



Budget tax reform a turning point for housing, but next steps critical to fix the system

The Federal Government's move to reform Capital Gains Tax (CGT) and negative gearing settings marks the most significant shift in Australian housing policy in a generation, but without broader reform the system will remain broken.

In the budget, the Federal Government announced it will replace the 50 per cent Capital Gains Tax (CGT) discount with a discount based on inflation and introduce a minimum 30 per cent tax on gains from 1 July 2027, restoring the original intent of the CGT arrangements. The CGT reforms will only apply to gains arising after 1 July 2027.

The Government will also limit negative gearing to new builds from 1 July 2027, to focus tax support on new supply. Overall, these measures will raise circa \$3.5 billion over the budget and forward estimates.

"Targeted reform to negative gearing and the CGT discount, is a measured and practical way forward," CEO of National Shelter Jackson Hills said.

"It respects existing investment decisions, avoids unnecessary market disruption, and starts to unwind tax settings that have long skewed housing outcomes, disproportionately impacting low-moderate households.

"This budget begins to rebalance the system back towards first home buyers, renters and the delivery of new homes that the country desperately needs.

"Importantly, it shifts policy in the direction National Shelter has consistently called for - reducing speculative incentives, improving fairness in the system, and better aligning investment with new housing supply. That said, its effectiveness will ultimately depend on sustained, long-term investment in social and affordable housing to ensure the housing system works for everyone."

These tax changes build on important steps already taken by the Government, including the Housing Australia Future Fund and investments in enabling infrastructure to unlock new housing supply.

National Shelter has consistently called for a fairer, more effective housing tax framework that:

- Encourages investment in new supply rather than existing dwellings
- Improves affordability and access for renters and first home buyers
- Supports a more balanced and sustainable housing system.

"This tax reform is the right thing to do. Curbing the CGT discount and negative gearing helps tilt the playing field back toward people trying to buy their first home, and away from speculation on existing housing stock," Mr Hills said.

"This reform took political courage and deserves recognition. But we need to be clear that this alone will not address the scale of Australia's housing crisis because we face a severe shortage of hundreds of thousands of social and affordable homes."



Australia faces a structural housing shortfall that tax reform alone will not resolve. The country is projected to be short around 640,000 social and affordable homes by 2041, with more than 122,000 people already experiencing or at risk of homelessness and over half of low-income renters in housing stress. Without significant additional action, these pressures will continue to intensify.

Reform must also respond to those most affected by the housing crisis, including First Nations communities, women and children escaping violence, younger and older Australians, and people with disability, who face disproportionately high risks of housing stress and homelessness.

The following housing related measures announced in this budget, should also be acknowledged:

- \$2 billion for local housing infrastructure to support up to 65,000 new homes
- \$59.4 million to support secure housing for over 4,000 young people at risk of homelessness
- Extending the ban on foreign buyers purchasing established homes until mid-2029
- A further \$100 million from the Housing Australia Future Fund (HAFF) to improve the quality of housing for First Nations Australians in remote communities
- Action to simplify building regulations by providing free access to all standards referenced in Australian legislation.

To realise the full benefit of these foundational and intergenerational steps, the Government should seek to further strengthen the National Housing Accord and use the momentum of this budget to take the next critical steps in what is a shared national housing challenge, including:

- Modernising APRA's mandate to lean against excessive house price growth
- Legislating the National Housing and Homelessness Plan with clear targets and public reporting that are also linked to a strengthened National Agreement on Social Housing and Homelessness (NASHH) with the state and territory governments
- Expanding the HAFF beyond Round 3 to deliver a significant expansion of public, social and affordable housing to meet unmet needs
- Lifting Commonwealth Rent Assistance by 60%, improving rental affordability and implementing stronger renter protections, and reviewing it to ensure it is getting to those who need it most
- Better integrating housing with enabling infrastructure, transport and services
- Establishing a National Supportive Housing Framework to reduce chronic homelessness
- Investing in workforce capacity and modern construction methods to accelerate housing delivery.

"This budget presents an opportunity to take meaningful steps toward a fairer housing system, but the next steps are what will determine whether this tax reform becomes a genuine fix," Mr Hills said.

"We look forward to working with the government to ensure this reform, and any future changes deliver lasting benefits for Australians who struggle to find and keep a home."



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