,700
				All households ($ per year)					
All private renters	370	440	540	440	420	630	20	180	430
All public renters	3,550	2,030	3,060	1,620	3,090	1,870	3,780	2,830	2,760
All owners	4,300	2,600	1,600	2,400	1,600	1,200	1,500	1,600	2,800
Home owner with mortgage	*2,000*	*700*	*–200*	*500*	*200*	*–200*	*–200*	*400*	*900*
Home owner without mortgage	*5,900*	*3,900*	*3,100*	*4,300*	*2,700*	*2,200*	*3,800*	*3,800*	*4,400*

Note: FHOG has been excluded.

Source: Australian Housing Survey, 1999, confidentialised unit record files.

The benefit accruing to recipients of CRA is generally consistent across jurisdictions. The only jurisdiction in which the average benefit received deviates significantly from the national average of $1,660 was the Australian Capital Territory. In this jurisdiction the average benefit received is only $620.

The group receiving the lowest benefit are those households that are purchasing their own home. In several jurisdictions—Queensland, Tasmania and the Australian Capital Territory—the benefit accruing to these households is negative to the order of $200. Negative results arise when interest expenses exceed the imputed rent. It occurs when the net rental return on housing is lower than the mortgage interest rate and when households have very low equity. It can arise in high cost jurisdictions as well as low cost jurisdictions.

Age of reference person

The distribution of CRA varies little from the overall average of $1,660 in all age groups. The age groups are defined by reference person.

Households where the reference person was aged between 25 and 34 years followed by households where the reference person was aged between 35 and 44 years received the highest and second highest amount of assistance in the form of a rent subsidy respectively. Those households in the 25 to 34 years age group received $4,210 while those in the 35 to 44 years age group received $4,060 in assistance. Households with a reference person in all other age groups received assistance below the overall average of $3,700.

Table 4.3: All households receiving assistance: average annual dollar benefit received per household by tenure type and age of reference person, Australia, 1999

	Age of reference person (years)					
Tenure	**<25**	**25–34**	**35–44**	**45–64**	**65+**	**All**
Private renters receiving CRA	1,530	1,700	1,700	1,680	1,560	1,660
Public renters receiving rent subsidy	3,600	4,210	4,060	3,620	3,200	3,700
All private renters	390	390	460	430	690	430
All public renters	3,340	3,200	2,920	2,680	2,280	2,760
All owners	—	–200	1,800	3,600	4,100	2,800
Home owner with mortgage	—	*–700*	*900*	*1,900*	*2,500*	*900*
Home owner without mortgage	—	*1,000*	*4,100*	*4,700*	*4,200*	*4,400*

Note: As there are relatively few younger home owners, the age group less than 25 years is not included in this analysis.

Source: Australian Housing Survey, 1999, confidentialised unit record files.

For home purchasers, there was a clear correlation between the age of the reference person and the level of assistance extended to the household. Those households in the under 25 years age group received no assistance, reflecting the low level of home purchase within this age group. Of the remaining age groups, the lowest benefit, negative $700, was received by households where the reference person was aged between 25 and 34 years, rising consistently to a peak of $2,500 in households where the reference person was aged 65 years and older. This undoubtedly reflects the increasing level of equity in the home which householders acquire over time, and the decreasing impact interest payments would therefore have on the overall benefit, or loss, indirectly received.

Distribution of tenures across income

The distribution of tenure across income quintiles indicates both the targeting of direct assistance to households with incomes in particular income quintiles, and the different tenure choices which households appear to make depending upon their income.

Table 4.4: Distribution of each tenure group across income quintiles, Australia 1999

	Income quintile					All households
Tenure	**1st**	**2nd**	**3rd**	**4th**	**5th**	**('000)**
Without mortgage owners	27.6	24.5	16.7	14.9	16.2	**2,256.1**
With mortgage owners	5.1	11.1	21.7	29.4	32.8	**2,800.3**
All owners	*17.6*	*18.5*	*18.9*	*21.4*	*23.6*	***5,056.4***
Rebated public renters	59.7	30.7	8.8	0.8	–	**275.3**
Non-rebated public renters	42.5	27.1	20.7	7.8	1.9	**93.5**
All public renters	*55.3*	*29.8*	*11.8*	*2.6*	*0.5*	***368.8***
Private renters with CRA	34.7	41.6	17.7	4.9	1.1	**399.1**
Private renters without CRA	11.0	17.0	27.5	25.0	19.5	**1,064.1**
All private renters	*17.2*	*23.4*	*24.9*	*19.8*	*14.7*	***1,463.2***
All	**19.8**	**20.2**	**20.0**	**20.0**	**20.0**	**7,216.9**

Source: Australian Housing Survey, 1999, confidentialised unit record files.

Of all the public renter households in receipt of a rental subsidy, 90% have an income within the lowest two income quintiles. Almost 60% of these households received an income within the lowest income quintile. This indicates that this form of direct assistance is highly targeted to households within the lower income quintiles. CRA is also similarly targeted to households within these income quintiles, however the highest proportion of recipients of this benefit, 42%, receive an income within the second income quintile, not the first (Table 4.4).

The proportion of households purchasing their own dwelling is skewed towards the highest income quintile. Only 5% of households that were purchasing their own home have incomes within the lowest income quintile while 33% have an income within the highest income quintile. There is a clear correlation between the level of income and the propensity to be purchasing a home.

Of those households that owned their homes outright, more than half (52%) have an income within the first two income quintiles. This skewness to households in the lowest income quintile reflects homeownership of retirees who are typically households with low income but often with a high stock of housing and other wealth accrued throughout their working life.

The remaining households which owned their home outright appear to be distributed relatively evenly between the third, forth and fifth quintiles.

When grouped together as 'all owners', home owners and purchasers are distributed evenly between all the income quintiles, increasing slightly as the level of income increases.

Within the first two income quintiles, households in receipt of either form of direct assistance (CRA or a rental rebate) constituted a higher percentage of all households within these income quintiles than they represented overall. For example, CRA was received by an average of 5.8% of all households overall, however within the first two income quintiles these households constituted 10% and 12% of households respectively. This indicates that direct assistance is targeted to households within lower income groups.

Table 4.5: Percentage of each tenure group within income quintiles, Australia, 1999

	Income quintile					
Tenure	**1st**	**2nd**	**3rd**	**4th**	**5th**	**All**
Without mortgage owners	54.1	47.1	32.5	29.0	31.4	38.8
With mortgage owners	8.1	17.1	33.8	46.1	51.1	31.3
All owners	*62.2*	*64.2*	*66.3*	*75.0*	*82.5*	*70.1*
Rebated public renters	11.5	5.8	1.7	0.2	–	3.8
Non rebated public renters	2.8	1.7	1.3	0.5	0.1	1.3
All public renters	*14.3*	*7.5*	*3.0*	*0.7*	*0.1*	*5.1*
Private renters with CRA	10.1	11.9	5.1	1.4	0.3	5.8
Private renters without CRA	9.1	13.7	22.5	20.5	15.9	16.4
All private renters	*19.2*	*25.6*	*27.6*	*22.0*	*16.2*	*22.1*
All	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Australian Housing Survey, 1999, confidentialised unit record files.

In the upper income quintiles there is a preference for home purchase over private rental (Table 4.5). Households where the reference person has an income within the highest three income quintiles are also more likely to be purchasing their home than to own it outright. This indicates a higher level of gearing for these households as they may be able to secure financing to purchase a home, and may obtain a home with a higher level of amenity than that which they would be able to secure without a mortgage. The proportion of households renting privately decreases in the highest two income quintiles, and that may indicate that households in these income quintiles wish to purchase rather than rent.

Table 4.6, which reflects neither age nor income differences between households, shows there is little difference between the proportion of households who own or are attempting to purchase their homes in all jurisdictions except the Northern Territory. In the Northern Territory, the percentage of 'all owners' is, at 46%, significantly lower than the national average of 70%. The higher level of renters, both public and private, within the Northern Territory reflects this lower level of homeownership, though it is not possible to determine the direction of this causal link from this analysis. Direct assistance for renters appears to take the form of rental subsidies as the percentage of households receiving CRA is, at 1%, significantly lower than the national percentage of 6%.

There is significant variation between the percentage of home purchasers and home owners among jurisdictions. This is likely to be associated with differences in the age structure of households in these jurisdictions. Within New South Wales, Victoria, South Australia and Tasmania, the number of home owners exceeds the percentage of home purchasers by around 10%, reflecting the national averages. In the Northern Territory and the Australian Capital Territory, the percentage of home purchasers exceeds the percentage of home owners.

Within South Australia, households appear more likely to occupy dwellings provided by public housing authorities than private rental dwellings within the private rental market. This reflects the high significance of the public housing sector within South Australia since the 1950s and 1960s (SCRCSSP 2001:993).

Table 4.6: Percentage of each tenure group, state/territory, 1999

Tenure	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	All
Without mortgage owners	40.6	42.5	34.8	34.2	38.2	40.5	30.8	16.0	38.8
With mortgage owners	28.9	32.2	32.7	33.7	30.8	30.1	37.3	29.7	31.3
All owners	*69.6*	*74.8*	*67.5*	*67.9*	*69.0*	*70.5*	*68.0*	*45.7*	*70.1*
Rebated public renters	4.0	2.6	3.0	3.7	7.1	4.2	7.1	10.2	3.8
Non rebated public renters	1.3	1.2	0.5	0.8	3.6	1.7	3.0	3.1	1.3
All public renters	*5.3*	*3.8*	*3.4*	*4.5*	*10.7*	*5.9*	*10.1*	*13.3*	*5.1*
Private renters with CRA	5.1	5.0	8.3	6.4	4.7	8.4	2.0	1.1	5.8
Private renters without CRA	17.9	13.7	18.0	17.7	12.2	11.9	18.4	36.0	16.4
All private renters	*23.0*	*18.7*	*26.3*	*24.1*	*16.9*	*20.4*	*20.4*	*37.0*	*22.1*
All	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Total households ('000)	**2,419.9**	**1,755.9**	**1,341.8**	**722.4**	**614.8**	**188.5**	**120.5**	**53.0**	**7,216.9**

Source: Australian Housing Survey, 1999, confidentialised unit record files

There is a clear increase in homeownership overall throughout the life cycle (Table 4.7). Where the reference person was aged under 25 years, only 15% of households owned their own home, with or without a mortgage. When the age of the reference person was 65 years or more, 84% of households owned their own home. The trend in homeownership without a mortgage is even more pronounced, with only 1.6% of households where the reference person is aged under 25 years owning their home outright, while 80% of households where the reference person is aged 65 years or more owned their home outright.

Owners with a mortgage were the most common type of household, the percentage reaching 51% of households where the reference person was aged 35 to 44 years.

Conversely to the increase in homeownership as the age of the reference person increases, the incidence of private rental declines as the age of the reference person increases, indicating a shift from renting to purchasing.

Public rental households remain as a relatively constant proportion of housing tenure type throughout all age groupings. The slightly higher levels in the households where the age of the reference person was under 25 years or 65 years and over reflect the lower incomes typically received by people within these periods of life, and the greater difficulty securing rental in the private market these households may experience.

Table 4.7: Percentage of each tenure group by age of reference person, Australia, 1999

	Age of reference person					
Tenure	**< 25**	**25–34**	**35–44**	**45–64**	**65+**	**All**
Without mortgage owners	1.6	6.7	19.3	49.8	79.8	38.8
With mortgage owners	13.8	41.5	50.8	31.8	3.8	31.3
All owners	*15.4*	*48.2*	*70.1*	*81.6*	*83.7*	*70.1*
Rebated public renters	6.8	3.8	3.2	3.1	4.9	3.8
Non-rebated public renters	0.5	1.2	1.2	1.1	2.0	1.3
All public renters	*7.3*	*5.1*	*4.4*	*4.2*	*6.9*	*5.1*
Private renters with CRA	18.5	9.9	6.1	3.2	2.9	5.8
Private renters wwithoutt CRA	53.9	33.5	16.5	9.3	3.6	16.4
All private renters	*72.4*	*43.4*	*22.7*	*12.5*	*6.5*	*22.1*
Rent-free	4.1	2.8	1.7	1.0	1.1	1.7
Other tenure	0.8	0.6	1.0	0.7	1.8	1.0
All	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Total households ('000)	**343.2**	**1,345.7**	**1,614.4**	**2,430.3**	**1,483.2**	**7,216.9**

Source: Australian Housing Survey, 1999, confidentialised unit record files.

4.4 Summary

In 2001–02 there was $25.2 billion of assistance provided for housing. The total value of approximately $1 billion per annum in direct assistance to homeownership plus $21 billion in indirect assistance can be contrasted with outlays of $1.8 billion for rent assistance to private renters and $1.4 billion for capital outlays on public housing.[21] This section has provided information on how the assistance available was distributed using the 1999 AHS.

It has shown that direct assistance to tenures other than homeownership is targeted to low income households. Indirect assistance to home owners through the tax system, on the other hand, primarily benefits higher income households.

However, the direct comparison of the size and distributions between areas of assistance needs to be approached and interpreted with caution as different methodologies have been used to estimate the value and distribution of these forms of assistance—the magnitude of the value of assistance in each area could change if other approaches were used.

[21] The capital outlays provided for public housing are approximately equal to the service flow subsidies provided by that housing when these are measured against a market rent benchmark. Data on annual levels of assistance provided can be generated from Tables A.5 and A.6 in the Housing Assistance Annual Reports.

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Glossary

Capital expenditure: Expenditure on the acquisition of an asset (excluding financial assets). A non-financial asset is an entity functioning as a store of value, over which ownership may be derived over a period of time, and which is not a financial asset. Capital includes: acquisitions (purchases of properties), construction costs, redevelopment and improvement (of properties), land acquisitions and development, joint ventures.

Capital gains tax exemption: The concessional treatment given to owner-occupied housing as a result of being excluded from the capital gains tax.

Household: A household is defined as the persons who live and eat together as a domestic unit. It is possible for more than one household to occupy the same dwelling.

Imputed rent: the estimated rental value of owner-occupied housing.

Imputed rent tax exemption: The concessional treatment given to owners of owner-occupied housing as a result of being treated differently from owners of rental housing by the income tax system.

Market rent: The rent that would be charged for a dwelling in the private rental market.

Private renter: A household where money is exchanged to another person in return for lodging. In this publication, private renter is defined as a household paying rent to:

- a real estate agent;
- parent or other relative not in the same dwelling; or
- another person not in the same dwelling.

Public renter: A household where money is exchanged to an organisation in return for lodging. In this publication, public renter is defined as a household paying rent to a state or territory housing authority.

Rent: A regular payment made by a tenant to an owner or landlord in return for lodgement.

Rent rebate: A subsidy to tenants that reduces the amount of rent they pay to the state housing authority.