

Australia Considers Tax on Spare Bedrooms

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Australia is exploring a proposal to tax homes with unused bedrooms as part of efforts to address housing supply and affordability challenges. The initiative comes amid concerns that many properties are underutilized, contributing to rising costs and limited availability for families seeking appropriately sized homes.

Research by Cotality, an Australian property analytics firm, highlights a notable mismatch between household size and dwelling capacity. The study found that just over 60 percent of

homes are occupied by one or two people, while more than three-quarters of properties have three or more bedrooms.

Eliza Owen, head of Australian research at Cotality, said the disparity raises questions about housing efficiency. “While there is nothing inherently wrong with having more bedrooms than residents, the current allocation may contribute to inefficiencies in the housing market,” she said.

The proposed tax would target large homes with underused bedrooms, encouraging residents to move into appropriately sized dwellings or make space available to those in need. Owen acknowledged that the measure could be unpopular with homeowners but described it as a potential tool to improve housing utilization.

Housing affordability remains a pressing concern in Australia, particularly in urban centers experiencing population growth alongside limited new construction. Analysts say underused properties exacerbate the scarcity of suitable homes, especially for young families and first-time buyers.

Government officials have not confirmed whether the plan will move forward, but have stressed the importance of exploring innovative solutions to improve housing access. Advocates suggest that taxation measures, combined with incentives for downsizing or renting, could help relieve pressure on the property market.

The idea of taxing spare bedrooms has precedent internationally. In the United Kingdom, a “bedroom tax” in social housing encourages more efficient use of housing resources. Critics caution that such policies can disproportionately affect middle-income homeowners and require careful implementation to avoid unintended consequences.

Economists emphasize that any intervention should balance efficiency with investment incentives to avoid discouraging new construction. A tax targeting underused rooms could form one part of a broader strategy, alongside increasing housing supply, streamlining development approvals, and promoting affordability in high-demand areas.

Researchers and policymakers agree that data-driven decision-making will be essential. Understanding household composition, property utilization, and market dynamics will help ensure policies address Australia’s housing challenges without placing undue burdens on homeowners.