Submission to the Senate Inquiry into the Operation of the Capital Gains Tax Discount.

Prior to 2000, capital gains were taxed at the same rate as ordinary, individual income tax, with the policy objective of ensuring the integrity of the overall tax system and driving investment in innovative, high growth companies.

The 50% CGT discount, introduced in 2000, has been in place for 25 years. There is no shortage of evidence that it undercuts the original policy objectives, yet it has been retained by successive governments, despite calls from many sectors of society for it to be abolished or reformed.

The discount has been criticised as an egregious mistake which compromises tax system integrity, adversely impacts tax receipts and delivers windfall gains, especially to real estate investors. Analysis by NATSEM (National Centre for Social and Economic Modelling) and The Australia Institute shows that nationally, capital gains far outstrip wages and are driving wealth inequality: 80% of the benefit goes to the top 9% of households.

Reducing, or preferably, abolishing the CGT discount is in the national interest. It would contribute to a more sustainable tax system, a more equitable society and achieving more useful social goals.

Source materials

https://australiainstitute.org.au/post/new-figures-show-capital-gains-now-outstrip-wages-and-yet-mostly-they-go-to-the-rich-and-untaxed/

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https://www.pbo.gov.au/sites/default/files/2023-03/PER414%20%20ALP%20%20Negative%20gearing%20and%20capital%20gains%20tax%20CGT%20reform.PDF

https://www.austaxpolicy.com/australias-50-capital-gains-tax-discount-policy-oversight/