

To: The General Manager

Dear Sir or Madam,

I am writing to comment on the discussion paper, *First Home Saver Accounts – Outline of proposed arrangements* (February 2008).

While initially reassured by the scheme that the new federal government intends to tackle housing affordability, albeit with a "modest measure", I am shocked and utterly disillusioned to find that under the current proposal, the government contribution is twice as much for those paying the highest rate of income tax (i.e. with the most income) than for those with the lowest.

I cannot comprehend how rewarding those who earn around \$80,000 per annum with a \$1,250 contribution, and those with a \$40,000 income with \$750, *even though they have both saved \$5,000*, could possibly do anything other than to push house prices even further beyond the reach of the latter, who is after all competing with the former. I further do not understand how it could be considered equitable.

To portray it as being even vaguely beneficial to lower-income earners is a fallacy, as not only does their higher-earning competition have equal access to the scheme, and not only does these richer aspirants escape paying the higher rates of income tax that would normally be applicable to their savings; *they are to be given more money solely because they earn more. Not because they have saved more, but because they earn more.*

As it stands, the proposal is a tax-break for middle-to-high income earners that will enable them to spend more on housing, thus pushing up prices which are already beyond the reach of most low income earners. The proposal would thus be modest, but quite effect if the goal were to push up house prices and exacerbate the housing schism.

If this is the intention, I submit that the proposal should certainly not be publicised as something that will aid any first home buyer that pays a marginal income tax rate of less than 30%. It will actually *hurt your average* first home buyer vis a vis the competition (given that the median income in Australia is still around \$45,000). Ultimately, tax reform to help the rich should be publicly debated rather than advanced under the guise of improving housing affordability.

On the other hand, if a government wished to improve housing affordability for this *average* first home buyer, it could reward those who don't earn \$45,000 and below, but have managed to save \$5,000, with a 30% contribution, and the higher-income earner with \$750. Thus those who need the help would be better placed to compete in the housing market vis a vis those who have above average incomes. Or, if this is not equitable, make the contributions identical regardless of tax rate – this would still advantage resolute savers over those less dedicated. But to advantage higher earners for no reason other than that is a slap in the mouth to those truly struggling to build a home and family amid a house price explosion.

Yours sincerely,

David Ng.