5 June 2026

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600
Via e-mail: economics.sen@aph.gov.au

Dear Committee Secretary,

Re: SUBMISSION TO SENATE ECONOMICS LEGISLATION COMMITTEE INQUIRY INTO THE TREASURY LAWS AMENDMENT (TAX REFORM NO. 1) BILL 2026 AND INCOME TAX RATES AMENDMENT (TAX REFORM NO. 1) BILL 2026

National Shelter welcomes the opportunity to provide this submission and strongly supports the proposed reforms to negative gearing and the Capital Gains Tax (CGT) discount.

Australia is facing a severe housing affordability crisis. Rents remain high due to multiple factors, including a chronic undersupply of new housing, while homelessness services are under increasing pressure. Too many households are unable to access safe, secure and affordable housing. Current tax settings, particularly the interaction of the CGT discount and negative gearing, have contributed to these outcomes by encouraging speculative investment in existing housing rather than supporting new supply or more productive investment.

Evidence from the Parliamentary Budget Office, the Australian Taxation Office and recent parliamentary inquiries demonstrates that these concessions disproportionately benefit higher-income and higher-wealth households, widening inequality and undermining intergenerational equity. The majority of CGT discount benefits flow to the wealthiest Australians, while younger and lower-income households face increasing barriers to home ownership.

The current 50 per cent CGT discount, introduced in 1999 to replace indexation for inflation, is overly generous and does not accurately reflect real gains. In combination with negative gearing, it incentivises investors to accept short-term losses in exchange for lightly taxed capital gains, contributing to higher house prices, increased household debt and the diversion of capital away from more productive sectors of the economy. These benefits are also highly concentrated. An analysis of ATO data (2022–23), including Parliamentary Budget Office modelling, shows that the top 10 per cent of income earners receive more than 80 per cent of CGT discount benefits, with more than half accruing to the top 1 per cent.

Reform is therefore necessary to improve fairness and achieve more sustainable housing outcomes. The proposed changes will rebalance incentives away from speculative investment, moderate house price pressures over time, and improve access to home ownership. They will also strengthen the integrity of the tax system and support broader economic productivity by directing investment toward more productive assets and new housing supply.

A range of independent modelling (including Grattan Institute and e61) suggests that the reforms would have a modest but meaningful impact on house prices, generally in the low single digits, while generating additional public revenue that could be reinvested in housing supply and affordability measures.

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Treasury modelling also indicates that these reforms would increase owner-occupation, with around 75,000 additional owner-occupiers projected over the next decade.

National Shelter recognises that the Government's proposed approach differs from earlier reform models we have supported, including more direct reductions to the CGT discount. However, we strongly support the design of the current legislation as a practical and well-targeted reform that begins to unwind the structural bias in Australia's tax system toward speculative investment in existing housing. Importantly, it retains more favourable treatment for investment in new housing supply, drawing a clearer distinction between investment that adds to supply and investment that competes with first home buyers for existing stock. This represents an essential shift toward a more balanced and effective housing system, consistent with National Shelter's core priorities.

We acknowledge concerns about potential impacts on rentals. However, evidence indicates that rents are primarily driven by broader market conditions, particularly supply constraints, vacancy rates and interest rates, rather than tax settings alone. Independent analysis and Reserve Bank research suggest that reforms of this kind are likely to have only a modest impact on rents relative to these broader factors. The reforms should therefore be understood as a long-term structural change to improve fairness and balance in the housing system, rather than a significant driver of rental costs.

Tax reform alone will not resolve Australia's housing crisis, but it is a critical component of a comprehensive response that must also include increased supply, stronger rental standards, and sustained investment in public, social and affordable housing.

While the immediate impacts of these changes are likely to be measured, they send an important market signal. Over time, they will reduce demand pressures in established markets, make housing more affordable, and support a more sustainable and secure pathway to home ownership.

For these reasons, National Shelter considers the Government's proposal to be an important and credible step toward long-term housing system reform and strongly supports the passage of the Bills.

National Shelter would welcome the opportunity to participate in the hearings process and provide further evidence to assist the Committee. We can be contacted at the details below.

Yours sincerely,

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Encl: National Shelter Submission to Parliamentary Inquiry into the Operation of the Capital Gains Tax Discount (March 2026)

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