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Client Advice | 12 December 2025

To: Department of the Senate, Committee Office; Attention: [redacted]

From: Dr Laura Schatz (DPS), Economic Policy Section

Contact: T: [redacted] | E: [redacted]

Reference: [redacted]

Operation of the Capital Gains Tax Discount

Thank you for your request for information on the operation of the Capital Gains Tax (CGT) and CGT discount, received on 13 November 2025.

You mentioned in your request that you were submitting this request on behalf of Senator McKim as Chair of the Senate Select Committee on the Operation of the Capital Gains Tax Discount.

You requested background information that could be distributed to committee members, specifically:

- History and overview of the CGT and the CGT discount;
- Any distributional analysis that is public (e.g. from Tax Expenditures and Insights Statement); and
- Links to any other key research that might be useful to the Committee.

You requested this information by 12 December 2025.

Caveat

This brief is intended to provide a high-level overview of the CGT and, because they are closely related, negative gearing. The advice provides targeted information, drawing from available published information. Please note that there may be other tax rules that apply to investments – including investment property – in Australia; this advice has focused on CGT, with some discussion of negative gearing where relevant.

It is also important to note that there are also numerous other policies that shape housing markets beyond taxation rules, including macroeconomic policies, urban planning and environmental policies. If there are any aspects you would like explored further, please follow up with a request.

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Key points

- Although taxation of capital gains is broadly referred to as the Capital Gains Tax (CGT), the CGT is not actually a separate tax. Income from capital gains is merely a component of general taxable income.
- In the early 1980s, there was growing concern that the lack of a general CGT was unfair and inefficient, and unduly encouraged investment in property.
- After the release of the *Draft White Paper on Reform of the Australian Taxation System* in 1985, the Hawke Government introduced a general CGT. Prior to 1985, Australia had no general tax on capital gains, with most capital gains excluded from the income tax base.
- In 1999, the Howard Government introduced a new method of calculating CGT – namely, the 50% discount method. This replaced the 'indexation method,' which involved income from capital gains being adjusted for changes to the CPI. The discount was introduced to incentivise individuals to save and invest.
- Treasury finds that, in terms of distributional benefits, most of the benefit of the CGT discount flowed to people in the top income decile in 2021-22.

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Detailed response

1. Overview of the Capital Gains Tax and CGT discount

Although taxation of capital gains is broadly referred to as the Capital Gains Tax (CGT), **the CGT is not actually a separate tax**. Income from capital gains is merely a component of general taxable income. As Clark (2019) states:

> …"capital gains tax" does not exist any more than, for example, "interest tax" or "depreciation tax", two other items reported on income tax returns. In this sense, "capital gains tax" is a misnomer. (p.36)

The ATO similarly describes the CGT as not a separate tax, but as part of income tax:

> Capital gains tax (CGT) is the tax you pay on profits from disposing of assets including investments, such as property, shares and crypto assets. Although it is referred to as 'capital gains tax', it's part of your income tax. It's not a separate tax.
>
> If you dispose of assets (generally when you stop being the owner of an asset) a CGT event may be triggered. This is when you need to report capital gains and capital losses in your income tax return.
>
> If you have a:
>
> - capital gain, it will increase the tax you need to pay – you may want to work out how much tax you will owe and set aside funds to cover it
> - capital loss, you can offset it against any capital gains in the year they occur, or in future years, and reduce the tax you need to pay – it's important to include losses on your tax return.

Housing Australia explains the CGT, as well as its concessional tax treatment in the form of the 50% CGT discount, as follows:

> The income tax law treats capital gains as a form of income, just as wages, salaries, profits and interest are treated, because they increase the income of the owner of the assets. However, the capital gains of individuals usually receive concessional treatment, compared with other forms of income. This concessional treatment comes in the form of a 50 per cent discount on capital gains realised on assets owned by individuals for at least 12 months. The discount applies not only to housing, but also to other capital assets held for more than 12 months, such as shares. (p.4)

A. How is the Capital Gains Tax calculated?

The law governing the CGT is set out in sections 104-5 of the *Income Tax Assessment Act 1997*. These sections detail a set of 52 CGT 'events,' each of which specifies results such as gain, loss, or what cost base adjustment are to be made, and how to determine the date to use for the transaction.

Calculation of CGT is complex. There are several exemptions that apply in specific situations (including for specific assets and for assets purchased before specific dates). The information below is a very high-level overview. For further details on how CGT is calculated, including exemptions and rates, please see the following ATO resources:

- ATO guidance on CGT calculation: Capital gains tax | Australian Taxation Office
- ATO list of assets subject to CGT: List of CGT assets and exemptions | Australian Taxation Office

B. Exemptions from Capital Gains Tax

Capital gains on assets acquired before 20 September 1985 are exempt from CGT. A taxpayer's main residence is also exempt from CGT; however, CGT may apply if the taxpayer:

- rents out part of the home
- uses the home for a business
- is a foreign resident and you don't satisfy the requirements of the life events test at the time the 'CGT event' happens.

CGT may also apply if the home is on more than 2 hectares of land.

C. The 50% Capital Gains Tax discount

Generally, when a taxpayer sells or otherwise disposes of an asset, they can reduce their capital gain by 50%, if both of the following apply:

- they owned the asset for at least 12 months
- they are an Australian resident for tax purposes.

This is called the CGT discount.

D. Capital Gains Tax rates

Tax is paid on net capital gains at the taxpayer's marginal income tax rate. Net capital gains consist of total capital gains, less any capital losses, and less any applicable discount (including the 50% CGT discount).

If the taxpayer has a net capital loss, they cannot deduct it from other income, but they can carry it forward to reduce future capital gains.

The ATO's step-by-step guide for calculating CGT is available here: How to calculate your CGT | Australian Taxation Office

2. History of the Capital Gains Tax and the CGT discount

A general CGT was introduced in Australia in 1985, while the 50% CGT discount was introduced in 1999. Prior to 1985, Australia had no general tax on capital gains, with most capital gains excluded[1] from the income tax base.

In the early 1980s, there was growing concern that the lack of a general CGT – and indeed, the Australian tax system in general – was unfair and inefficient. There were also assertions that the lack of a general CGT unduly encouraged investment in property. It was perceived that this, together with negative gearing[2] (which was introduced in the first half of the 1900s[3]), was contributing to rising house prices.

A. The 1985 Draft White Paper recommends a general CGT

Amidst growing concerns about the fairness of Australia's tax system, the Hawke Government undertook a wide-ranging review of the tax system in 1985, resulting in the Draft White Paper on Reform of the Australian Taxation System. According to the Draft White Paper:

> The Government shares the community view that the tax system should be fairer and be seen to be fair. The Australian taxation system traditionally has enjoyed broad taxpayer support but this has obviously waned over the past decade or so. The view is now widespread that the system operates unfairly, impairs economic incentives and is unduly complex. The system is particularly unfair to wage and salary earners at relatively moderate income levels who must pay tax at high marginal rates. Even at high income levels there is unfairness since people with comparable incomes can pay widely different amounts of tax because some are better situated to take advantage of generous tax concessions. The high rates of tax and a tax base riddled with concessions also impairs economic efficiency: it alters people's behaviour and directs resources from their most productive use in the economy. (p.1)

Among other measures, the Draft White Paper recommended 'careful consideration' of 'introducing a general tax on real capital gains (with exemption for a taxpayer's principal residence and other special features)' (p.7).

The Draft White Paper argued that the lack of a general CGT represented 'a structural defect in the present income tax system and lies at the core of many avoidance arrangements' (p.4). It argued, in Chapter 7, that the lack of such a tax violated the principles of both horizontal and vertical equity, and distorted investment decisions by encouraging investment in assets that attract capital gains, such as property.[4] Specifically:

> 7.4 The current treatment of capital gains violates the principle of horizontal equity since it discriminates in favour of people who obtain some or all of their income in the form of capital gains. It

[1] Of the capital gains taxes that were in operation, the most important applied to gains from property held for less than one year, which was introduced in the early 1970s.

[2] Treasury explains that the term 'negative gearing'[2] 'is a commonly used term used to describe a situation where expenses associated with an asset (including interest expenses) are greater than the income earned from the asset. Negative gearing can apply to any type of investment, not just housing.'

[3] *Sydney Morning Herald* reporter Shane Wright dates the origin of negative gearing in the Australian tax system to 1922, with the introduction of the Income Tax Assessment Bill in 1922 (which subsequently became the *Income Tax Assessment Act 1922*). Soos (2012) places the origins of negative gearing slightly after the 1922 bill, in the 1936.

[4] In an earlier 1981 final report, the Fraser Government's Committee of Inquiry into the Australian financial system similarly argued that the lack of a general capital gains tax had a distorting effect on investment (p.272).

> also conflicts with the principle of vertical equity since the ownership of capital is more heavily concentrated among the higher income groups. What currently amounts to very concessional treatment of capital gains, therefore, tends to benefit primarily the better-off in the community and reduces the effective progression of the personal income tax system. In addition, it provides a tax break to non-resident owners of Australian assets.
>
> 7.5 The lack of comprehensive capital gains taxation also distorts investment decisions by encouraging investment in assets offering returns in the form of capital gains. **Investment in property, for example, is encouraged at the expense of assets such as bonds or loans where returns are mainly in the form of taxable income streams.**
>
> 7.6 The lack of a general capital gains tax represents a structural defect in the income tax system which lies at the core of many avoidance arrangements: if income can be converted into or dressed up as capital gains, income tax can be avoided completely. The imposition of a capital gains tax would, therefore, strike at one of the foundations of tax avoidance in Australia. In view of these considerations, a strong case can be made for the introduction of a general capital gains tax. (pp.77-78, emphasis added)

In addition to criticising the lack of a general CGT, the Draft White Paper argued that tax concessions on rental property – namely, negative gearing – were encouraging investment in rental property. It recommended 'quarantining' rental losses so that losses from investment properties could only be deducted from rental income. Together with a new general CGT, quarantining measures would reduce the attractiveness of investing in property. According to the Draft White Paper:

> A number of the measures, notably taxation of real capital gains and the treatment of negative gearing, would affect the attractiveness of particular investments, and accordingly influence relative asset prices…(p.253)

B. Government policy after the 1985 Draft White Paper

The Draft White Paper led to several reforms. Importantly for this advice:

- On 17 July 1985, the Government incorporated quarantine provisions[5] into the *Income Tax Assessment Act 1936* for rental properties purchased after 17 July 1985, effectively abolishing negative gearing in Australia for future rental property investors.[6]
- On 19 September 1985, the Government vastly broadened the asset classes subject to capital gains tax, with key exceptions being gains from assets acquired prior to 19 September 1985 and gains from a person's main place of residence.

Badcock and Browett (1991) provide the following timeline of key developments affecting investment properties in the 1980s.

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[5] These changes appeared as Subdiv.G of Div.3 of Pt.III of the *Income Tax Assessment Act 1936*.

[6] Acting Treasurer Chris Hurford justified the quarantine measures in the amending bill's second reading speech as a way of addressing the unfairly favourable tax treatment of investors, which had resulted in increased house prices. He stated that '… the general taxpaying community should not be obliged effectively to subsidise the acquisition of investments by a particular group of taxpayers in this way.

Figure 1: Tax-related developments affecting investment properties in the 1980s

1981	Committee of Inquiry into the Australian financial system (Campbell) points to the distortions to investment in the absence of a capital gains tax.
1982	Depreciation allowance of 2.5% applying to non-residential construction extended to residential investment.
1982–83	Victorian Tax Office disallows the deduction of interest payments under Section 51 (1) of the Taxation Act, where they exceeded net income from rental property ('negatively geared' investment).
30 June 1983	Treasurer announces a review of the Victorian interpretation of the 'negative gearing' provision.
1983–84	Labor Caucus Industry Committee undertakes a wide-ranging inquiry into the effects of taxation policy on investment in Australia.
1985	*White Paper on Reform of the Australian Taxation System* highlights the distortions to investment caused by taxation concessions on rental property.
17 July 1985	Treasurer 'quarantines' losses incurred on 'negatively geared' rental property; depreciation allowance on newly constructed rental housing raised to 4% over 25 years.
September 1985	Treasurer introduces a tax on capital gains realised on the sale of assets owned for more than 12 months (other than the principal place of residence).
January–July 1987	Real Estate Institute of New South Wales mounts a campaign to have negative gearing reinstated.
mid-July 1987	PM agrees to re-examine tax legislation for rental housing one week before the federal election (11 July).
September 1987	Full restoration of the tax haven for rental housing; depreciation allowance lowered from 4–2.5%.
October 1987	Stockmarket 'crash' (see Figure 2).

Source: B Badcock and M Browett, 'The responsiveness of the private rental sector in Australia to changes in Commonwealth taxation policy,' *Housing Studies*, 9(6), pp.182-192, at p.183.

As can be seen from the timeline above, the abolition of negative gearing through quarantining measures did not last very long. In 1987, the newly re-elected Hawke Government removed the quarantining provisions from the *Income Tax Assessment Act 1936*, re-instating negative gearing in Australia. According to O'Donnell (2005), this was 'one of the more remarkable backflips in Australian tax policy history...'

The official reasons for reinstating negative gearing – as given by Minister for Trade Negotiations Michael Duffy in his second reading speech for the Taxation Laws Amendment Bill (No.4) 1987 – included that the introduction of a general CGT meant the quarantine provisions were no longer needed.[7] Specifically, Mr Duffy stated:

> The Bill will also give effect to the 1987-88 Budget announcement that the income tax restriction on the deductibility of interest associated with the negative gearing of rental property investments is to be removed, with effect from the commencement of the 1987-88 income year. Restoration of full tax deductibility of interest on rental property borrowings will mean uniformity of tax treatment of interest costs for all types of investment. **This measure has been made possible only as a result of the Government's comprehensive tax reform program-in particular, due to the implementation of a capital gains tax and the reduction of the top marginal tax rate to 49 per cent.** That reform program has brought a new integrity to the tax system and in so doing has relieved the tax paying community generally of the burden of the excessive tax benefits that negative gearing offered high

[7] According to *Guardian* reporter Greg Jericho (2014), Hawke Government cabinet papers show that, contrary to official Australian Government assertions, there was no valid economic reason to reverse the abolition of negative gearing. Jericho asserts that even though industry lobby groups argued rents had increased because of the abolition of negative gearing, a 1987 Cabinet submission did not contain significant evidence of this.

> income earners prior to July 1985 when the restriction now being lifted was introduced. (emphasis added)

However, it is widely asserted that other – 'unofficial' –reasons played a much larger role the policy reversal. Some sources suggest that pressure from industry – particularly the property industry[8] who argued that, without negative gearing, rents would rise – prior to the 1987 federal election was the main reason the Australian Government reinstated negative gearing.

C. The introduction of the CGT discount in 1999

The tax treatment of investments – including investment property – was further modified in 1999, with a significant change to the way CGT was calculated from the 2000-01 income year.

In 1999, the Review of Business Taxation (the so-called Ralph Review) recommended reforming CGT arrangements. The Ralph Review noted that 'Australia taxes capital gains more harshly than most other comparable countries' (p.77). It argued that lowering the CGT for individuals through a 50% discount on assets held for more than a year would:

> ...help support a stronger investment culture among Australian households. The widespread privatisation of major public sector enterprises has greatly increased the number of Australian households owning shared. A less harsh CGT regime which encourages taxpayers to invest such assets will help entrench and build upon these changes. (p.77)

Accordingly, the Howard Government changed the calculation of amount of tax owed from the 'indexation method' to the '50% discount method.' Under the 'indexation method,' according to Clark (2019), income from capital gains was adjusted for changes to the CPI in order to 'tax only the real gain in the value of assets' (p.39). The '50% discount method' allows taxpayers to report only half of the net capital gains for tax purposes.

The changes to the calculation of CGT were introduced in the New Business Tax System (Integrity and Other Measures) Bill 1999. The *New Business Tax System (Integrity and Other Measures) Act 1999* received Royal Assent in December 1999.

According to the Bill's Explanatory Memorandum, the Bill amended the *Income Tax Assessment Act 1997* so that:

> - for assets acquired at or before 11.45 am AEST on 21 September 1999 and held for at least 12 months:
>
>   > - individuals and trusts can choose to calculate any capital gain on an asset by either using an indexed cost base with indexation frozen or reducing by one-half the capital gain without indexation of the cost base; and
>   > - superannuation funds can choose to calculate any capital gain on an asset by either using a frozen indexed cost base or reducing by one-third the capital gain without indexation of the cost base; and

---

[8] According to Badcock and Browett (1991), the Real Estate Institute of Australia (REIA) played a particularly key role in influencing the Australian Government's decision to reinstate negative gearing. Badcock and Browett argue that the REIA was 'implacably opposed to the tax reforms proposed by the Hawke administration,' (p.184) campaigning against the changes vigorously both before and after their implementation.

> - for assets acquired after 11.45 am AEST on 21 September 1999 and held for at least 12 months;
>   - individuals and trusts are allowed a one-half exemption on any capital gain made in relation to the asset; and
>   - superannuation funds are allowed a one-third exemption on any capital gain made in relation to the asset.

The Explanatory Memorandum to the Bill echoes the Ralph Review's conclusion that a CGT discount would encourage greater investment by Australians:

> The New Business Tax System is designed to provide Australia with an internationally competitive business tax system that will create the environment for achieving higher economic growth, more jobs, and improved savings as well as providing a sustainable revenue base so the Government can continue to deliver services for the community. An important feature of the New Business Tax System is the CGT reforms which aim to encourage greater investment by Australians and to improve the international competitiveness of Australian business. (p.147)

In his second reading speech for the Bill, then Treasurer Peter Costello stressed the Australian Government's desire to incentivise individuals to save and invest:

> The reductions in capital gains tax rates for individuals and complying superannuation entities introduced by the bill are a central part of the government's policy to improve incentives to save and invest. From 21 September 1999, individuals will have the choice of working out their capital gains tax by either reducing their nominal gain by half (with the result that the highest rate for individuals would effectively be 24.25 per cent) or using an indexed cost base frozen as at 30 September 1999. Complying superannuation entities will be able to reduce their nominal gains by one third.

It appears that the Australian Labor Party was largely supportive of the 1999 changes to the CGT regime. For instance, Deputy Leader of the ALP Simon Crean said that:

> Labor is willing to pass the business tax package if it pays for itself. Labor will hold the Government to its promise on revenue neutrality. We cannot accept a reduction in business taxation at the expense of individuals and families who will be bearing the brunt of a GST, nor the use of the Budget surplus to fund business tax reforms.

Mark Latham (ALP) did raise concerns that the 50% CGT discount would benefit the wealthy at the expense of Government coffers, stating that 'halving the capital gains tax is fiscal vandalism that will entice tax avoiders like bees to a honey pot.' However, It does not appear that there was substantial debate in second reading speeches for the Bill about how the changes to CGT calculation would impact the housing market.

In terms of the impact of both methods on investment in property, Clark (2019) has argued that **both** the indexation method and the 50% CGT discount method incentivised investment in products that provide strong capital growth, such as real estate:

> Combined with the advantages from the income being taxable only on realisation, previously discussed, the total effective concessions on capital gains income are significant. Both the indexation and discount methods have provided a strong incentive towards financial investment in products which provide significant capital growth, such as shares or property, rather than in products which primarily provide income streams, such as bonds. The concessionary treatment of capital gains income is arguably the primary motivation for financial investment in negatively geared real

> estate, which aims to shift all of the investment return into the capital gain on the eventual sale of the asset. (p.40)

On the other hand, Ryan-Collins and Murray (2023) argue that the 50% CGT discount method has provided a much stronger incentive to engage in speculative investment than did the indexation method. They state:

> ...in 2001, the CGT rules were changed to remove indexation and instead provide a 50% discount to the capital gains tax rate on assets owned for more than one year. This meant housing investors who speculated on relatively short-term price movements were provided with a major tax advantage compared to those who relied on long-term ownership and incomes from rents. For example, under the indexation method, a $100,000 capital gain realized after two years when inflation was 2% would have been taxed as a $96,000 income, whereas under the discount method it would have been taxed as a $50,000 income – a massive tax advantage. (p.1905)

Similarly, Eastlake (2013) suggests that the 50% discount has increased the incentive to negatively gear investment property. He states:

> In 1998-99, when capital gains were last taxed at the same rate as other types of income (less an allowance for inflation), Australia had 1.3 million tax-paying landlords who in total made a taxable profit of almost $700mn. By 2010-11, the latest year for which statistics are presently available, the number of tax-paying landlords had risen to over 1.8mn (or 14% of the total number of individual taxpayers), but they collectively lost more than $7.8bn, largely because the amount they paid out in interest rose more than fourfold (from just over $5bn to almost $23bn over this period), while the amount they collected in rent 'only' slightly less than trebled (from $11bn to $30bn), as did other (non-interest) expenses. (p.10)

3. Publicly available distributional analysis

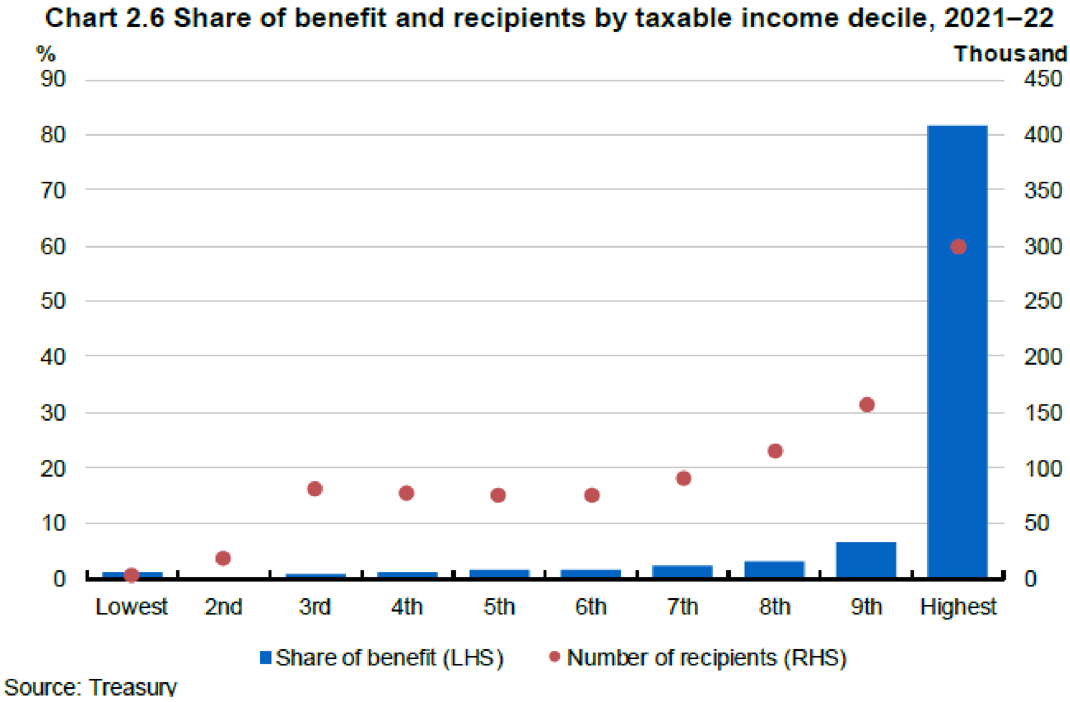
A. Distributional analysis of the CGT discount

The 2024-25 Tax Expenditure and Insights Statement released by Treasury in December 2024 provides the most recent distributional analysis of the general CGT discount. In the Statement, Treasury provides estimates of the revenue forgone through tax expenditures, including the CGT discount. According to the Statement:

> Over 1.5 million individual tax filers realised a net capital gain in 2021–22; of those, around two-thirds benefitted from the capital gains discount for individuals and trusts. Around 95 per cent of the benefit was received by people with above median income, and about 82 per cent of the benefit was received by people in the top income decile... (p.18)

Treasury finds that, in terms of income deciles, most of the benefit of the CGT discount flowed to people in the top income decile in 2021-22. Treasury provides the following visual representation of the distributional benefits of the CGT discount across income deciles (Figure 2).

Figure 2: Distributional analysis of CGT (income decile)



Source: The Treasury, *2024-25 Tax Expenditures and Insights Statement*, December 2024, p.18.

Treasury states that there are several reasons for the relatively large share of the benefit of the CGT discount going to the top decile:

> The substantial share of the benefit that went to the top decile is due to relatively more individuals receiving capital gains income, higher average capital gains, and a higher marginal tax rate increasing the benefit of the discount. Realising a capital gain contributes to many individuals being captured in the highest decile when they otherwise would not. This effect is moderated by the discount excluding 50 per cent of income from eligible gains from the individuals' total taxable income. (p.19)

With respect to the demographics of those who benefit from the CGT discount in 2021-22, Treasury finds that of those who used the CGT discount, the largest share of benefit went to men, and to those aged 50 to 64. Treasury states:

> In 2021–22, 520,000 men and 470,000 women used the capital gains discount… Men received around 58 per cent of the benefit from the discount.
>
> Those aged 50 to 64 received the greatest share of the benefit… The largest share of the benefit, 13.6 per cent, went to those aged 60 to 64. (p.19)

Treasury provides the following visual representation of the distributional benefits of the CGT discount according to gender (Table 1) and age (Figure 3).

Table 1: Distributional analysis of CGT (gender)

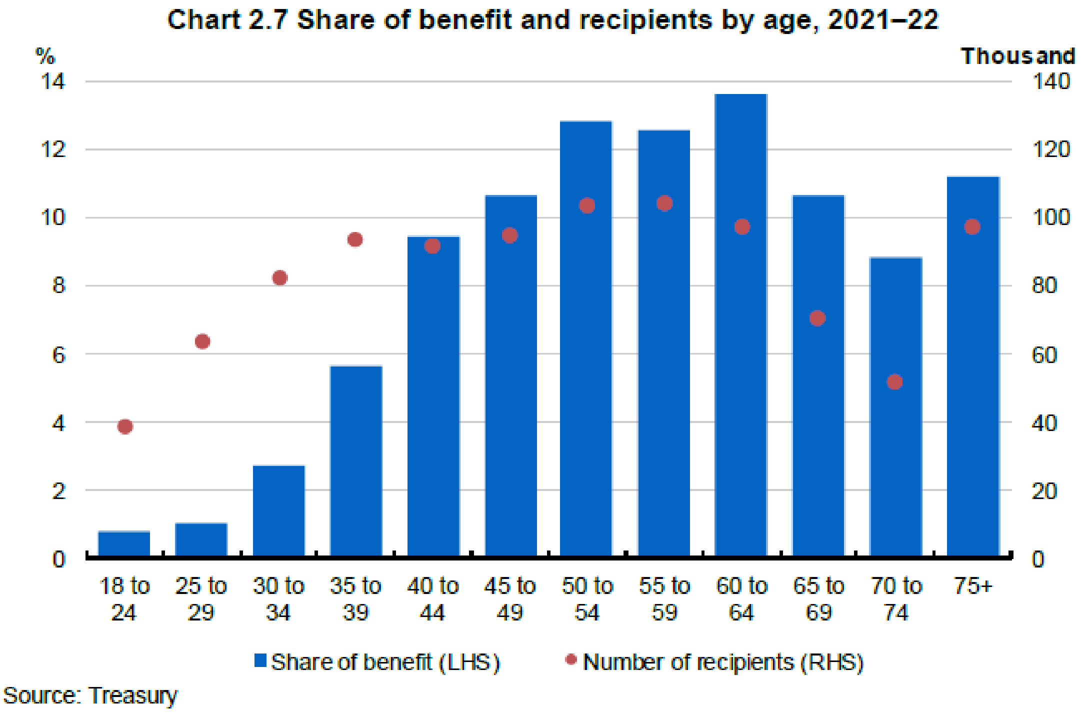
Table 2.6 Distributional effect by gender, 2021–22*

Gender	Average benefit ($)	Recipients (million)	Share of total benefit (%)
Men	23,890	0.5	58
Women	18,750	0.5	42
Total	21,430	1.0	100

* Totals may not sum due to rounding.

Source: The Treasury, [*2024-25 Tax Expenditures and Insights Statement*](), December 2024, p.19.

Figure 3: Distributional analysis of CGT (age)



Source: The Treasury, [*2024-25 Tax Expenditures and Insights Statement*](), December 2024, p.19.

More generally, Richardson and Stilwell (2024) explain how [capital gains disproportionately benefit the wealthiest households]():

> Whereas income is a flow over time (arising from wages, interest, profits, rent or transfer payments), wealth is a stock (comprising assets, ranging from physical assets like houses and yachts to financial assets like shares, bonds and cash). While people can increase their wealth as they save out of their incomes, quantitatively much more important are the increases in wealth that come from receiving capital gains. Capital gains arise from the increasing market prices of assets, whether physical assets like houses or financial assets like shares. They are the principal means by which wealth begets more wealth, especially in an inflationary economic environment. Capital gains can be very large, though they can also be very volatile. Based on inspection of ABS (2023a) data, capital gains have been adding, on average, an additional 42.9% to Australian household incomes over the10 years to March 2023. Because most households actually get very little or no income through this channel, it follows that the wealthiest households are receiving prodigious amounts. (pp.194-195)

B. Distributional analysis of rental deductions (particularly negative gearing)

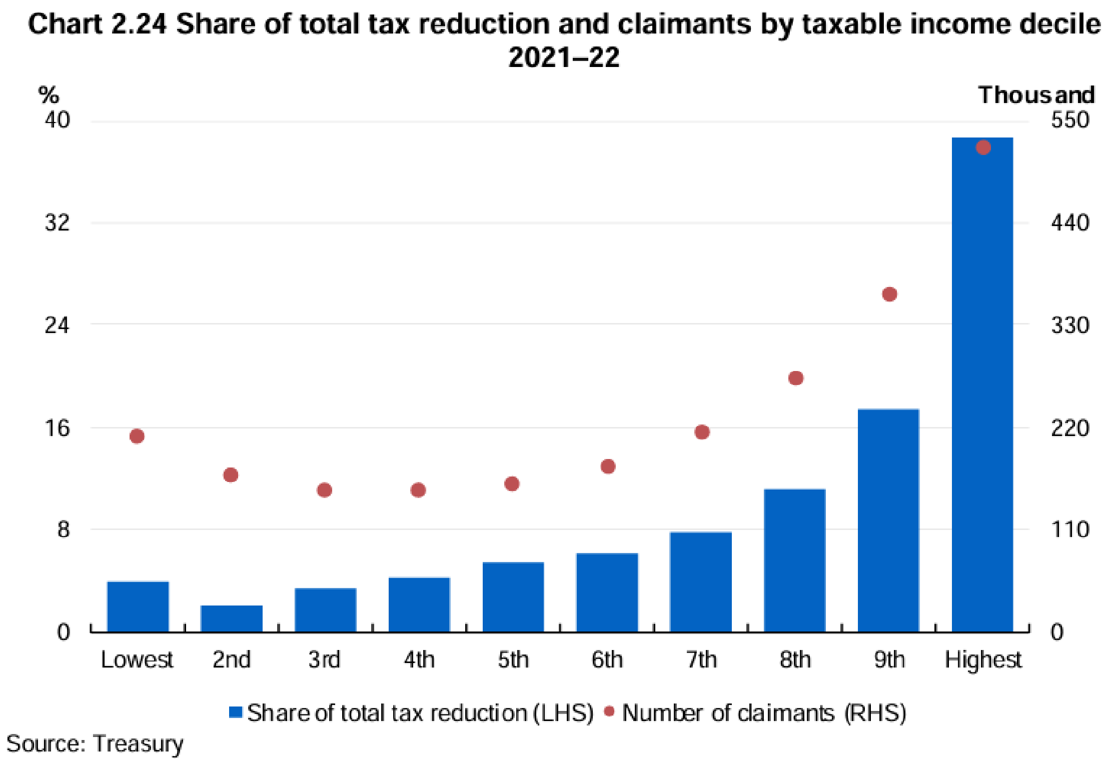
As they are closely connected, I have set out the distributional analysis on negative gearing in the following section.

In the 2024-25 Tax Expenditure and Insights Statement, Treasury explains that those in a negative gearing situation made up a large share of rental deductions in 2021-22. According to Treasury:

> Of the total number of people with rental deductions, around 42 per cent (1.0 million) had a rental loss, known as negative gearing, which added up to total rental losses of $6.3 billion. These rental losses provided a tax benefit of around $2.2 billion in 2021–22. (p.38)

Similar to the distributional impact of the CGT discount, in 2021–22 '81 per cent of the total tax reduction from rental deductions went to people with above median income, with 39 per cent of the reduction going to people in the top taxable income decile…' This is illustrated in the following chart (Figure 4).

Figure 4: Distributional analysis of rental deductions (income decile)



Source: The Treasury, *2024-25 Tax Expenditures and Insights Statement*, December 2024, p.39.

Specifically, with respect to rental losses, Treasury explains that 'rental losses are most commonly claimed by those with higher taxable incomes, with individuals in the top 30 per cent of taxable income accruing 75 per cent of the total benefit' (p.39).

4. Links to any other key research that might be useful to the Committee

The following references may be of interest:

- Australian Bureau of Statistics, 25 September 2025, ‘Australian National Accounts: Finance and Wealth.’
- Australian Housing and Urban Research Institute (AHURI), 14 November 2023 ‘The tax reforms no one wants to talk about.’
- AHURI, March 2018, ‘The income tax treatment of housing assets: an assessment of proposed reform arrangements.’
- AHURI, March 2018, ‘Modelling negative gearing and capital gains tax reforms.’
- Cho et al., 2024, ‘Investment housing tax concessions and welfare: A quantitative study for Australia,’ *International Economic Review*, 65 (2), pp.781-816.
- Cigdem-Bayram, M. et al., 2025, ‘The Bank of Mum & Dad – intergenerational transfers and first-time homeownership in Australia,’ *Review of Economics of the Household*, 23, pp.1–29.
- Deloitte Access Economics, December 2025, ‘Budget monitor: If not now, when?’
- Freudenberg, B. & Minas, J., 2019, ‘Reforming Australia’s 50 per cent capital gains tax discount incrementally,’ *eJournal of Tax Research*,16(2), pp. 317-339.
- Grattan Institute Report, April 2016, ‘Hot property Negative gearing and capital gains tax reform.’
- Kohler, A., 2023. ‘The Great Divide: Australia's housing mess and how to fix it,’ *Quarterly Essay*, 92, pp.1-87.
- Parliamentary Budget Office (PBO), 17 April 2025, ‘Cost of Negative Gearing and Capital Gains Tax Discount,’ Advice provided to Mr Adam Bandt MP.
- PBO, 1 October 2024, ‘Distribution of property tax concession benefits,’ Advice provided to Mr Adam Bandt MP.
- PBO, 2 July 2024, ‘Cost of Negative Gearing and Capital Gains Tax Discount,’ Advice provided to Mr Adam Bandt MP.
- PBO, 23 April 2024, ‘Policy Reform Options for Negative Gearing and Capital Gains Tax,’ Advice provided to Senator David Pocock and Senator Jacqui Lambie.
- PwC, February 2016, ‘Tax reform: Informing the debate What are the implications of changing housing tax benefits?’
- Reserve Bank of Australia, 2017, ‘Negative Gearing and Welfare: A Quantitative Study for the Australian Housing Market.’
- Richardson, D. & Stilwell, F., 2024, ‘Tax Reform,’ *The Journal of Australian Political Economy*, 92, pp.189-205.
- Troy, L., January 2024, ‘Australia's 'Deeply Unfair' Housing System is in Crisis –And Our Politicians Are Failing Us,’ *Planning News*, 50 (1), pp.21-22.

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Acknowledgement of Country

We acknowledge the traditional owners and custodians of country throughout Australia and acknowledge their continuing connection to land, waters and community. We pay our respects to the people, the cultures and the elders past, present and emerging.