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Parliamentary
Budget Office

Sam Reinhardt
Parliamentary Budget Officer

Reference number: [REDACTED]

[REDACTED]
[REDACTED]
Parliament House
Canberra ACT 2600

Dear [REDACTED]

Please find attached a reissued response to the request for budget analysis, *Operation of the CGT discount* (correspondence of 2 December 2025, PBO reference [REDACTED]), submitted on behalf of the Select Committee on the Operation of the Capital Gains Tax Discount.

The Parliamentary Budget Office has identified an omission and some transcription errors in the original response. This response includes an additional line in Figure 1 for Net Capital Gains Tax revenue for individuals and trusts which had previously been omitted and clarifies the line for Net Capital Gains Tax revenue for companies. It includes corrections to estimates in Table A2 for the years 2029-30 to 2035-36, caused by a transcription error. These corrections do not impact any other part of the response nor the total fiscal impact over the forward estimates or medium term.

Following the publication of the reissued response by the Select Committee on the Operation of the Capital Gains Tax Discount, the response will be published on the Parliamentary Budget Office website. Advice ahead of the reissued response being published to support a coordinated release would be appreciated.

If you have any queries about this response, please do not hesitate to contact John Clark, Assistant Parliamentary Budget Officer on [REDACTED] or Liyi Pan, Director on [REDACTED]

Yours sincerely

[REDACTED]
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9 February 2026

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Request for budget analysis

Operation of the CGT discount	
Person/party requesting the analysis:	Select Committee on the Operation of the Capital Gains Tax Discount
Date analysis completed:	21 January 2026
Expiry date of the analysis:	Release of the next economic and fiscal outlook report
Status at time of request:	Submitted outside the caretaker period
	<input type="checkbox"/> Confidential <input checked="" type="checkbox"/> Not confidential
Summary of request: The request sought: <ul style="list-style-type: none">• estimated revenue foregone due to the capital gains tax (CGT) discount for individuals and trusts for the period 1999–00 to 2035–36• distributional analysis on CGT revenue foregone in 2025–26 by:<ul style="list-style-type: none">– taxable income decile– top taxable income percentiles of 1%, 2% and 5%– asset class (properties, shares and trusts).	

Overview

Capital gains tax (CGT) was introduced in 1985–86, with gains generally taxed at full marginal tax rates, but with inflation indexation applied to the cost base. In 1999–2000, inflation indexation was replaced by the CGT discount.¹

- Under the current system, where an asset has been held for at least 12 months, individuals and trusts (where the beneficiary is an individual) may reduce their capital gains by 50% when calculating their CGT liability. This concession is known as the ‘CGT discount’.²

¹ Assets purchased prior to 1985-86 are not subject to CGT.

² This analysis excludes the CGT discount available to complying superannuation funds which may reduce a capital gain by 33.33%, and broader CGT concessions or exemptions, such as the ‘main residence exemption’ and CGT concessions for small business.

Consistent with the methodology used in the annual *Tax Expenditures and Insights Statement (TEIS)*, this analysis estimates the revenue foregone from the CGT discount by comparing *realised* gains under two scenarios:

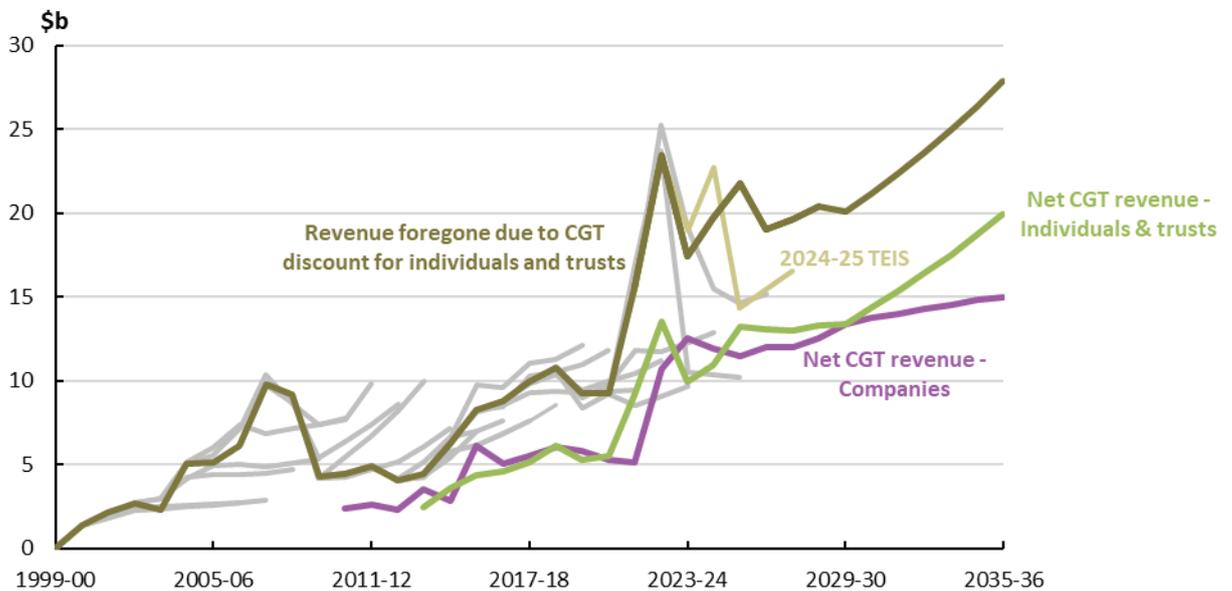
- the current policy settings that include the CGT discount
- a counterfactual scenario without the discount and without any associated behavioural responses.

Because foregone revenue in this analysis is calculated on realised rather than accrued gains, taxpayer timing decisions introduce an additional layer of volatility on top of already variable asset-market outcomes.

As shown in Figure 1 and Table A1:

- Estimated revenue foregone is highly volatile. Estimated revenue foregone grew rapidly from just over \$1 billion in 2000–01 to nearly \$10 billion in 2007–08 and 2008–09, before falling sharply in the aftermath of the Global Financial Crisis to around \$4 billion in 2009–10.
- Estimated revenue foregone then increased gradually over the following decade, reaching slightly above \$10 billion in 2018–19. It dipped moderately during the 2 COVID-affected years and rebounded strongly post-COVID to reach a record high of over \$23 billion in 2022–23, before moderating to \$17 billion the following year.
- Reflecting the volatility of underlying asset markets, estimates for this item are subject to substantial revisions. For example, the 2024–25 TEIS estimated foregone revenue to be around \$14 billion in 2025–26, which has since been revised up to almost \$22 billion in the 2025–26 TEIS.

Figure 1: Estimated revenue foregone due to the capital gains tax discount for individuals and trusts

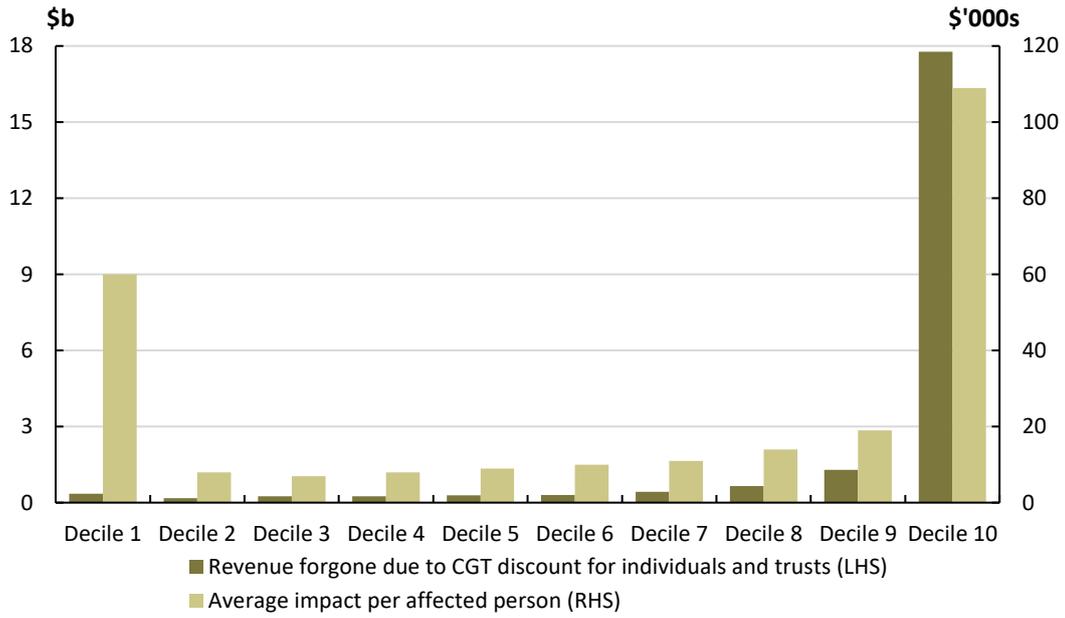


Source: Revenue foregone estimates to 2028-29 are sourced from the TEIS, projections beyond then are based on PBO analysis. Net CGT revenue estimates are based on PBO analysis.

Note: Grey lines represent estimates from previous editions of the TEIS (2023-24 and earlier).

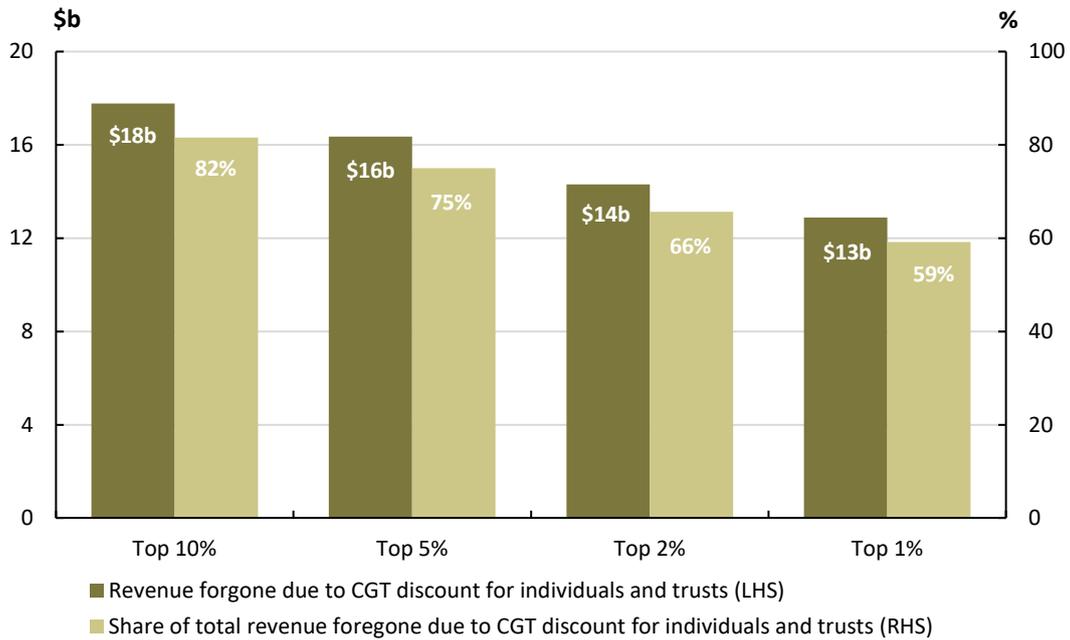
The distribution of benefits from the CGT discount is highly skewed towards higher-income taxpayers. As shown in Figure 3, the top 10% of income earners accrue around 82% of the tax savings from the CGT discount in 2025–26. Within this group, benefits are even more concentrated, with the top 1% of income earners accounting for almost 60% of the total tax savings.

Figure 2: Estimated revenue forgone due to the capital gains tax discount for individuals and trusts and average impact per affected person, by taxable income decile³ 2025–26



Source: TEIS and PBO analysis

Figure 3: Estimated revenue forgone due to the capital gains tax discount for individuals and trusts, top taxable income percentiles³ 2025–26



Source: TEIS and PBO analysis

Note: Estimates for the top 2%, 5% and 10% are cumulative.

³ See Attachment B for the taxable income ranges of each decile and top percentiles in the 2022-23 year (the latest available year of complete tax data).

Methodology

The analysis was undertaken using published figures from the TEIS. These were supplemented with estimates from the PBO's microsimulation model based on de-identified unit record data on personal income tax and superannuation accounts for the 2022–23 income year and benchmarked to parameters from the PBO's *Build Your Own Budget* tool as at the 2025–26 *Mid-Year Economic and Fiscal Outlook*.

Data sources

The ATO provided the de-identified personal income tax returns and superannuation account data for the 2022–23 income year.

Commonwealth of Australia (2025) *2025–26 Mid-Year Economic and Fiscal Outlook*, Commonwealth of Australia.

Commonwealth of Australia (2003–2025), *Tax Expenditures Statement* (2003—2004 to 2016–2017); *Tax Benchmarks and Variations Statement* (2018—2019 to 2020–2021); *Tax Expenditures and Insights Statement* (2022–23 to 2025–26), Commonwealth of Australia, Canberra.

The Parliamentary Budget Office (2026), *Build Your Own Budget*, the Parliamentary Budget Office.

Attachment A – Operation of the CGT discount – Analysis of revenue forgone due to the capital gains tax discount for individuals and trusts

Attachment A contains analysis of the capital gains tax (CGT) discount based on the current arrangements as compared to a scenario with no CGT discount.

Table A1: Operation of the CGT discount – Estimated annual value of revenue forgone due to the capital gains tax discount for individuals and trusts – Historical years (1999-00 to 2011-12)^{(a)(b)}

	1999–00 (\$m)	2000–01 (\$m)	2001–02 (\$m)	2002–03 (\$m)	2003–04 (\$m)	2004–05 (\$m)	2005–06 (\$m)	2006–07 (\$m)	2007–08 (\$m)	2008–09 (\$m)	2009–10 (\$m)	2010–11 (\$m)	2011–12 (\$m)
<i>Revenue foregone due to CGT discount for individuals and trusts</i>	-	1,390	2,130	2,700	2,290	5,020	5,160	6,150	9,780	9,170	4,330	4,410	4,930

Table A1 Continued – Historical years (2012-13 to 2024-25)

	2012–13 (\$m)	2013–14 (\$m)	2014–15 (\$m)	2015–16 (\$m)	2016–17 (\$m)	2017–18 (\$m)	2018–19 (\$m)	2019–20 (\$m)	2020–21 (\$m)	2021–22 (\$m)	2022–23 (\$m)	2023–24 (\$m)	2024–25 (\$m)
<i>Revenue foregone due to CGT discount for individuals and trusts</i>	4,070	4,420	6,310	8,230	8,790	9,970	10,820	9,240	9,270	15,590	23,460	17,430	19,720

(a) Historical year estimates are sourced from the TEIS, with estimates up to 2023-24 benchmarked to ATO data.

(b) Financial implications were rounded consistent with the PBO’s rounding rules.

- Indicates nil.

Table A2: Operation of the CGT discount – Estimated annual value of revenue forgone due to the capital gains tax discount for individuals and trusts – Forward estimates and medium-term projections^{(a)(b)}

	2025–26 (\$m)	2026–27 (\$m)	2027–28 (\$m)	2028–29 (\$m)	2029–30 (\$m)	2030–31 (\$m)	2031–32 (\$m)	2032–33 (\$m)	2033–34 (\$m)	2034–35 (\$m)	2035–36 (\$m)	2025–26 to 2028–29 (\$m)	2025–26 to 2035–36 (\$m)
<i>Revenue foregone due to CGT discount for individuals and trusts</i>	21,790	19,050	19,670	20,380	20,070	21,200	22,400	23,630	24,950	26,380	27,870	80,890	247,390

(a) Estimates to 2028-29 are sourced from the TEIS, projections beyond then are based on PBO analysis.

(b) Financial implications were rounded consistent with the PBO’s rounding rules.

Table A3: Operation of the CGT discount – Distributional analysis by asset class in 2025–26^(a)

	Properties (\$m)	Shares (\$m)	Trusts (\$m)	Other (\$m)	Total (\$m)
<i>Revenue foregone due to CGT discount for individuals and trusts</i>	8,920	4,610	7,630	630	21,790

(a) Financial implications were rounded consistent with the PBO's rounding rules.

Table A4: Operation of the CGT discount – Distributional analysis by taxable income decile in 2025–26^{(a)(b)(c)}

	Decile 1	Decile 2	Decile 3	Decile 4	Decile 5	Decile 6	Decile 7	Decile 8	Decile 9	Decile 10	Total
<i>Revenue foregone due to CGT discount for individuals and trusts (\$m)</i>	360	180	250	250	290	300	430	660	1,300	17,770	21,790
<i>Average impact per affected person (\$)</i>	60,000	8,000	7,000	8,000	9,000	10,000	11,000	14,000	19,000	109,000	46,000

(a) Decile 1 includes negative taxable income values.

(b) This analysis is based on income decile and provides no information on the wealth distribution for those in each decile.

(c) Financial implications were rounded consistent with the PBO's rounding rules.

Table A5: Operation of the CGT discount – Distributional analysis by top taxable income percentiles in 2025–26^{(a)(b)}

	Top 10%	Top 5%	Top 2%	Top 1%
<i>Revenue foregone due to CGT discount for individuals and trusts (\$m)</i>	17,770	16,350	14,310	12,890
<i>Average impact per affected person (\$)</i>	109,000	149,000	243,000	369,000

(a) This table is based on income percentile and provides no information on the wealth distribution for those in each percentile. The top 2%, 5% and 10% are cumulative.

(b) Financial implications were rounded consistent with the PBO's rounding rules.

Attachment B – Operation of the CGT discount – taxable income deciles and percentiles

Table B1: Operation of the CGT discount – Taxable income range by decile in 2022–23^{(a)(b)}

Income Decile	Taxable Income Range
1st	Less than \$10,100
2nd	\$10,100 to \$22,400
3rd	\$22,401 to \$33,200
4th	\$33,201 to \$44,800
5th	\$44,801 to \$55,900
6th	\$55,901 to \$68,200
7th	\$68,201 to \$83,500
8th	\$83,501 to \$104,900
9th	\$104,901 to \$142,000
10th	Greater than \$142,000

(a) Values rounded to nearest \$100.

(b) Decile 1 includes negative taxable income values.

Table B2: Operation of the CGT discount – Taxable income range by percentiles in 2022–23^(a)

Income Percentiles	Taxable Income Range
Top 10%	Greater than \$142,000
Top 5%	Greater than \$183,700
Top 2%	Greater than \$262,400
Top 1%	Greater than \$362,900

(a) Values rounded to nearest \$100.