

The fraud of Labor's "historic" housing policies in Australian budget

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Virtually all of the coverage and commentary surrounding the Australian Labor government's budget since it was brought down on Tuesday has focused on changes contained in it to the property tax investment regime, centred on the winding back of some negative gearing and capital gains tax breaks.

Labor and its defenders in the media have presented the measures as "bold," "ambitious," even "historic" and as a significant attempt to improve the plight of first homebuyers, especially among the youth. Others, including the Liberal-National Coalition, One Nation and the Murdoch press, have condemned the changes as a vast "wealth redistribution" and even as something approaching "communism."

The official discussion, on all sides, is a kabuki dance. Despite their positions seemingly being diametrically opposed, the government's supporters and its detractors are coming together to present one of the most inconsequential aspects of the budget, in terms of its impact on the lives of masses of people, as its centrepiece.

Together, they are burying the essence of the budget, its frontal assault on social spending accounting for some \$63.8 billion in cuts over the next four years, targeting workers and the poor.

More than half of those "savings" are based on a program of completely gutting the National Disability Insurance Scheme and kicking up to 300,000 people off it. Obscenely, those vulnerable and disabled people are not only having their support taken away and their lives destroyed. The cuts are being presented by the media as old news, if they are mentioned at all, given they were announced four weeks before the budget itself.

The callous indifference of the press hacks to the plight of poor disabled people goes hand in hand with their wilful credulity over the government's housing tax changes. In both instances, the coverage is substantially premised on ignoring, or pretending to ignore, what is actually in the budget.

According to the government, its housing changes will result in 75,000 more new homebuyers than would have

otherwise been the case over the next decade. That is, even on the rosier estimate, this "historic" change will nominally assist 7,500 people to purchase a house per year.

To describe that as the equivalent of a rounding error is not an exaggeration. In a country of 28 million people, those 7,500 amount to 0.026 percent of the population, or to be more generous to the government line, to 0.034 percent of all adults. Needless to say, the minuscule impact of the change, as expressed in those crude percentage terms, has not been featured in the headlines hailing the "historic" change.

It is not as though the 7,500 people are being gifted homes either. Only that they will have the "opportunity" to enter a housing market that will remain super-inflated, to acquire a crippling mortgage from one of the banks and to be saddled with it, likely for the rest of their lives.

By its own calculations, the government estimates that these measures will reduce the availability of housing by approximately 35,000 houses. To offset that, the budget has slashed both costs, times and necessity for regulations in terms of council approvals and building codes to property developers, which will lead to an inevitable drop in the quality of houses constructed.

The government is not even pretending that the changes will reduce astronomical house prices, the obvious barrier to people purchasing a home. Instead, treasury's modelling indicates that prices may increase four percent a year, rather than the six percent that they otherwise would have.

The dollar terms from the standpoint of government revenue are equally pathetic.

The changes bring in revenues of \$1.4 billion in 2028–29 and \$2.3 billion the following year. By way of comparison, the budget includes a reduction in business regulatory costs equivalent to \$10.2 billion every year. In other words, far more is to be directed from government into the coffers of business and ultimately the wealthy, than is to be taken away.

The two areas targeted are flagrant tax breaks, overwhelmingly benefitting the richest ten percent of society

and above all the top 1 percent, that have been in place for decades, including under Labor governments.

Negative gearing has allowed investors to claim losses outweighing income on a property as a tax deduction. Under the capital gains tax discount, if an asset was held for more than 12 months, the owner only had to pay tax on 50 percent of the capital gain when they sold it.

The government designed the alterations to have as small an impact as possible. While headlines have described negative gearing as being “abolished,” the changes are being “grandfathered” in, meaning they do not apply to any properties held before the budget. And investors will still be able to negatively gear new builds.

That is, negative gearing remains for all existing investments as well as for all newly-built dwellings, a vast segment of the property market.

As for capital gains, the flat 50 percent discount will be replaced by a cost-base inflation indexation method, and a 30 percent minimum tax will apply to net capital gains. That is again marginal.

The basic reality, as indicated by the government’s figures cited above, is that very little will change. The dominance of the banks and the wealthy over the property market, aided by such policies as negative gearing and the capital gains tax discount, has baked in an inequality that is not going to be reversed even slightly.

An article in *Forbes* magazine last month, on the eve of the budget, pointed to the reality that Australian homes are among the most unaffordable in the world. It notes that “The median house price reached 8.9 times annual income, up from 6.6 five years earlier.” The ratio was 3.3 times annual income in 1984. It noted that “A new loan devours 45 percent of the median household salary. Saving for a standard 20% deposit now stretches to nearly 12 years.”

A Demographia International Housing Affordability study last year found that Sydney was the second most unaffordable housing market in the world, after Hong Kong, with a median home cost of \$1.3 million.

In March, Canstar figures cited by the *Daily Telegraph* showed that you “currently need to earn a combined income around \$300,000 a year to buy a median priced house in Sydney with a five percent deposit.

“Following another rate rise, the lowest income required for a single buyer to purchase a home in Greater Sydney will be \$132,000, a figure \$42,000 higher than the median salary for full time workers according to the ABS [Australian Bureau of Statistics].” Rents have followed house prices, in a relentless and continuing ascent, meaning those priced out of home ownership are also increasingly unable to afford anywhere to live.

That rate rise eventuated, and more are on the horizon,

adding hundreds of dollars to monthly mortgage repayments for millions of people.

At the same time, they, and all ordinary people, are being hit with resurging inflation, which reached 4.7 percent last month and is expected to grow further amid the global crisis triggered by the criminal US assault on Iran. The budget included literally no cost-of-living relief, under conditions of the massive price hikes.

Wages are declining, with the most recent ABS figures from March showing an annual growth rate of 3.3 percent, over a period where headline inflation averaged 4.1 percent for a real cut of 0.8 percent.

The federal budget itself provides for no wage increases for federal public servants, while state administrations, most of them led by Labor, are enforcing pay deals with the corporatised unions at or beneath the understated inflation rate.

And at the same time, the Labor governments are proceeding with their destruction of public housing. That includes the ongoing demolition of 44 public housing towers in Melbourne by the Victorian government, displacing some 10,000 people, and an identical program by the New South Wales administration targeting 3,000 residents of the inner-city Sydney suburb of Waterloo. That will only intensify a shortfall of affordable and social housing dwellings that advocates in the sector already estimate to be 640,000 dwellings across the country.

To the extent that the Labor governments are seeking to boost supply, it is through handouts to the property developers. That is the real content of the maintenance of negative gearing for new builds, and a raft of measures by Labor at the federal and state levels, aimed at maintaining construction rates at the higher end of the market.

The reality is that the housing crisis is a particularly acute expression of an intractable class division in society. The basic social right to affordable housing for all requires nothing less than a frontal assault on the wealth of the property developers, the billionaires and the banks, and all the political forces that represent their interests, above all the Labor government. That is a fight for nothing less than the socialist reorganisation of society from top to bottom.



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