



Select Committee on the Operation of the Capital Gains Tax Discount  
PO Box 6100  
Parliament House  
Canberra NSW 2600

### **Submission on Operation of the Capital Gains Tax Discount**

Dear members of the Committee,

The Justice and Peace Office is an agency of the Catholic Archdiocese of Sydney, charged with promoting awareness, understanding and action in relation to justice, peace, ecology, and development as guided by Catholic Social Teaching. Envisioning a society that attends to the common good is a primary concern for our Office.

We are grateful for this opportunity to make a submission on the Capital Gains Discount.

We are concerned that the current CGT discount settings are contributing to widening inequality, worsening housing affordability, and undermining Australia's long-term social and economic wellbeing. We believe significant reform is necessary.

#### **Why the CGT discount matters to our work**

The CGT discount has profound, system-wide effects that directly impact the communities we serve.

Key systemic concerns include:

##### **1. Rising inequality and worsening housing affordability**

The CGT discount amplifies wealth inequality by [disproportionately benefiting higher-income households](#) and property investors, contributing to upward pressure on land and housing prices. This makes it harder for the low- or even medium-income households to secure stable, affordable homes, condemning families in the parts of Sydney that are within our boundaries to a life of insecure housing.

Rising rents and insecure tenancy are also directly contributing to increased demand for homelessness and the crisis support services we work with.



## 2. Higher rents and increased precarity

The CGT discount encourages property investors to purchase existing homes rather than build new ones, increasing demand for the same pool of housing. [This drives up prices](#) and, in turn, puts upward pressure on rents, making it harder to secure affordable housing, especially for low-income households, young people, older renters and single-parent families. As investors chase higher returns, properties are more frequently bought and sold, often leading to renters being forced to move, sometimes repeatedly, [costing thousands of dollars each time](#). This instability affects health and educational outcomes, workforce participation and job security, and community connection and safety.

## 3. Intergenerational inequity

Younger Australians face the dual challenge of soaring housing prices and stagnant wages, while older or wealthier cohorts disproportionately benefit from property-based tax concessions. This undermines long-term economic security and fuels social division, creating the opportunity for extreme ideologies that have witnessed in recent months.

[High and rising rents](#) reduce people's ability to save, accumulate assets, or build financial resilience. The CGT discount [accelerates wealth accumulation](#) for property-owning households while locking renters out of long-term security, compounding intergenerational inequality.

## 4. Impact on people experiencing disadvantage

The effects of the CGT discount interact with poverty, health outcomes, homelessness risk, and social exclusion. Stable and affordable housing is foundational to wellbeing, and the current tax settings make it harder to achieve.

### Response to the Terms of Reference

#### a) Contribution to inequality and housing stress

- Stable housing is foundational to the common good
- The CGT discount inflates housing demand, pushing secure housing out of reach for many we support
- It disproportionately benefits higher-income households and investors

#### b) Impact on productivity



- The discount channels investment into unproductive assets (existing housing), rather than innovation, skills, jobs, or services
- This reduces economic dynamism and places long-term pressure on government revenue needed for social security transfers that should benefit the less affluent, with [investor tax concessions](#) costing the budget around \$20 billion per year

c) Speculative vs productive investment

- The discount encourages short-term, speculative gains in property markets
- Redirecting tax concessions away from speculation would improve housing availability and strengthen economic productivity

d) Distributional effects

- Benefits overwhelmingly flow to wealthier Australians, widening inequality
- First Nations communities, young people, renters, and low-income households bear the costs of inflated housing markets

e) Use of the CGT discount by trusts

- Trust structures amplify inequity and reduce transparency, allowing high-wealth individuals to minimise tax obligations

f) Whether the CGT discount is meeting its intended purpose

- Evidence overwhelmingly suggests the policy is no longer aligned with its original rationale of increasing housing supply
- Instead, it now fuels inequality, worsens housing affordability and suppresses productivity

g) The discount's future role

- We support reform to the CGT discount to create a fairer, more efficient tax system that prioritises housing affordability
- Reform should phase out the CGT discount on investment properties to better align with the tax treatment of other forms of income



h) Other related matters - reforming negative gearing

- Without addressing negative gearing alongside the CGT discount, any reform will be incomplete
- These [two concessions](#) operate as a paired incentive that inflate property prices, fuel speculative investment, and lock renters and first-home buyers out of secure housing

**Recommendations**

The Justice and Peace Office of the Catholic Archdiocese of Sydney recommends that the Australian Government:

1. Phase out the Capital Gains Tax discount on investment properties to better align with the tax treatment of other forms of income;
2. Abolish negative gearing deductions for losses on new investment properties, while phasing out deductions on existing investment properties over time; and
3. Reinvest the savings from these reforms into the construction and acquisition of public and community housing to meet [current and future need](#).

**Conclusion**

We urge the Committee to consider the broad and deep impacts of the CGT discount on inequality, housing security, intergenerational fairness, and Australia's long-term economic future. Reform is essential to creating a fairer, more productive and inclusive Australia.

The Justice and Peace Office appreciates the opportunity to contribute and is available for further comment.

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