

Friday, 19 December 2025



Committee Secretary
Select Committee on the Operation
of the Capital Gains Tax Discount

by online portal or by email to **CGTD.Sen@aph.gov.au**

Dear Senator Nick McKim and fellow Committee members

Inquiry into the Operation of the Capital Gains Tax Discount

The Abundant Housing Network Australia supports the Committee's move to reduce the Capital Gains Tax discount.

We urge the Commonwealth Government to follow the evidence and reduce the discount rate.¹ There are strong merits to reforming the capital gains discount on tax and budget policy grounds.

However, we caution that changes to current CGT settings will not make a meaningful difference to housing affordability. The evidence for affordability impacts of the capital gains tax discount is weak. Changes to the tax system should be considered a matter of tax policy alone. They do not and will not constitute a meaningful housing policy.

Research suggests that the affordability benefits, in terms of house prices, are minimal, with estimates suggesting a less than 1% reduction, representing a reduction between around \$26,000 to \$44,000 across our capital cities.²

While not nothing, it is dwarfed by the costs of other housing policies—namely the housing scarcity induced by urban planning and zoning regulations.

While CGT reform may reduce house prices by less than 1%, loosening restrictive land-use regulations could reduce rents and house prices by up to 7% after five years, and 12% after ten.³

Recent work by the Grattan Institute conducted feasibility modelling to determine the "excess profits" enabled by allowing up to 12-storeys across all residential land in Melbourne and Sydney.⁴

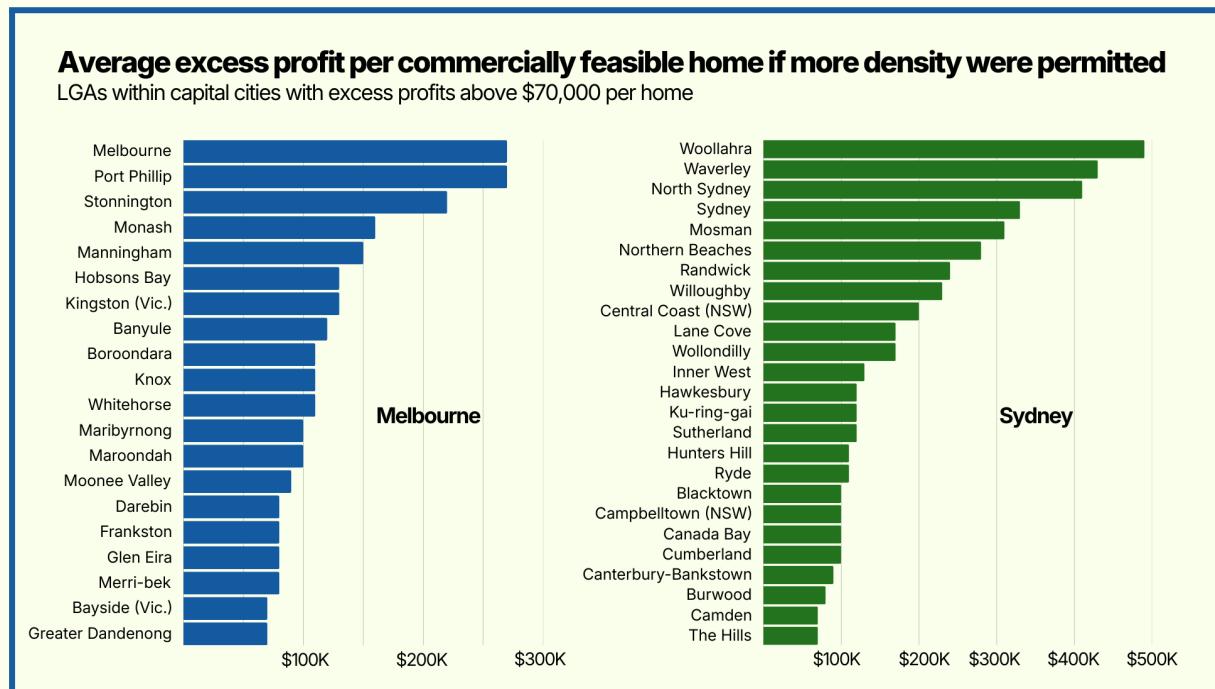
¹ Commonwealth of Australia (2010), [Australia's future tax system review](#), Australian Government; John Daley and Danielle Wood (2016), [Hot property: Negative gearing and capital gains tax reform](#), Grattan Institute

² John Daley and Brendan Coates (2018), [Housing affordability: re-imagining the Australian dream](#), Grattan Institute

³ Brendan Coates et al. (ibid)

⁴ Brendan Coates et al. (2025), [More homes, better cities: Letting more people live where they want](#), Grattan Institute

Even under the constraints of historically high construction costs and interest rates, Grattan's work demonstrates a high degree of unmet housing demand caused by restrictive land use regulations.⁵



Adopting Grattan's recommended land use regulation reforms would be estimated to reduce rents and house prices by 12 per cent after ten years.⁶ This is more than twelve times more effective than CGT reform.

Lowering the CGT discount will likely reduce house prices and make homeownership more accessible to the marginal first homeowner. However, these changes will do next to nothing to assist Australians for whom homeownership is far out of reach, and who will be renting for the foreseeable future. It is important to acknowledge that the Australians struggling the most will always be renters.

With this in mind, it becomes clear that the impact of supply-side reform is not only larger, but specifically will have a stronger positive impact on renters and those on lower incomes, as well as those in insecure or precarious housing situations, or who may be vulnerable in other ways.

With credible evidence that reforms to the capital gains tax discount would actually decrease supply, by depressing private homebuilding by up to 10,000 homes over the next five years, CGT reform in isolation would marginally *increase* rents in the private market.⁷

⁵ As per Grattan: "The gap between what people would be willing to pay to put apartments on a block of land and the current price of that land for each additional apartment is an effective measure of how much planning controls are restricting housing on a given site"

⁶ Brendan Coates et al. (ibid)

⁷ Aruna Sathanapally et al. (2025), *Orange Book 2025: Policy priorities for the federal government*, Grattan Institute

In our view, measures that improve the affordability of homebuying for middle- to high-income families at the cost of increasing housing pressure on low-income renters is unacceptable without additional measures to boost private rental supply or significantly increase and expand access to Commonwealth Rent Assistance.

We therefore urge the Committee to view CGT reform primarily as a tax policy, rather than a housing affordability measure. Changes to tax arrangements are not an anti-poverty measure, and evidence suggests that—if poorly calibrated or done in isolation—such changes may instead exacerbate housing stress and pressures on our nation's most vulnerable.

Should changes be made, we recommend that any increased Commonwealth revenue derived from these tax changes to the sale of private housing be hypothecated to measures that will directly increase housing supply in both the market and non-market sectors.

Namely, we recommend three measures we proposed in our pre-election *Brick Book*. These shovel-ready housing policies would boost housing supply of all types and tenures, public, private and commons⁸:

1. **Fund a revitalised National Competition Policy** that incentivises states to remove zoning barriers and enact a 'National Townhouse Accord',
2. **Fund the construction of more public housing**, and
3. Raise the maximum payable rate of **Commonwealth Rent Assistance by at least 40%**.

This approach ensures that tax and planning systems work together to deliver genuine housing abundance.

We have attached a copy of the *Brick Book* and we welcome the opportunity to discuss these matters further.

Yours sincerely,

Jonathan O'Brien

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⁸ Abundant Housing Association Australia (2025), [*The Brick Book: A national resource document for residential development policy*](#) (policy paper)