Box A: Tax Data on Households' Property Investment Exposures
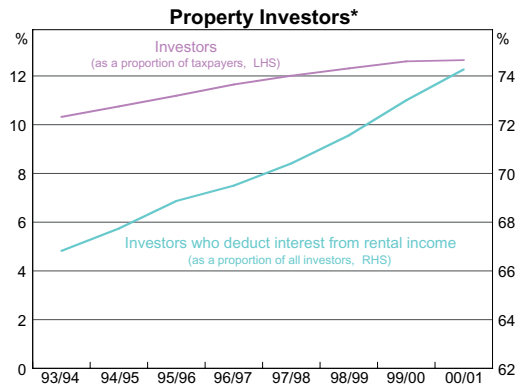
Australian Taxation Office data from 2000/01 – the latest available – show that around 12½ per cent of individual taxpayers received rental income, up from around 10 per cent in 1993/94 (Graph A1).[1] Of these, the share claiming interest deductions has also grown steadily, to 74 per cent in 2000/01 from 67 per cent in 1993/94. Given the continuation of strong growth in investor housing debt since 2000/01, these trends are likely to have continued.

Tax data give an indication of the distribution of property investors across income groups. As might be expected, the incidence and size of property investment increases with income. The data – as well as the HILDA Survey – show that higher income groups are more likely to receive rental income, and that their rental receipts are higher (Graph A2). Just over 20 per cent of individuals with a total income of between $50 000 and $100 000 reported rental income, while around 30 per cent of those in the next higher income group reported such income.
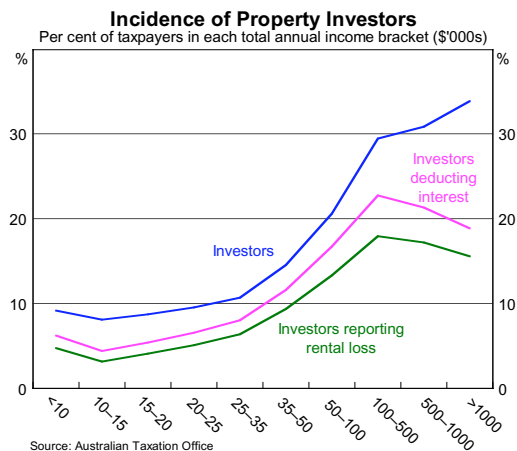
Among the investor population, however, the incidence of geared investment is highest at just above average income levels, as is the share of investors reporting rental losses (Graph A3). This suggests that middle-income investors are relatively more exposed than the higher-income investors to higher interest rates, rental vacancy or unemployment. In addition, they are likely to have fewer other assets to draw down in the event of hard times.

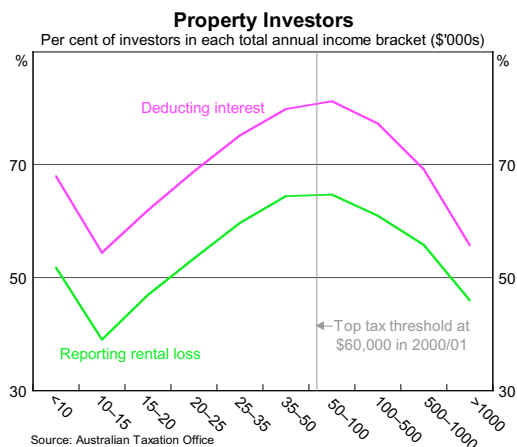1   The data do not distinguish between rental receipts from residential and commercial property.

Graph A1

Property Investors*

Investors
(as a proportion of taxpayers, LHS)

Investors who deduct interest from rental income
(as a proportion of all investors, RHS)

* Investors defined as individuals who receive rental income.
Source: Australian Taxation Office

Graph A2

Incidence of Property Investors
Per cent of taxpayers in each total annual income bracket ($'000s)

Investors deducting interest

Investors

Investors reporting rental loss

Source: Australian Taxation Office

Graph A3

Property Investors
Per cent of investors in each total annual income bracket ($'000s)

Deducting interest

Reporting rental loss

← Top tax threshold at $60,000 in 2000/01

Source: Australian Taxation Office

Individuals that fall in the middle-income bracket make up the bulk of geared investors in property (Graph A4). Despite the higher participation in property investment among high-income earners, the large number of individuals in the middle-income tax brackets means that these investors hold the bulk of debt associated with rental properties.

Graph A4

Distribution of Rental Interest Deductions
Per cent in each total annual income bracket ($'000s)

Source: Australian Taxation Office