



Operation of the Capital Gains Tax Discount

AMWU Submission

Operation of the Capital Gains Tax Discount

AMWU Submission

Note: While the Capital Gains Tax (CGT) discount applies to all gains attributable to the buying and selling of assets, this submission considers exclusively the impact of the CGT discount in relation to housing. All references to the impact of CGT and the CGT discount should be interpreted as such.

The Australian Manufacturing Workers' Union (AMWU) is 60,000 members strong, and we live and work in every region and city of the country. We build, maintain, and repair in a diverse range of industries and sectors including rail, ships, aerospace, food processing, print and packaging, mining and energy production.

The AMWU welcomes the opportunity to provide a submission to the Select Committee on the Operation of the Capital Gains Tax Discount.

Introduction

The right to housing is as fundamental as the right to clean water and fresh air. A safe, secure, and stable place to live is important to a high quality of life. A house that you own provides privacy, autonomy, and a sense of belonging. It creates more than just shelter. People should be able to live near where they work and should not have to give up access to essential services in the name of affordability. This drives social participation and cohesion, and community development. Unaffordable housing contributes to social upheaval and exacerbates the divide between those who own and those who do not.

Successive housing policies have either focused entirely on increasing supply and the deregulation of zoning and planning requirements or have acted as demand boosters (the first homeowners grants, 5% deposit scheme, etc.). Supply side interventions increase inequality between people who own their house outright and first homebuyers, because new housing construction typically occurs before investment in essential services like education, hospitals, public transport. In addition, the far-right uses unaffordable housing to drive an anti-migration agenda in Australia, further undermining social cohesion.

We must reframe how we speak and think about housing. Too often the focus is on housing as a means of wealth creation rather than as a safe place to call home. The commodification of houses into a vehicle for accumulating and hoarding wealth has exacerbated inequality and allowed property developers, real estate agents, and investors to profit from denying working people the dignity of home ownership.

It is harder than ever to own your own home, and it is even harder for first homebuyers to enter the market. On average, a house today costs 8 times the average gross annual household income. This ratio continues to grow. Twenty years ago, the ratio was only 6. The income required to afford the rent on a median home in capital cities in Australia is over \$100,000. The median annual income in Australia is about \$88,000 (Stephen Clarke 2025).

The economic and social opportunity of home ownership is slipping out of reach for most workers. In fact, without substantial and real changes to our mindset and to policy, a whole generation is going to miss out.

Recommendations

Markets have a supply side and demand side, and neglecting the demand side has led to inappropriate and ineffective policy decisions. In particular, the combination of a generous negative gearing scheme with the CGT discount has distorted the housing market in favour of wealthy and speculative investors. As such we would recommend the following reforms:

- Removal of the CGT discount on investment properties, grandfathered in over a two-year period. This would signal to the market that housing is not an asset to be used for wealth accumulation.
- Eliminate the ability to apply investment losses (i.e. negative geared properties) against wage income tax.
- Invest in the development of a modular housing industry, creating high quality jobs and boosting Australia's productivity.
- Abolition of government-backed low deposit financing in favour of a rent-to-buy scheme which allows individuals to put a portion of their rent towards a deposit.
- Expansion of the provision of public housing by the public sector.
- Exclude losses accrued on vacant homes and dwellings for tax deductions and levy an additional vacancy tax on homes which are vacant for extended periods.

Response to Terms of Reference

Terms of Reference (a) and (d): Distributional and Equality Impacts of the CGT Discount

Arguments about whether the CGT and CGT discount are regressive or progressive taxes are pointless and serve as a distraction from the impact of the commodification of housing.

While the CGT could be considered a progressive tax because high income earners are substantially more likely to report income from capital gains, the discount itself could be considered a regressive tax. The amount of CGT collected as revenue is less than 10% of income tax collected, meaning the distributional effect is minor.

However, focusing only on the tax collected at the point of value realisation (upon sale of an asset) fails to consider the impact on inequality that is caused through the CGT discount encouraging housing to be used as a tool for wealth accumulation. Combined with a negative gearing regime which permits investors to reduce their personal income, and thereby reducing their tax obligation, on any deductible expense related to an investment property, investment decisions related to housing in Australia are significantly distorted, which makes house prices more volatile, and reduces home ownership (Grattan Institute 2016).

The distortion in the housing market favours investors and speculators. This is the mechanism by which the CGT discount impacts inequality in Australia. Because of this distortion, the ability to purchase a house is increasingly out of reach for Australians. In fact, the rate of home ownership in Australia peaked in the 1970s and has been in decline since and since the early 2000s (Ryan-Collins and Murray 2023). Despite the obvious distortion on the demand side of the market, commentary about the affordability crisis in Australia's housing market only focuses on supply side solutions, including liberalisation of planning regulations (Phibbs and Gurran 2021).

As property and housing wealth increases, the divide between those who own their own home and those who do not increases. A household able to save 15% of their annual gross income would have to save for more than 10 years just to afford a deposit to buy the median house at today's prices. With rising rents, and further price increases fuelled by homeowners using their equity to seek additional finance, those who are unable to enter the market face significant barriers.

For lower income households, the situation is even worse. According to the Anglicare 2025 Rental Affordability Snapshot, which surveyed over 51,000 rental listings across Australia found that only 352, or 0.7% were affordable for a person earning a full-time minimum wage (Anglicare Australia 2025). This is unacceptable and unsustainable.

The commodification of housing also provides cover for the State to withdraw from providing a social safety net. Austerity and cuts to public welfare under neoliberalism increases the risks of future poverty, which individuals hedge against by investing in property. This leads to the erosion of a universal safety net in favour of an extremely unequal asset-based approach (Doling and Ronald 2010; Kemeny 2005; Ronald, Lennartz, and Kadi 2017; Watson 2010). Home ownership is increasingly the most important determination of life outcomes. Of the 23% of retirees currently living in poverty - 2 out of 3 do not own their own home.

The 50% discount on the CGT has significantly overcompensated property investors relative to inflation. The CGT discount was introduced in 1999. House prices have grown by an average 7.3% per year between 1999 and 2015 (Grattan Institute 2016), and by 8.6% between 2015 and 2025 (Australian Bureau of Statistics 2025). In the same period, inflation averaged 2.8%.

Summary

The CGT discount overcompensates property investors relative to inflation, and its benefits flow primarily to high-income earners. More importantly, the CGT discount, in conjunction with generous negative gearing, distorting the market in favour of investors and speculators and shifts behaviour towards treating housing as an asset. The commodification of housing drives inequality between those who own their home and those who do not.

Recommendation 1: The CGT discount on investment properties should be immediately reduced and then phased out over a two-year period.

Recommendation 2: Losses accrued through housing investment should be quarantined and not applicable towards reducing tax paid on wage income.

Terms of Reference (b) and (c): Productivity and Allocation of Capital

Housing in Australia has increasingly been seen as a source of rent extraction and wealth accumulation, rather than a source of shelter and security (Ryan-Collins and Murray 2023). This is the manifestation of changes in government policy, market expectations, and household behaviour - all which impact on the demand for housing, irrespective of supply. The economic returns to housing have become a dominant source of income in Australia. Between 1960 and 1980, the average annual value gain of housing was 9.3% of GDP, which has increased to over 24% in the period since 2000 (Ryan-Collins and Murray

2023). In 16 out of 29 quarters prior to June 2019, the median Sydney home earned more than the median full-time worker.

This shifting mindset towards housing as a tool of capital accumulation results in significant speculative action in the housing market. Homeowners, financial actors, and the Government each have a vested interest in the continued increase of house prices.

Homeowners, and those with a mortgage, want property values to increase to capture the economic rents accruing through beneficial tax arrangements on the primary residence - such as exclusion from the CGT, poor administration of property taxes through infrequent valuations, and no imputed rent tax.

For investors and landlords, the interest in increasing house prices is obvious. It provides more equity to finance additional purchases, and because the CGT is only paid on sale, reduces the effective tax paid the longer an asset is held. This not only impacts purchasing but also selling decisions. Investors, especially those in the highest income tax bracket, can realise a significant windfall by deferring the sale of assets until retirement, such that their capital gain is taxed on a lower income tax bracket. This has the further impact of locking in assets and reducing capital mobility.

Financial actors such as banks and lenders also want property values to increase, for home loans to be a higher and longer commitment, **and** for home ownership to be the dominant form of tenure (as opposed to renting) to increase the demand for mortgage credit, and the profits generated from interest payments.

Finally, the Government gets drawn in as home ownership and property values become vote winners (or losers)

Land is an inherently scarce factor of production. Landowners have a natural monopoly and so can absorb an increasing proportion of economic surplus as economies grow. The capture of this surplus reduces the available surplus for capital investment necessary for economic growth. Capital shallowing - a reduction in the amount of capital per unit of labour input is contributing to Australia's slowing productivity growth as shown in Figure 1.

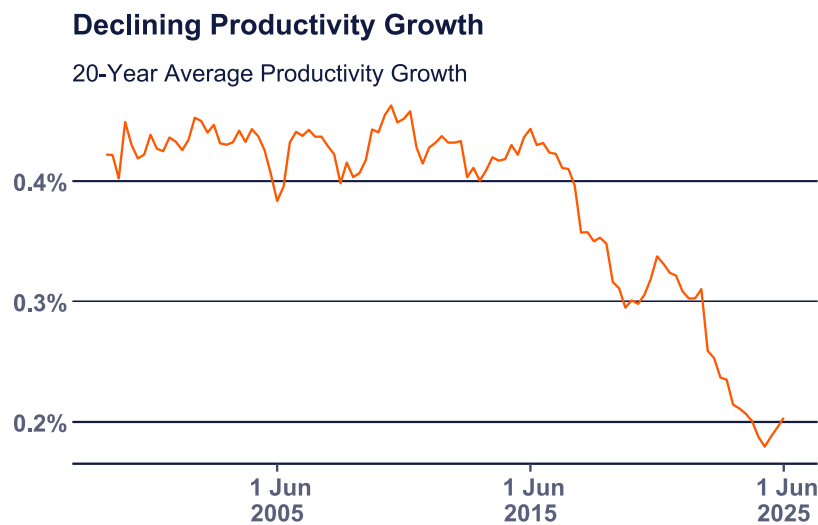


Figure 1: 20-year average productivity growth, Australia

Capital investment into housing means there is less capital available to invest in more productive sectors of Australia’s economy. Figure 2 shows that productivity growth in the Construction industry has been slower than the Australian average since 2000. The allocation of labour into residential construction also reduces the availability of labour to undertake important capital works projects.

Finally, it is worth considering the opportunity cost of tax foregone through the CGT discount. A conservative reduction of the CGT discount to 25% would raise about \$6.5 billion per year.

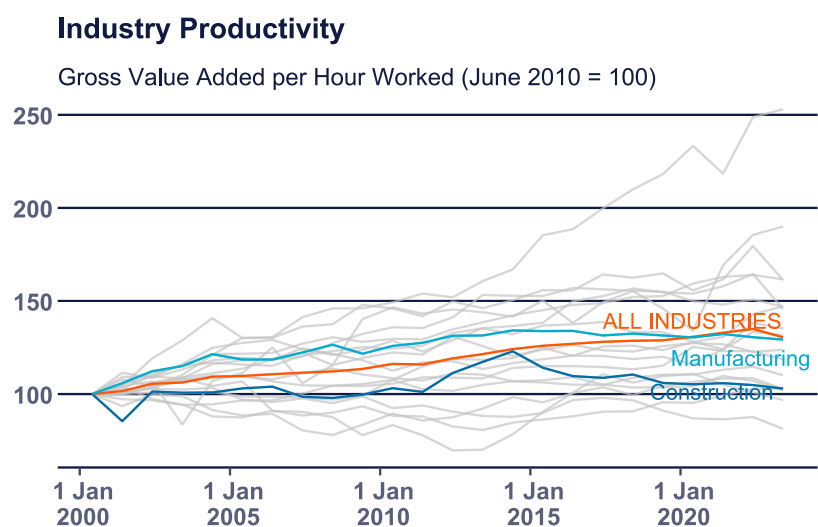


Figure 2: Gross Value Added per hour worked, select industries

House construction is undertaken by profit maximisers who seek to minimise their costs by cutting quality and subcontract and atomise the supply of labour as much as possible. This environment hinders unionisation - negatively impacting on job quality, safety, and pay.

This compares with local elements of the housing supply chain, including the manufacture of frames, windows, doors and gyprock, which are undertaken in largely unionised shops.

Building scale in the housing industry requires a re-think of how we build houses. Instead of on-site construction, manufacturing modular housing in factories represents a significant opportunity including:

- Increased quality of new builds,
- Improved building standards, through testing of energy efficiency standards, reducing the costs to heat and cool homes,
- reduced costs
- Allowing housing to be adaptable to personal circumstances
- Improve conditions for workers, through unionisation, including providing a real opportunity for quality apprenticeships, and development of skills, and minimising on site risks
- Build industry capability and provide a new market for the existing local supply chain.

Summary

A tax regime which encourages investment in a non-productive industry like housing construction crowds out both labour and capital from more productive sectors of the economy, such as manufacturing, which is necessary to deliver the de-carbonisation agenda.

Recommendation 3: Redirect public money saved from the abolition of the CGT discount and negative gearing towards the development of a modular fabrication industry for housing.

Terms of Reference (f) and (g): Purpose and Fit for Use

The CGT was introduced in 1985 in response to the rapid house price inflation of the 1970s. When introduced, real capital gains (i.e. adjusted for inflation) were taxed at the same level as the taxpayer's marginal income tax rate. The inflation indexation was removed in 1999 in favour of taxing nominal capital gains - offset by the introduction of a CGT discount of 50%. Its introduction was intended to encourage investment, attract international capital, and to encourage business formation in Australia.

Since then, there has been a decline in the value of lending to owner-occupiers to construct new dwellings. In the 1970s, 30% of owner-occupier lending was for the construction of new dwellings. It fell to less than 20% in the 2000s.

The combination of negative gearing and the CGT discount allows investors to reduce and defer their personal income tax at an *annual* cost of \$11.7 billion (Grattan Institute 2016)

Terms of Reference (h): Other related matters

Public Housing

Public housing has a significant role to play in restoring equity to the housing market, and providing the dignity, safety, and security of a stable home to people who can't afford to buy, including retirees. In the post-war period, public housing contributed nearly 25% of all new housing supply, yet since 2000 only 2% of new homes have been publicly provided (Ryan-Collins and Murray 2023).

The government has committed to a national housing accord with the goal to build one million new houses by mid-2029. This is a very ambitious target, which will not provide positive outcomes to society if left in the hands of private investors which will continue the capture of housing as a means of wealth accumulation, and exploitation. Policy which focuses on the deregulation of planning serves only to reinforce the profits of property developers.

Rent-to-Buy

Policies such as the first homeowners grant, and the 5% deposit scheme intend to make it easier to "get into the market", but instead further increase demand for housing, driving up prices, and locks first homebuyers into higher levels of debt for longer. These schemes could be replaced with a rent-to-buy mechanism, allowing individuals to put a portion of their rent towards a deposit.

Supply

The 2021 Census revealed that over 10%, more than 1 million private dwellings in Australia were unoccupied on Census night. Table 1 summarises this measure for each

State and Territory. There are already enough houses available, they are just being left vacant, or used for short term rentals, because a vacant home still generates economic rents for the owner through capital gains.

Australia's housing market and affordability would look significantly different with a million homes becoming available to rent or buy.

State	Occupied Private Dwellings	Unoccupied Private Dwellings	Total
New South Wales	3,058,269	299,524	3,357,785
Victoria	2,507,636	298,029	2,805,661
Queensland	1,998,032	192,393	2,190,424
South Australia	723,158	83,821	806,982
Western Australia	1,029,762	118,109	1,147,872
Tasmania	229,427	29,185	258,611
Northern Territory	85,374	10,404	95,779
Australian Capital Territory	174,972	11,988	186,963
Other Territories	1,805	331	2,130
Total	9,808,428	1,043,776	10,852,208

Table 1: Census count of occupied and unoccupied private dwellings, Census of Population and Housing, 2021, TableBuilder

Another issue on the supply side concerns the speed with which we can build new homes. This is linked to skills availability. Decades of under-investment in skills and training in the construction trades has created an artificial skills shortage which artificially inflates the cost of building new homes. Through investment in a modular housing industry, the skills gap can be reduced for residential home building, without impact on the supply of labour for commercial construction projects.

Summary

Recommendation 4: Abolish government-backed low deposit financing in favour of a rent-to-buy scheme which allows individuals to put a portion of their rent towards a deposit

Recommendation 5: Significantly increase the public supply of housing relative to all new housing supply.

Recommendation 6: Losses accrued on vacant homes and dwellings should not be eligible for any tax deduction and an additional vacancy tax should be levied on homes which are vacant for extended periods (excluding primary place of residence and genuine renovations)

Conclusion

Housing should not be a source of wealth accumulation, especially not at the expense of the right to a safe secure and stable place to live and the social benefits which this generates.

While institutions like the Productivity Commission and the Reserve Bank will always identify planning and deregulation as the only tools available to increase housing affordability, this is just a scapegoat which justifies their existing ideology about economics.

Government should look beyond a housing policy which encourages and assists the accumulation and protection of wealth. We must end this framework that creates a casino for speculators, and a market to be manipulated to extract personal wealth for rich investors.

The AMWU is thankful for the opportunity to contribute to the Select Committee on the Operation of the Capital Gains Tax Discount.

References

Anglicare Australia. 2025. “National Report 2025.” 16. <https://www.anglicare.asn.au/wp-content/uploads/2025/04/Rental-Affordability-Snapshot-National-Report.pdf>.

Australian Bureau of Statistics. 2025. “Total Value of Dwellings.” ABS Website. <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/total-value-dwellings/latest-release>.

Doling, John, and Richard Ronald. 2010. “Home Ownership and Asset-Based Welfare.” *Journal of Housing and the Built Environment* 25 (2): 165–73. <https://doi.org/10.1007/s10901-009-9177-6>.

Grattan Institute. 2016. “Hot Property: Negative Gearing and Capital Gains Tax Reform.” Grattan Institute. <https://grattan.edu.au/wp-content/uploads/2016/04/872-Hot-Property.pdf>.

Kemeny, Jim. 2005. “‘The Really Big Trade-Off’ Between Home Ownership and Welfare: Castles’ Evaluation of the 1980 Thesis, and a Reformulation 25 Years On.” *Housing, Theory and Society* 22 (2): 59–75. <https://doi.org/10.1080/14036090510032727>.

Phibbs, Peter, and Nicole Gurrán. 2021. “The Role and Significance of Planning in the Determination of House Prices in Australia: Recent Policy Debates.” *Environment and Planning A: Economy and Space* 53 (3): 457–79. <https://doi.org/10.1177/0308518X21988942>.

Ronald, Richard, Christian Lennartz, and Justin Kadi. 2017. “What Ever Happened to Asset-Based Welfare? Shifting Approaches to Housing Wealth and Welfare Security.” *Policy & Politics* 45 (2): 173–93. <https://doi.org/10.1332/030557316X14786045239560>.

Ryan-Collins, Josh, and Cameron Murray. 2023. “When Homes Earn More Than Jobs: The Rentierization of the Australian Housing Market.” *Housing Studies* 38 (10): 1888–1917. <https://doi.org/10.1080/02673037.2021.2004091>.

Stephen Clarke. 2025. “Households Now Need Six-Figure Income to Comfortably Rent in Any Capital City.” *ABC*, December 11, 2025. <https://www.abc.net.au/news/2025-12-11/qld-rental-prices-data-six-figure-income/106126784>.

Watson, Matthew. 2010. “House Price Keynesianism and the Contradictions of the Modern Investor Subject.” *Housing Studies* 25 (3): 413–26. <https://doi.org/10.1080/02673031003711550>.