

MEDIA RELEASE

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Reforming the CGT Discount must be now treated as a core lever within a broader, coordinated housing reform agenda

The Senate Select Committee report on the Capital Gains Tax (CGT) Discount has landed this week, and its conclusions are clear.

After receiving almost 100 submissions and holding public hearings across the country, the committee found that the current design of the CGT Discount is no longer fit for purpose.

Rather than supporting productive investment, it distorts economic decision-making and contributes to some of Australia's most persistent housing challenges.

The report finds that the CGT Discount provides concessional treatment because investment profits are taxed at a lower rate than wages, thereby rewarding tax minimisation strategies and speculative investment behaviour.

A significant share of discounted capital gains now comes from existing housing stock, drawing capital away from business investment and productivity growth.

In combination with negative gearing, these tax settings have reshaped the housing market itself. The committee heard evidence that they have shifted ownership away from owner occupiers and towards investors, with consequences for house prices, rental stress and housing security.

Importantly, the committee notes that the benefits of the CGT Discount are not evenly shared. Higher income earners, older Australians and men receive a disproportionate share, reinforcing income, wealth and intergenerational inequality.

Across the committee's report, several themes are consistent.

- Tax policy is clearly influencing where investment flows in the economy
- Housing outcomes are not accidental; they are shaped by deliberate policy choices
- The current system rewards asset accumulation over work, productivity and access to secure housing.

National Shelter, a peak housing body, also made a submission to the inquiry and appeared at the public hearings held in Sydney last month.

Rather than defending the status quo, the committee has outlined a clear set of reform options.

- Reducing or halving the CGT Discount
- Abolishing it altogether and returning to inflation indexation
- Treating housing differently from other assets
- Reforming negative gearing
- Removing access to the discount through trusts
- Considering broader tax reform so that savings and investment are taxed more consistently across the system.

The report also recognises the importance of fair and well-designed transition arrangements.

Reducing the CGT Discount would unlock significant public revenue that could be redirected into measures that directly address the housing crisis. Reinvesting these savings in social and affordable housing, through national mechanisms such as the Housing Australia Future Fund, or targeted funding to states and territories, would help expand supply and deliver real housing outcomes for people currently in housing insecurity.

The bottom line is clear: tax policy is housing policy. If Australia is serious about improving housing affordability, reducing inequality and lifting productivity, reforming the capital gains tax discount must now be treated as a core lever within a broader, coordinated housing reform agenda.

National Shelter looks forward to the Commonwealth Government's careful consideration of the committee's findings and recommendations, and to engaging further with policymakers on a proposed reform framework.

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