



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

December 2025

About Better Renting

Better Renting is a national housing justice organisation working with renters to secure stable, affordable, and healthy homes for people who rent. We work alongside renters to elevate their experiences and drive the systemic changes needed to establish renting as a desirable alternative to owning a home. Through research, campaigns, and community organising, we highlight how high housing costs, poor quality homes, and insecure tenancies affect renters' wellbeing, productivity, and economic opportunity.

Introduction

Better Renting welcomes the opportunity to provide a written submission to the Senate Select Committee on the Operation of the Capital Gains Tax Discount. Our submission is informed by the work of [Everybody's Home](#), a national coalition in which Better Renting is an active member.

Better Renting was founded by renters in 2018 on the belief that everyone deserves a decent home. Over decades, decisions by governments around Australia have prioritised profits for home owners and investors and condemned renters to housing insecurity, rising rent and energy costs, and unhealthy living conditions. At the national level, successive Australian governments have maintained generous tax concessions that have turned Australian homes into a vehicle for wealth creation for investors, leaving renters behind.

The introduction and maintenance of the capital gains tax (CGT) discount created a rental housing market dominated by highly leveraged hobby landlords incentivised to churn properties by the hefty tax discount on eye-watering capital gains. We cannot ignore the interaction of negative gearing with the CGT discount. Negative gearing provides preferential tax treatment for investors who use mortgage interest payments to reduce their taxable income and spend little to maintain—much less upgrade—the rental home they provide for the short time it takes them to turn a profit (or go bust, if they borrowed too much).

Continuing to offer tax breaks to investors wealthy to own extra homes is deeply inequitable. For renters, it contributes to rental unaffordability, the financial and emotional stress of unstable housing, and the poor condition of Australian rental homes.

Better Renting supports phasing out the CGT discount and negative gearing deductions on investment properties. The savings from these tax reforms should contribute to substantial investment in building new, high-quality public housing, and upgrading existing public housing. Further, the Australian government must ensure, through National Cabinet, that all states and territories implement genuine protections for renters against unfair evictions.

Responses to the Terms of Reference (TOR)

TOR A: Contribution to inequality and housing stress

The CGT discount encourages property investors to purchase existing homes, driving up prices and, in turn, increasing rents. Investors chasing higher returns buy and sell homes more frequently. Additionally, the CGT discount—particularly when used with negative gearing—encourages investors to overborrow and increase the risk of default—and sale—from any impact on their ability to service the large debt, such as an interest rate rise or change to employment.

Renters bear the financial and emotional costs of the instability caused by this rental housing churn. This means the current tax settings are affecting renters' health and wellbeing, educational outcomes, workforce participation and job security, community connection, and safety.

Better Renting notes that National Cabinet's 2023 "[Better Deal for Renters](#)" included a commitment to a national consistent approach to implementing "genuine reasonable grounds for eviction". However, even jurisdictions that have prohibited evictions without grounds still allow a landlord to evict a renter to sell the home, and some jurisdictions have failed to act at all.

Without reform to the CGT discount (and negative gearing), renters around Australia will continue to live in fear of being kicked out of their homes to facilitate sale by landlords who are either chasing huge profits propped up by these tax breaks, or limiting the losses caused by their decision to overborrow.

TOR B: Impact on productivity

Unstable, unaffordable, and unhealthy rental homes provide a poor foundation for productivity. Currently, too many renters are forced to move every year or two, have to choose between paying unaffordable rent or buying food and medicines, and are too scared to request essential

maintenance or upgrades. As long as governments fail to address the systemic causes of these challenges, which include the CGT discount and negative gearing, renters will struggle to contribute fully to their employment, education, caring, and volunteering responsibilities, let alone maintain their health or wellbeing.

TOR C: Speculative vs productive investment

Better Renting refers to our response to TOR A which explains the harmful impacts of short term, speculative investment in housing, which is fuelled by the CGT discount (and negative gearing).

TOR D: Distributional effects

Better Renting agrees with Everybody's Home that the benefits of the CGT discount overwhelmingly benefit wealthier Australians and exacerbate inequity, and that renters are among the groups forced to bear the costs of inflated housing markets.

TOR E: Use of the CGT discount by trusts

(no response)

TOR F: Whether the CGT discount is meeting its intended purpose

The CGT discount is not meeting its original rationale of increasing housing supply. Instead, it now drives inequity by increasing housing unaffordability and rental housing instability.

Importantly, the CGT discount likely contributes to the poor quality of Australian rental homes: speculative, short term investors—particularly those who are highly leveraged—are unlikely to invest in maintaining homes, let alone pay for the upgrades necessary for a home to be energy efficient and comfortable in a deteriorating climate.

TOR G: The discount's future role

Better Renting supports reform to the CGT discount (and negative gearing) to create a fairer, more efficient tax system that prioritises housing affordability, stability, and quality. Specifically, we support phasing out the CGT discount (and negative gearing) on investment properties to better align with the tax treatment of other forms of income.

TOR H: Other related matters - reforming negative gearing

Better Renting refers to our responses to TOR A and B explaining how negative gearing operates in tandem with the CGT discount to contribute to unaffordable, unstable, and unhealthy rental housing, causing renters considerable financial and emotional strain and undermining productivity.

We support the following points made by Everybody's Home:

- 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

Better Renting recommends the Australian Government:

Recommendation 1: Phase out the capital gains tax discount on investment properties.

Recommendation 2: Abolish negative gearing deductions for losses on new investment properties and phase out negative gearing deductions on existing investment properties.

Recommendation 3: Provide sufficient investment in building new, high-quality public housing, and upgrading existing public housing, to meet current and future need, funded in part by the savings from phasing out the capital gains tax discount and negative gearing.

Recommendation 4: Through National Cabinet, ensure all states and territories:

- a) Implement the 2023 Better Deal for Renters commitment to requiring "genuine reasonable grounds for eviction"; and
- b) Remove unreasonable grounds for eviction, such as sale of an investment home.