OXFAM
Australia

Submission to the Select Committee on the Operation of the Capital Gains Tax Discount

Oxfam Australia is an independent, not-for-profit development and advocacy organisation dedicated to tackling the root causes of poverty and inequality. Oxfam Australia is a member of Oxfam International, a global confederation of 21 organisations that work together in 86 countries around the world. Our vision is of a just and equal world without the inequalities that keep people in poverty.

Oxfam Australia welcomes the opportunity to make a submission to this parliamentary inquiry into the operation of the capital gains tax discount. Oxfam Australia asserts that Australia's tax system is contributing to the growth in inequality, including the growth in extreme wealth, and the failure to eradicate poverty in Australia because it fails to adequately tax wealth and provides a range of tax discounts that disproportionately benefit high income earners or those with high levels of wealth.

We believe tax reform is crucial for stopping the growth in inequality, extreme wealth, securing sufficient budget revenue for budget sustainability and to ensure an adequate social protection system that leaves no one behind. As part of our research into the tax settings that contribute to inequality, we have identified the capital gains tax discount as a key tax policy that deepens inequality as it disproportionately benefits very high income earners. It also contributes to the growth in housing prices that benefits higher income investors to the detriment of younger people and those on lower incomes, who are struggling to afford the very high cost of housing. You can read more about this in our report "The Elephant in the Room: Australia's Failure to Tax Wealth".

A system geared for inequality, impacting productivity and wellbeing

In Australia, too much wealth is held by too few. Over recent years, when everyday Australians have endured a cost-of-living crisis, billionaire and centi-millionaire wealth has continued to soar. The total wealth of Australian billionaires has increased by 347% over the last decade (see Figure 1)[1] while the average AFR Rich Lister has almost 16,000 times the wealth of an Australian household in the bottom 50% of the wealth spectrum.[2] At the same time, one in seven Australians (14.4%) were living in relative poverty – the highest level since 2001.[3] Despite being one of the wealthiest nations in the world, Australia's relative poverty rate sits above the OECD average, and sits higher than countries like the United Kingdom, France, Germany, Canada and New Zealand.[4]

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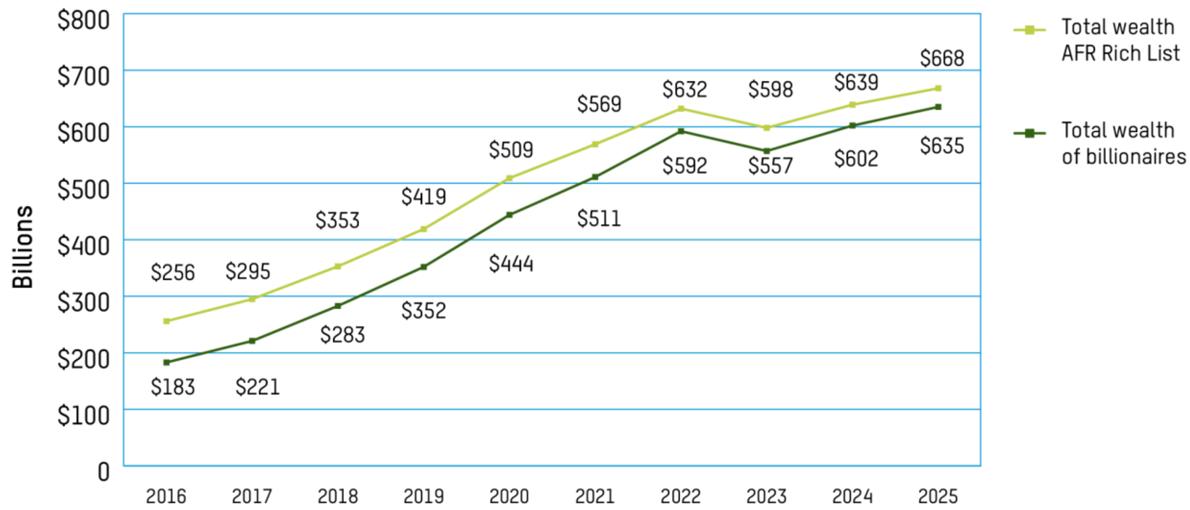
Figure 1: AFR Rich List Wealth over the decade



Source: Oxfam calculations based on Australian Financial Review Rich List data. Figures adjusted from nominal to real terms (CPI-adjusted).

Our tax system enables this continued growth in wealth concentration through its failure to tax wealth and its generous tax concessions that disproportionately benefit high income earners and wealthy individuals, of which the capital gains tax discount is a very significant contributor. Currently we have a socially and economically harmful situation where income and wealth derived from investments in corporations and real estate is often taxed at lower rates than income from working. This is contributing to our growing economic inequality and also harms productivity and wellbeing. As economist Joseph Stiglitz points out in his book *The Road to Freedom*, the rent-seeking and political influence exerted by the wealthiest is increasing, undermining democracy, and is damaging to productivity[5] In a recent review, the Productivity Commission recognised that economic inequality is harmful for wellbeing and social cohesion[6] The Assistant Minister for Productivity, Competition, Charities and Treasury, Andrew Leigh, also identified the harms of inequality to economic mobility and democracy.[7]

Inequality impacts of the capital gains tax discount

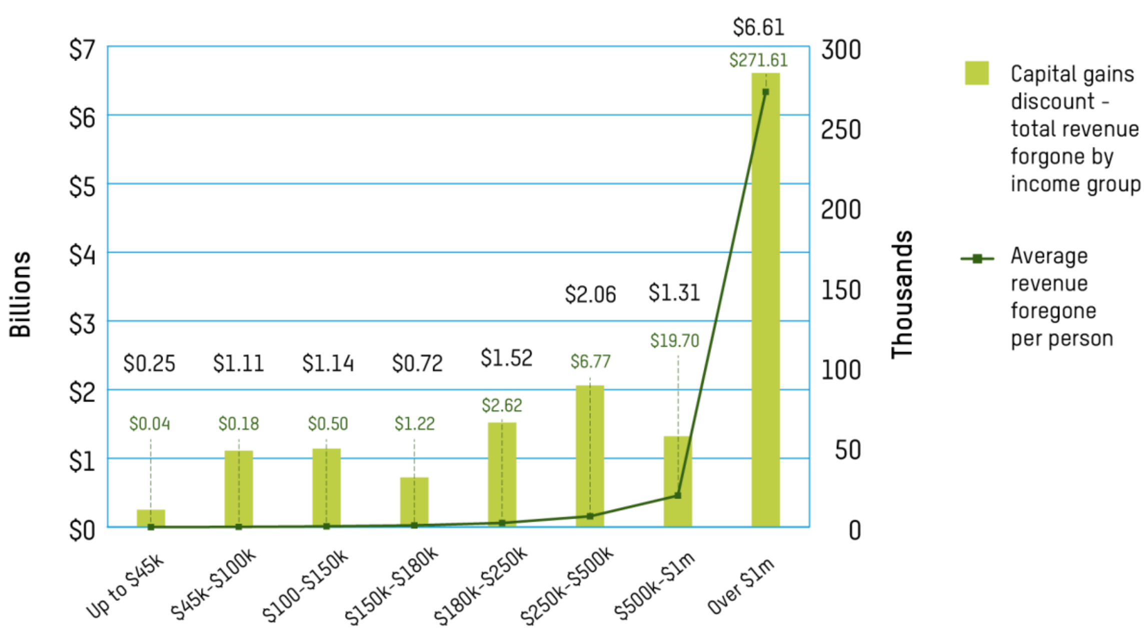
The capital gains tax discount, applied to income taxes on profits from selling assets by individuals and eligible trusts, is a critical example of a tax discount that primarily benefits Australia's wealthiest and deepens inequality,providing little benefit everyday Australians. The capital gains tax discount means that when wealthy asset-holders sell an asset, the profits are taxed at half the rate of wages, entrenching favourable treatment of income from assets.

The capital gains tax discount is an important tax policy within a wider system that contributes to wealth concentration amongst investors. In this system, the value of investor's wealth plus the tax savings from the capital gains tax discount compound over time, and they can enjoy all the benefits, including economic power and lavish lifestyles, by taking loans to finance these privileges that do not trigger personal income taxes or capital gains tax. By contrast, working people have taxes withheld from their pay checks in real time. This treatment creates vast disparities in tax paid, take-home income and wealth accumulation between those who rely on wages for income and those whose wealth comes from assets and investments. This deeply unfair system is driving the soaring growth in extreme wealth and inequality. Additionally it contributes to our budget sustainability problem through the significant revenue forgone to high incomes earners who should not be paying lower tax rates than workers.

In relation to the capital gains tax discount in particular, the latest Tax Expenditures and Insights Statement found that in 2021-2022 the revenue forgone from this discount was $15.6 billion.[8] Of this, around 95% of the benefit was received by people with above median income, and about 82% of the benefit was received by people in the top 10% by income.[9]

Oxfam Australia has delved deeper into this finding to highlight the extent to which tax concessions in the system flow through to wealthier individuals, particularly on the capital gains tax discount for individuals in Australia for the 2022-2023 financial year.[10] Our analysis shows that the overall combined revenue foregone from this singular concession is approximately $13.5 billion.[11]The distribution of total benefits is highly skewed towards higher-income taxpayers, particularly the select few who earn more than $1 million per year. When we look at benefits for each income range, we can see a massive 85.6% of the benefit from capital gains tax discount per year goes to individuals who make up the roughly 10% of the working population earning more than $150,000. Averaged over all individuals in this group, the gain per person from the capital gains discount is $7,382.

Figure 2: Capital gains tax discount claimed by income groups



Source: Oxfam calculations based on ATO Taxation Statistics data 2022-23

Breaking down the benefits for different incomes within the top 10% paints an even starker picture of where the benefits flow. When looking at the 4% of people who earn between $180,000 and $250,000 each year, we see average gains of $2,620 per person. This rises dramatically to $19,700 per person for the 0.4% of the working population earning between $500,000 to $1 million. **If we focus on the even smaller 0.15% of the working population (24,000 people), who earn more than $1 million per year, each person on average received**

a remarkable $271,610 from the capital gains tax discount. This is over 324 times more than the total working population and almost 1500 times more than those on lower incomes of between $45,000 and $100,000 (see Figure 2). These results illustrate the regressive nature of this concession, with disproportionate gains primarily flowing to those on very high incomes.

It is worth highlighting that this analysis of the capital gains tax discount on individuals does not include revenue forgone when the capital gains tax discount is applied to private trusts, whose benefits often flow through to the high-income controllers of those trusts. Even with our narrow focus on the capital gains tax discount on individuals, the evidence remains clear; the tax discounts provided for capital gains disproportionately benefit the wealthiest and there is a particularly great benefit for the highest income earners, while offering comparatively little to low- and middle-income Australians. Reform is essential if Australia is to build a fairer and more sustainable revenue system that works for everyone.

CGT Discount and negative gearing: impact on housing and house prices

The capital gains tax discount is also contributing to the increase in housing prices and the housing affordability crisis. ACOSS has found that the introduction of the 50% capital gains tax discount in 1999 led to a 13%-per-year surge in house prices (above inflation) from 2001 to 2003 and 6%-per-year increase from 2013 to 2017.[12] Since 1999, home prices have increased by 142%, while wages have only risen by 44%.[13] This has led to the wealthiest 10% of households holding two-thirds of the value of investment property and the gap in wealth between homeowners and renters growing substantially.[14]

Negative gearing, the ability to deduct rental property losses from other taxable income, has worsened the housing crisis, alongside the capital gains tax discount, by further encouraging speculation on housing, driving up demand and increasing house prices.[15]

The Australia Institute and ACOSS have highlighted the enabling effect the capital gains tax discount and negative gearing have had on each other. The introduction of the discount coincided with a rapid increase in the use of negative gearing because, together, they encourage investment in property to secure capital gains that are taxed at concessional rates while also enabling investors to deduct any losses made. This increases their capacity to invest further.[16] The Parliamentary Budget Office examined the impact of negative gearing and the capital gains tax discount applied to residential properties and found it cost the budget $10 billion in 2022-2023 ($3.5 billion of which was negative gearing alone). This figure is rising year on year; it is estimated that it will cost $13.35 billion in 2025-2026.[17]

Recommendations

To make the tax system fairer for working people, to reduce the growth in inequality and to reduce the price pressures in the housing sector, Oxfam Australia recommends that the Australian Government:

Recommendation 1: Scrap the capital gains tax discount on individuals and trusts as a key driver of inequality and the housing affordability crisis. By removing or significantly reducing this discount to account for inflation only, billions could be restored to the budget.

Recommendation 2: Phase out negative gearing alongside ending the capital gains tax discount. These should be priority reforms to take the pressure off housing prices, with consideration given to best design to phase out negative gearing over a five-year period to support a smooth transition.

References

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[3] Productivity Commission, *Fairly Equal? Economic Mobility in Australia*, Research paper (Australian Government, 2024), https://www.pc.gov.au/research/completed/fairly-equal-mobility/fairly-equal-mobility.pdf.

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[10] David Minh Tran et al., The Elephant in the Room: Australia's Failure to Tax Wealth (Oxfam Australia, 2025), https://www.oxfam.org.au/wp-content/uploads/2025/10/Oxfam-Report-The-Elephant-in-the-Room-2025.pdf.

[11] Ibid.

[12] Peter Davidson and James Hall, *Homes for Living, Not Wealth Creation* (ACOSS, 2025), https://www.acoss.org.au/wp-content/uploads/2025/03/acoss-housing-tax-policy-paper25-1.pdf.

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