



## Submission to the Senate Select Committee on the Operation of the Capital Gains Tax (CGT) Discount

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*Greater Western Sydney Advocacy Network (GWSAN)*

### Introduction

The Greater Western Sydney Advocacy Network (GWSAN) welcomes the opportunity to contribute to the inquiry into the Capital Gains Tax (CGT) discount.

GWSAN is a community-led regional organisation dedicated to housing equity, spatial justice and long-term economic and social wellbeing for the one in every ten Australians who live in Greater Western Sydney. Through our Fair Share Framework, we advocate for equitable access to opportunity, investment, infrastructure, and safe, affordable housing across the region.

We are concerned that current CGT discount settings are contributing to widening inequality, worsening housing affordability and undermining Australia's medium- and long-term economic resilience. Reform is both overdue and essential.

### Why the CGT Discount Matters to Our Work

The CGT discount has system-wide effects that directly impact housing affordability, rental security, economic opportunity and regional equity in Western Sydney.

Our **Fair Share Framework** identifies four domains where the region consistently receives “less than its fair share”:

1. **Income & Wealth**
2. **Housing & Place**
3. **Transport & Access**
4. **Health & Education**

The CGT discount distorts each domain by fuelling housing costs, worsening rental instability, and diverting capital away from productive investment and essential public services.

## 1. Rising inequality and worsening housing affordability

The CGT discount overwhelmingly benefits higher-income households.

- The top 10% of income earners receive around 55% of all CGT discount benefits.
- Only 18% of discount benefits flow to taxpayers earning under \$80,000.

In Western Sydney—where median household incomes are up to \$20,000 lower than in the Eastern Suburbs or North Shore—the effects are acute:

- House prices in Penrith, Blacktown, Liverpool and Camden have grown 6–8 times faster than wages over the past two decades.
- Rents in suburbs like Mt Druitt, St Marys and Merrylands have risen over 30% in the last 3 years, far outpacing inflation and wage growth.
- Western Sydney now records the highest proportion of rental stress in NSW, with over 41% of renters spending more than 30% of income on housing.

This directly undermines Fair Share Framework aims focused on secure housing, stable foundations for families, and long-term wealth-building opportunities.

## 2. Higher rents, churn, and increased precarity

The CGT discount encourages competition for existing homes rather than investment in new housing supply. Nationally:

- Investor loans for established dwellings outnumber loans for new builds by a factor of 9 to 1.
- Investor property flips (within 5 years) have increased by over 30% in the past decade.

This creates instability:

- Western Sydney renters experience the highest displacement rates in NSW, with many households moved repeatedly as properties sell to investors chasing capital gains.
- Each forced move can cost families \$2,000–\$4,000, excluding lost work time, stress, or schooling disruption.

This churn directly affects employment, health, child development, and community cohesion—undermining regional stability and productivity.

### 3. Intergenerational inequity

The CGT discount accelerates wealth accumulation for property owners, widening the gap between renters and owners.

- A typical first-home buyer in Western Sydney now needs over 11 years to save a 20% deposit—nearly double what was required in the early 2000s.
- Meanwhile, untaxed capital gains for multi-property owners can exceed \$200,000 per year in some LGAs.

Younger people—particularly in the West, where incomes lag and housing costs surge—are locked out of wealth-building pathways, undermining long-term economic stability.

### 4. Impact on people experiencing disadvantage

Housing stress is strongly correlated with:

- poorer mental and physical health,
- domestic and family violence risk,
- higher emergency department presentations,
- reduced school attendance, and
- increased community service demand.

In Western Sydney, where health, transport and educational inequities are already deeply entrenched, the CGT discount amplifies disadvantage.

## Experiences from Our Community

Examples from GWSAN's Equity Diaries and community engagement include:

- A Cranebrook family relocating four times in three years due to investor churn—disrupting schooling and requiring the parent to change jobs twice.
- Young workers in Parramatta, Mt Druitt and Wetherill Park reporting rental increases of \$80–\$150 per week, forcing moves to more distant suburbs with poorer transport access.
- Community organisations reporting year-on-year increases in clients presenting with housing stress, with frontline workers noting housing pressure as a primary driver of financial hardship, family instability, and declining health.

## Response to the Terms of Reference

### a) Contribution to inequality and housing stress

- The CGT discount disproportionately benefits high-wealth households.
- It inflates competition for existing housing stock, worsening affordability.
- Safe, stable housing is foundational to the Fair Share Framework domains of health, education, employment, and long-term economic security.

### b) Impact on productivity

- The discount channels investment into unproductive assets rather than innovation, skills, or employment growth.
- Investor housing tax concessions cost the budget around \$20 billion per year, reducing the capacity to fund critical infrastructure in high-growth regions such as Western Sydney.

### c) Speculative vs productive investment

- Tax settings encourage speculative property investment over productive investment.
- Redirecting concessions toward new supply would alleviate rental pressure and increase economic dynamism.

### d) Distributional effects

- Benefits overwhelmingly flow to wealthier Australians, deepening the income and wealth gap.
- Western Sydney—home to many renters, young families, migrants, and essential workers—bears the brunt of inflated housing markets.

### e) Use of trusts

- Trust structures amplify inequity, enabling high-wealth individuals to minimise tax obligations and extract greater untaxed gains.

### f) Is the CGT discount meeting its intended purpose?

- Evidence shows the policy does not increase housing supply.
- Instead, it inflates prices, erodes affordability and undermines productivity.

### g) Future role of the discount

- Reform is essential to restore fairness and efficiency.
- Phasing out the CGT discount would rebalance incentives and moderate speculative pressure.

### h) Related matters – negative gearing

- Negative gearing and the CGT discount operate as a combined incentive.
- Reforming both is necessary to meaningfully rebalance the housing system.

## Recommendations

GWSAN recommends the Australian Government:

1. **Phase out the Capital Gains Tax discount** on investment properties to align with the tax treatment of other income.
2. **Abolish negative gearing on new investment properties** and phase out deductions on existing investment properties over time.
3. **Reinvest the savings** into public, social and affordable housing construction and acquisition—centred on regions with high population growth and high structural disadvantage, including Western Sydney.

## Conclusion

The CGT discount no longer meets its intended purpose and is actively undermining housing affordability, rental stability, and intergenerational fairness—particularly in Greater Western Sydney, where the consequences are amplified by existing structural inequities.

GWSAN urges the Committee to consider the long-term social, economic and regional impacts of the CGT discount and to pursue reform that aligns with productivity, fairness and sustainable national prosperity.

We appreciate the opportunity to contribute and are available for further consultation.

Warm Regards,  
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