ACT Shelter

Working together for housing justice

Senate Standing Committees on Economics Inquiry into Treasury Laws Amendment (Tax Reform No. 1) Bill 2026 and a related bill

ACT Shelter submission

5 June 2026

Introduction

ACT Shelter welcomes the opportunity to make a submission to the Senate Economics Legislation Committee's inquiry into the Treasury Laws Amendment (Tax Reform No. 1) Bill 2026 and the Income Tax Rates Amendment (Tax Reform No. 1) Bill 2026.

ACT Shelter is the peak non-government organisation advocating for housing justice in the ACT. For more than 50 years, we have worked to advance a housing system that is fair, inclusive and sustainable, and that recognises housing as a fundamental human right.

This submission focuses on Schedules 1 and 2 of the Treasury Laws Amendment (Tax Reform No. 1) Bill 2026, which reform negative gearing and the Capital Gains Tax (CGT) discount.

ACT Shelter strongly supports these reforms and urges the Committee to recommend that the Senate pass them without delay.

Australia's current housing tax settings disproportionately reward speculative investment in existing housing, contribute to growing inequality, and undermine housing affordability. The reforms before Parliament begin to address those distortions. They represent the most significant improvement to Australia's housing tax settings in a generation and an important step towards a fairer, more efficient and more sustainable housing system.

The Bill may not resolve every issue in Australia's housing tax framework, but it delivers substantial progress. Parliament should seize this opportunity and pass the reforms without delay.

Our support for these reforms builds on ACT Shelter's submission to the Senate Select Committee on the Operation of the Capital Gains Tax Discount in December 2025 (attached). We note that the legislation before Parliament directly addresses many of the concerns identified through that inquiry and provides a practical pathway towards long-overdue reform.

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ACT Shelter's Position

ACT Shelter unequivocally supports the passage of Schedules 1 and 2 of the Treasury Laws Amendment (Tax Reform No. 1) Bill 2026.

The Bill will:

- Limit negative gearing concessions for residential property investment to new housing from 1 July 2027, while quarantining losses from established residential properties so they may only be offset against residential property income; and
- Replace the existing 50 per cent CGT discount with a system of cost-base indexation and a 30 per cent minimum tax on capital gains accruing from 1 July 2027.

These reforms are not radical. They do not retrospectively alter investment decisions. Existing investments are grandfathered, incentives for new housing supply are maintained, and appropriate protections are provided for pensioners and income-support recipients.

What the reforms do achieve is an important rebalancing of a tax system that has, for decades, encouraged speculative investment in existing housing while delivering disproportionate benefits to higher-income households and contributing to declining housing affordability.

Why Reform Is Necessary

Current tax settings are inequitable and costly

The combined effect of negative gearing and the CGT discount delivers the greatest benefit to those who need it least. Four-fifths of the CGT discount accrues to the highest-income 10% of taxpayers, and the value of both concessions rises with marginal tax rate, meaning the wealthiest investors receive the largest subsidies. Together, the two concessions cost the Commonwealth more than $30 billion annually in foregone revenue. This is a substantial public subsidy for private wealth accumulation at a time of acute housing need — and it should be redirected.

Current tax settings encourage speculation, not supply

More than 80% of investor purchases target existing dwellings and do not add to housing stock. This increases competition for established homes, places upward pressure on prices, and diverts capital toward speculative land value gains rather than productive investment. The result is a policy framework that imposes significant fiscal costs while actively working against housing affordability. Reform is necessary on both equity and economic efficiency grounds.

The reforms improve incentives and support better housing outcomes

The Bill has been designed to redirect investment toward new supply. Retaining favourable treatment for newly constructed housing while reducing incentives to speculate on established dwellings will better align tax policy with housing policy objectives.

Claims that the reforms will substantially reduce rental supply or drive significant rent increases are unfounded. Treasury modelling projects that house price growth will be around 2% lower over the next few years, with rental price increases of less than $2 per week at current median levels – a modest and manageable adjustment. Independent research is broadly consistent with this range. Treasury modelling further projects around 75,000 additional owner-occupiers over the next decade; to the extent investor demand for established dwellings falls, it is likely to be offset by increased owner-occupier demand.

These reforms represent a structural rebalancing of the housing system, not a reduction in housing availability. ACT Shelter also notes that if even a portion of the additional revenue generated is directed toward social and affordable housing – as we believe it should be – any residual supply effects would be more than offset.

In addition, current tax settings contribute to churn and instability in the private rental market. Highly leveraged investors are more likely to sell when interest rates rise. Negative gearing can create incentives to sell once a property becomes positively geared. The six-year principal place of residence CGT exemption encourages sales before the exemption expires, disrupting tenancies. These dynamics reinforce a culture of short-term, tax-optimised property investment rather than stable, long-term rental provision. Reforms that reduce speculative demand, moderate price growth, and increase the owner-occupier share of the market will over time improve stability and security for those who remain in the rental sector.

The reforms are practical, balanced and capable of implementation

ACT Shelter recognises that the Bill adopts a cautious transitional approach. Existing investments retain access to current arrangements, while the new framework applies prospectively.

ACT Shelter has previously supported more ambitious approaches to reform, including phased transitional arrangements that would bring forward the fiscal and housing market benefits of change. There are reasonable arguments that such approaches could deliver a faster and more complete unwinding of the distortions created by current tax settings. However, ACT Shelter does not regard the transitional arrangements as a reason to delay, weaken or oppose the reforms.

Major tax reforms are most durable when they provide certainty, avoid unnecessary market disruption, and allow households and investors time to adjust. While the grandfathering provisions may moderate the immediate impact of the reforms, they do not diminish their long-term significance. The Bill still achieves an important structural shift in Australia's housing tax settings, reducing incentives for speculative investment in established housing while preserving support for new supply.

In ACT Shelter's view, the benefits of securing these reforms substantially outweigh any limitations associated with the transitional arrangements. Reforming negative gearing and the CGT discount will not, by itself, resolve Australia's housing crisis, but it is an essential structural step toward a housing system that serves the community rather than rewarding speculation. The priority should now be to ensure that the reforms are enacted and implemented without delay.

Recommendations

ACT Shelter recommends that the Senate Economics Legislation Committee:

1. Recommend passage of Schedules 1 and 2 of the Treasury Laws Amendment (Tax Reform No. 1) Bill 2026;
2. Affirm that reform of negative gearing and the CGT discount is necessary, evidence-based and long overdue;
3. Ensure that subsequent implementing legislation maintains the integrity and policy intent of the reforms contained in this Bill.

Conclusion

Australia's housing crisis is the cumulative result of decades of policy choices that have privileged speculation over shelter, and tax concessions for the wealthy over secure, affordable homes for everyone.

The reforms in this Bill begin to correct that imbalance in a meaningful and durable way. They improve the fairness and integrity of the tax system, better align investment incentives with housing supply objectives, and create an opportunity to redirect public resources toward addressing unmet housing need.

ACT Shelter urges the Committee to recommend passage of the housing tax provisions contained in this legislation and urges all Senators to support their enactment.

The cost of inaction is borne every day by renters facing unaffordable housing costs, households locked out of home ownership, and people experiencing homelessness. Meaningful reform has been delayed for too long. Parliament should seize this opportunity to take an important step toward a fairer and more sustainable housing system.

Working together for housing justice

Select Committee on the Operation of the Capital Gains Tax Discount

ACT Shelter submission

23 December 2025

Introduction and summary

ACT Shelter welcomes the opportunity to make a submission to the *Senate Select Committee on the Operation of the Capital Gains Tax (CGT) discount*.

ACT Shelter is the peak non-government body for housing justice in the ACT. For over 50 years, ACT Shelter has advocated for a housing system that is fair, inclusive and sustainable, and for policy settings that recognise housing as a fundamental human right, not merely a financial asset.

From this perspective, current housing tax settings – including the CGT discount – are fundamentally misaligned with housing justice. They incentivise wealth accumulation through property ownership while leaving renters, low-income households and future generations increasingly locked out of secure and affordable housing. Given ACT Shelter's focus on housing justice, our submission focuses on the application of the CGT discount to housing assets and its interaction with negative gearing. Our submission makes no comment on the impacts or appropriateness of existing arrangements when it comes to other asset classes, however we broadly support the recommendations of ACOSS as part of a wider and principled approach to tax reform.

ACT Shelter views reform of capital gains tax discount, together with negative gearing, as a policy imperative that is essential to creating a fairer and more sustainable housing system, and a more equitable and productive economy. The CGT is a tax on the profit (capital gain) made upon the sale of assets, including property. Under current tax settings, 50 per cent of the capital gains on assets held for more than one year are excluded from the taxable income of individuals and trusts. This means the effective tax rate paid on these gains is half the rate applied to other forms of income. Owner-occupied housing is an exception, with capital gains on owner-occupied homes not taxed at all.

The case for reforming the CGT discount, alongside negative gearing, is clear and compelling. Current tax arrangements are deeply inequitable, distort investment decisions, undermine housing affordability, increase household debt, and deprive governments of the

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revenue required to invest adequately in social and affordable housing. Specifically, this submission maintains that the CGT discount:

- disproportionately benefits high-income and high-wealth households, entrenching inequality and intergenerational disadvantage;
- together with negative gearing, fuels speculative investment in existing housing, driving up prices without increasing supply, and worsening affordability for renters and first-home buyers;
- suppresses productivity by funnelling capital into unproductive, speculative assets rather than into productive investment;
- encourages excessive household debt, increasing economic vulnerability and amplifying the effects of economic downturns; and
- represents a substantial and ongoing drain on public revenue that could and should be redirected into social and affordable housing.

This submission highlights why reform of the CGT discount must be a priority for government as part of a fairer tax system and a sustainable housing system. ACT Shelter endorses and supports the submission of National Shelter, and our position aligns closely with the policy analysis and recommendations advanced by ACOSS.

Summary of policy recommendations

Recommendation 1: Reduce the CGT discount

Reduce the exemption of 50% of capital gains from CGT for investment in appreciating assets (including rental housing) to 25% over five years, phased in at 5% per year.

Recommendation 2: Restrict negative gearing

Quarantine tax deductions on investment expenses so that they can only be offset against income from the same class of investments. This should apply immediately to new investments, with existing arrangements phased out over five years.

Recommendation 3: Review the principal place of residence exemption

Review current CGT exemptions for the principal place of residence to ensure they align with equity, efficiency and housing system objectives.

Recommendation 4: Reinvest revenue into social housing

Redirect revenue recovered through reform of the CGT discount and negative gearing to social housing investment, providing a stable and sustainable funding stream to increase social housing as a proportion of total housing stock across Australia.

The CGT discount, inequality and housing outcomes *(terms of reference a, d, f)*

The CGT discount is deeply inequitable

The CGT discount overwhelmingly benefits those who are already well-off. Four-fifths (82%) of the benefit of the CGT discount accrues to the highest 10% of taxpayers ranked by income.[1] Wealth held in assets attracting CGT, including investment property and shares, is even more concentrated, with the top 10% of households holding around two-thirds of these assets.[2]

In addition, the benefits of the CGT discount, particularly when combined with negative gearing, increase with a taxpayer's marginal tax rate, meaning higher-income individuals receive disproportionately greater gains. As the proportion of capital gains that is excluded from assessable income increases, the investor's effective marginal tax rate falls. This weakens the progressivity of Australia's income tax system and results in a highly regressive distribution of benefits.[3]

These features of the CTG discount have profound distributional consequences by:

- accelerating wealth accumulation among high-income households;
- entrenching intergenerational inequality, as younger households without access to capital are locked out of asset ownership; and
- exacerbating gender inequality, with a majority of CGT discount benefits flowing to men.

The CGT discount is far more generous than required to account for inflation, and it is significantly more generous than the tax treatment of other forms of income, including wages and interest. As a result, it violates basic principles of vertical equity and fairness in the tax system.

Housing as a driver of inequality

Wealth inequality is more pronounced that income inequality in Australia, and it has been growing substantially over the past two decades.[4,5] Housing is the primary asset through which wealth inequality is transmitted in Australia.[6,7] Tax settings that favour capital gains on housing amplify this dynamic, transforming housing from a place to live into a vehicle for wealth extraction. For renters and first-home buyers, this translates into:

- higher purchase prices,
- increased competition for rental housing,
- longer periods in the private rental market, and
- greater exposure to housing stress and insecurity.

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[1] Australian Treasury, (2024), *Tax Expenditures and Insights statement, 2023-24*.

[2] Davidson, P, and Hall, J, (2025), *Homes for living, not wealth creation: Tax and expenditure reforms to improve housing affordability and equity*, ACOSS, Sydney.

[3] Freundenberg, B, & Minas, J, (2019), Reforming Australia's 50 per cent capital gains tax discount incrementally, *eJournal of Tax Research*, 16(2): 317-339.

[4] Davidson, P, Bradbury, B, Wong, M, (2024), *Inequality in Australia – who is affected and how*, ACOSS and UNSW Sydney.

[5] Ong Vifor, J, R, & Phelps, C, (2023), The Growing Intergenerational Housing Wealth Divide: Drivers And Interactions In Australia, *Housing, Theory and Society*, *40*(2), 238–257.

[6] Davidson & Hall, (2025), *Homes for living, not wealth creation*.

[7] Grudnoff, M, (2025), *Wealth inequality by asset types: What's driving wealth inequality*, The Australia Institute: Canberra.

Housing affordability and speculative investment *(terms of reference a, c)*

CGT discount and negative gearing undermine affordability

Curbing speculative investment in housing is a vital – but currently missing – element in government policies designed to improve housing affordability. While increasing housing supply is necessary, it is not sufficient. Any serious strategy to improve affordability must address *both* the supply of housing *and* the demand pressures that drive prices upward.

In principle, investment in rental housing should expand supply and help moderate rents over time. In practice, however, the CGT discount – particularly when combined with negative gearing – strongly incentivises investment in existing dwellings rather than new construction. More than 80 per cent of investor purchases are for established homes. Investors are drawn to these properties primarily for their capital growth potential, with the prospect of a large, discounted capital gain often outweighing considerations of rental yield or long-term housing supply. Negatively geared landlords tend to favour more expensive properties with greater prospects for high capital gains. This has contributed to the steady decline in properties at the affordable end of the rental market, while the number of properties for rent at higher prices continues to grow.

This dynamic inflates housing prices without adding to overall housing stock. Increased investor demand for existing homes bids up prices, crowding out first-home buyers and delaying or preventing transitions into home ownership. The expectation of discounted capital gains also allows investors to take on higher levels of debt and to pay more for properties than owner-occupiers can afford. This amplifies price growth across the market and entrenches a cycle in which speculative investment drives prices higher, to the detriment of renters and aspiring homeowners alike. As a result, more households remain in the private rental market for longer, increasing competition for rental properties and placing upward pressure on rents.

Recent policy debate has focused heavily on boosting housing supply, yet demand-side pressures remain largely unaddressed. This omission is particularly concerning as interest rates ease and housing demand strengthens, placing renewed upward pressure on prices. Governments must therefore act to restrain excessive and speculative demand, including by reforming tax concessions that amplify housing market upswings. Such reforms would moderate demand, dampen house price growth (or reduce the extent of future increases), and support higher rates of home ownership.

While housing prices are influenced by multiple factors – including interest rates, access to credit and income growth - tax settings have played a decisive role in shaping market outcomes. The introduction of the CGT discount in 1999 coincided with a sharp increase in investor-led housing booms. From 1999 to 2024, house prices rose by 142 per cent, more than three times the growth in wages over the same period (44 per cent).[8] Since 2001, the median home price has increased from 4.4 to 8.6 times the median income.[9]

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[8] Davidson & Hall, (2025), *Homes for living, not wealth creation*.
[9] Davidson & Hall, (2025), *Homes for living, not wealth creation*.

Over the longer term, capital gains from housing investment in Australia have been high relative to other advanced economies, while rental returns have remained comparatively low. The concessional tax treatment of capital gains has reinforced this imbalance by making speculative investment in housing more attractive.

Importantly, reforms to the CGT discount and negative gearing are unlikely to materially reduce the supply of rental housing. While investor demand may fall, demand for rental accommodation would also ease as more households are able to transition into home ownership. Given that the vast majority of investor activity targets existing dwellings rather than new supply, the net impact on rents and housing availability is likely to be modest, while the benefits for affordability and housing stability would be substantial. Further, any impact on housing supply, and rents, could be more than offset if even a small portion of the proceeds from the reforms was used to fund a boost to Australia's social housing stock.

Contribution to instability in rental tenure

Preferential tax arrangements may also contribute to instability in rental tenure and higher rates of churn or exit from the private rental sector, as individual landlords time property sales to maximise tax advantages or respond to changes in market conditions or personal circumstances.[10,11] For example, current tax settings enable homeowners to rent out a former principal place of residence while continuing to treat it as their main residence for up to six years, allowing the property to be sold within that period without incurring CGT. This creates a strong financial incentive to sell the property before the six-year mark to avoid a proportional CGT liability, increasing turnover of rental properties and disrupting tenant stability.

More broadly, these settings encourage residential property to be treated as a short- to medium-term, tax-advantaged investment rather than as a source of long-term rental housing. They reinforce a cycle of acquisition, rental and disposal timed to housing market conditions or tax thresholds, rather than the provision of stable rental homes.

Turnover and instability are further amplified by high levels of investor leverage. Highly leveraged landlords are more likely to sell when interest rates rise sharply or incomes fall. In addition, negative gearing can create incentives to sell once a property becomes positively geared (as rental income increases and interest costs decline), further contributing to churn and insecurity in the private rental market.

Productivity, investment distortion and household debt *(terms of reference b, c)*

Distorting investment and undermining productivity

Australia's tax system favours passive investment in land and housing over productive investment in businesses, innovation and job creation. Following the introduction of the CGT discount in 1999, the value of land in Australia rose dramatically as a share of GDP,

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[10] Martin, C., Hulse, K., Ghasri, M., Ralston, L., Crommelin, L., Goodall, Z., Parkinson, S. and O'Brien Webb, E. (2022) *Regulation of residential tenancies and impacts on investment*, AHURI Final Report No. 391, Australian Housing and Urban Research Institute Limited, Melbourne.

[11] 'Reduce or Avoid Capital Gains Tax (CGT) on Property in Australia', AusFirst Lending Group Blog (website), https://ausfirstlending.com.au/blog/reduce-avoid-cgt-property-australia/ [accessed 19/12/2025].

crowding out investment in more productive assets.[12] This misallocation of capital is inefficient, suppresses productivity growth and undermines long-term economic resilience.[13]

When combined with negative gearing, which allows losses to be deducted against other income, the CGT discount rewards investment strategies that prioritise capital appreciation over income generation. As a result, capital is diverted away from productive investment into land and existing housing, which does not increase the economy's productive capacity, leaving less capital available for investment in activities that generate jobs, innovation and higher living standards.

Household debt and economic risk

Australia's unusually high levels of household debt are closely linked to the long-standing tax treatment of housing. Australia now has one of the highest levels of household debt in the world, with gross household debt around 1.8 times income and among the highest globally.[14,15] Household debt has doubled since the mid-1990s, rising from around 100 per cent to more than 200 per cent of household disposable income.[16] The overwhelming majority of this debt is housing-related. While financial liberalisation has made credit more accessible, housing tax concessions have played a central role in encouraging highly leveraged property investment, inflating house prices and driving households to take on ever-larger mortgages to access housing or investment returns.[17]

The CGT discount, combined with negative gearing, has reinforced a debt-fuelled housing market by rewarding leveraged investment strategies. Investors are incentivised to borrow heavily, absorb short-term losses, and rely on discounted capital gains for profitability. This dynamic bids up land and dwelling prices, forcing both investors and owner-occupiers to take on larger debts relative to income. As a result, Australia has developed a housing system characterised by high asset values but also exceptionally high leverage. While many highly indebted households currently have relatively high incomes and wealth, this does not eliminate risk; rather, it concentrates vulnerability within a system that is heavily exposed to housing and property cycles.[18]

High household debt increases financial stress and vulnerability, particularly during economic downturns or periods of rising interest rates. Heavily indebted households are more sensitive to shocks such as job losses, income reductions, or interest rate increases, as a greater share of income is diverted to debt servicing. This 'cash-flow channel' reduces households' ability to smooth consumption, leading to cutbacks in discretionary spending that can amplify economic slowdowns and increase the impacts of recession. Increasing numbers of households are pushed towards a 'hand-to-mouth' position, with limited financial buffers and

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[12] Davidson & Hall, (2025), *Homes for living, not wealth creation*.

[13] Varela, P, Breunig, R, and Sobeck, K, (2020), *The Taxation of savings in Australia: Theory, current practice and future policy directions*, Tax and Transfer Policy Institute (TTPI) Policy Report No. 01-2020, Canberra.

[14] Davidson & Hall, (2025), *Homes for living, not wealth creation*.

[15] D'Rosario, M, (2025), 'Economic shock resilience: the wealthy hand to mouth effect', Per Capita Blog (online) [accessed 22/12/2025].

[16] Davidson & Hall, (2025), *Homes for living, not wealth creation*.

[17] Ryan-Collins, J, & Murray, C, (2023), When homes earn more than jobs: the rentierization of the Australian housing market, *Housing Studies* 38(10):1888–1917.

[18] D'Rosario, M, (2025), 'Economic shock resilience'.

reduced resilience to shocks.[19] In this context, housing tax settings that promote leverage materially increase the social and economic costs of downturns.

At the macroeconomic level, Australia's reliance on property-backed household debt undermines economic resilience and creates systemic risk and instability. High and concentrated mortgage debt exposes the economy to housing market corrections and raises the risk that a significant shock could translate into widespread defaults, with flow-on effects for banks and financial markets. Although strong bank capitalisation and prudential regulation have so far mitigated the risk of an acute financial crisis, regulators such as the Reserve Bank of Australia and Australian Prudential Regulation Authority (APRA) consistently identify household indebtedness as a key vulnerability.[20,21] Government policies that incentivise property investment through debt leave households and the broader economy carrying far more risk than in most comparable advanced economies. Reforming the CGT discount is therefore not only a housing affordability measure, but a necessary step to reduce excessive leverage, strengthen household balance sheets, and improve Australia's long-term economic stability and resilience.

Revenue foregone and the failure to invest in social housing *(terms of reference d, g)*

Tax settings and housing inequality are inseparable because they shape both the distribution of wealth and the capacity of governments to respond to its consequences. Concessions such as the CGT discount and negative gearing not only amplify the accumulation of housing wealth for those with existing capital and borrowing capacity, but also erode the revenue base needed to invest in social housing and the essential services that mitigate inequality. The foregone revenue from these concessions contributes to persistent structural deficits, narrowing fiscal space, and entrenching chronic underinvestment in social housing even as need grows. This creates a self-reinforcing cycle: tax settings inflate housing wealth and prices at the top, widen inequality and compound cost pressures at the bottom, and then constrain governments' ability to fund the very interventions required to offset rising housing stress, homelessness, and intergenerational disadvantage.

A major drain on public revenue

Property investor tax concessions cost the Commonwealth tens of billions of dollars of foregone revenue each year. In 2024-25 alone, the CGT discount and negative gearing concessions cost over $30 billion, with nearly half of this foregone revenue specifically linked to tax breaks on residential properties.[22,23]

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[19] D'Rosario, M, (2025), 'Economic shock resilience'.

[20] APRA, (2025), *System Risk Outlook: APRA's lens on risks and vulnerabilities in the Australian financial system*, November 2025.

[21] Kearns, J, Major, M, & Norman, D, (2020), *How Risky is Australian Household Debt?*, RBA Research Discussion Papers RPD 2020-05, Reserve Bank of Australia.

[22] Treasury (Australian Government), (2025), *2025-26 Tax Expenditures and Insights Statement*, Australian Government, Canberra.

[23] Parliamentary Budget Office (PBO), (2024), *Request for budget analysis: Cost of Negative Gearing and Capital Gains Tax Discount*, PBO reference PR-2024-1110, PBO.

The revenue forgone to housing tax concessions dwarfs the Federal Government's total direct expenditure on all other forms of housing support, including social housing and Commonwealth Rent Assistance. Analysis by Per Capita shows a profound shift in who benefits from federal housing spending, with the share flowing to the lowest 20 per cent of income earners falling from 44 per cent in 1993 to just 23 per cent in 2023, while the share captured by the highest 20 per cent rose from 9 per cent to 43 per cent – and with an increase of more than one third in the past decade alone.[24] The CGT discount and negative gearing have been central to this redistribution, with the share of total federal housing expenditure going to property investors increasing from 16.5 per cent in 1993-94 to 61.4 per cent in 2021-22.[25] In each year from 2021–22 to 2023–24, the annual revenue foregone through tax concessions for investment properties exceeded the Commonwealth's total direct spending on housing, including both social housing and rent assistance.[26]

The urgent need to scale up social housing investment

Resolving the current housing crisis requires bold and far-reaching government intervention, and key to this is investment in social housing. Reforming the CGT discount and negative gearing would unlock a significant source of revenue that could fund the investment required to address Australia's unmet social housing need. Investment in social housing at scale – supported by an adequate and sustainable revenue base – is essential if rising housing inequality and growing homelessness are to be meaningfully reduced. ACT Shelter has long argued that a major expansion of social housing is fundamental to improving outcomes for low-income households and to reversing widening housing-related disadvantage.

The scale of the challenge is well established. Analysis of Census data shows that at least 47,000 additional social and affordable homes are required each year to meet the needs of households in the bottom two income quintiles.[27] Meeting this need would require combined government investment of $19 to $29 billion annually over the next 20 years. Yet despite recent Commonwealth initiatives, overall investment remains far short of what is required. Social housing continues to decline as a share of total housing stock, even as demand accelerates.

While state and territory governments, including the ACT Government, must do more to prioritise social housing, the structural reality of Australia's vertical fiscal imbalance means they cannot meet this challenge alone. Scaling up social housing to the level required will depend on substantially increased and ongoing Commonwealth funding, in addition to funding to maintain existing dwellings. Direct public investment is therefore indispensable, and this, in turn, requires a sufficient and reliable revenue base. Reforming the CGT discount and negative gearing offers a clear, credible and equitable pathway to fund long-term growth in social housing and to begin closing Australia's widening housing gap.

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[24] Lloyd-Cape, M, McKenzie, M, & Dawson, E, (2024), *On Whose Account? Government Spending on Housing*, Centre for Equitable Housing, Per Capita.

[25] Lloyd-Cape, et al., (2024), *On Whose Account?*.

[26] Davidson & Hall, (2025), *Homes for living, not wealth creation*.

[27] van den Nouwelar, R, Troy, L, & Soundararaj, B, (2022), *Quantifying Australia's unmet housing need: a national snapshot*. Available: https://tinyurl.com/8rcbdrws

Policy recommendations

ACT Shelter's submission focuses primarily on the operation of the CGT discount as it applies to housing. However, we emphasise that reform of the CGT discount must be considered alongside changes to negative gearing arrangements. We also recognise consideration should be given to broader tax concessions and potential avenues for tax minimisation in order to maximise the effectiveness and integrity of reform.

To these ends, we support ACOSS's recommendations to ensure consistent and equitable income tax treatment of capital gains across personal investments and superannuation funds. Without these complementary reforms, there is a risk investors will shift speculative activity into superannuation to exploit its more generous tax treatment, undermining both the revenue gains and the equity objectives of reforms to the CGT discount.

Recommendation 1: Reduce the CGT discount

Reduce the exemption of 50% of capital gains from CGT for investment in appreciating assets (including rental housing) to 25% over five years, phased in at 5% per year.

Recommendation 2: Restrict negative gearing

Quarantine tax deductions on investment expenses so that they can only be offset against income from the same class of investments. This should apply immediately to new investments, with existing arrangements phased out over five years.

Recommendation 3: Review the principal place of residence exemption

Review current CGT exemptions for the principal place of residence to ensure they align with equity, efficiency and housing system objectives.

Recommendation 4: Reinvest revenue into social housing

Redirect revenue recovered through reform of the CGT discount and negative gearing to social housing investment, providing a stable and sustainable funding stream to increase social housing as a proportion of total housing stock across Australia.

Conclusion

Australia's housing crisis is not an accident of the market; it is the predictable outcome of policy choices that have privileged speculation over shelter, wealth accumulation over equity, and tax concessions over public investment. As this submission has shown, the CGT discount, in combination with negative gearing, has distorted investment, inflated housing prices, entrenched inequality, increased household debt and financial risk, and hollowed out the revenue base needed to fund social housing and essential services. These settings have transformed housing from a basic human need into a tax-advantaged vehicle for wealth extraction, leaving renters, low-income households, younger generations and future Australians to bear the costs.

Reforming the CGT discount is therefore not a marginal or technical adjustment, but rather an essential structural reform to realign Australia's tax and housing systems with fairness, efficiency and long-term economic resilience. Done carefully and in concert with changes to negative gearing, reform would moderate speculative demand, reduce excessive leverage, improve housing affordability, and restore a vital revenue stream that can be reinvested in social and affordable housing at the scale required. It would help rebalance incentives away from unproductive asset inflation and towards secure housing, productive investment and shared prosperity.

The choice before the Committee is clear. The evidence is substantial, the costs of inaction are mounting, and the case for reform is compelling. Maintaining the status quo will lock in deeper inequality, greater financial vulnerability and ongoing underinvestment in social housing. ACT Shelter urges the Committee to recommend principled reform that rebalances incentives away from speculation and toward housing security, equity and productive investment, and that ultimately supports a fairer society and a more resilient economy.