



Senator Nick McKimm  
Chair  
Select Committee on the Operation of the Capital Gains Tax Discount  
PO Box 6100  
Parliament House  
Canberra ACT 2600

By email: CGTD.Sen@aph.gov.au  
19 December 2025

Dear Senator,

Submission to the Inquiry into Local Government Funding and Fiscal Sustainability

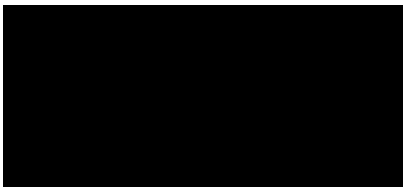
Thank you for the opportunity to make a submission to the inquiry. Prosper Australia is an economic research organisation focused on the role of land in the economy. We have a long history of research into property taxation.

Our submission relates to the implications of the CGT discount for inequality, housing affordability, and economic efficiency.

We recommend the Committee recognise that the CGT discount primarily rewards speculative gains on land, exacerbating inequality, distorting investment, and undermining housing affordability. Reforming the CGT discount in line with land-value taxation principles would promote fairness, economic efficiency, and productive use of Australia's scarce land resources.

Our submission is attached.

We would welcome the opportunity to appear before the Committee to elaborate on these points and take questions on these and other matters before the inquiry.



Kind regards,  
Rayna Fahey  
Director of Advocacy  
Prosper Australia



## Submission to the Select Committee on the Operation of the Capital Gains Tax Discount Submitted by Prosper Australia, December 19, 2025.

[Prosper Australia](#) advocates for a fairer and more efficient tax system that recognises the economic distinction between land, labour, and capital. We welcome the opportunity to contribute to this inquiry, particularly on the implications of the CGT discount for inequality, housing affordability, and economic efficiency.

We welcome the opportunity to present to this committee.

### 1. “Capital Gains” are mostly land gains

The term “capital gain” is misleading: real capital – produced by human effort – does not inherently increase in value. Land, by contrast, has a fixed supply and gains value due to societal factors such as population growth, infrastructure, and public services. These unearned gains are what the current CGT discount predominantly benefits.

Unlike true capital, which is produced and depreciates over time, land values increase without additional effort. Therefore, a so-called “capital gains tax” falls largely on land and land-like assets, not on productive capital. The preferential CGT discount effectively subsidises unearned wealth and entrenches inequality, while offering little incentive to create productive assets.

### 2. Equity implications

Because the richest Australians derive a disproportionately large share of their wealth from land and land-like assets, the CGT discount reinforces wealth concentration. The top 1% of taxpayers, for example, receive a negligible share of wages yet capture a substantial proportion of capital gains. Meanwhile, workers and renters bear the brunt of taxation on labour and consumption, creating a fundamentally unfair system.

The availability of CGT discounts for trusts amplifies inequality and shelters wealth from public contribution. This mechanism allows high-wealth individuals to exploit unearned land gains while avoiding the redistributive role taxation should play.

### 3. Efficiency and productivity considerations

The CGT discount encourages speculative investment in existing property rather than productive sectors. By making holding land more profitable than productive use, it suppresses housing supply, drives up prices, and diverts capital away from innovation and entrepreneurship. Taxing land gains instead would encourage productive use, fund infrastructure, and support economic growth without deterring labour or capital investment.

### 5. Policy recommendations

To promote fairness and efficiency, Prosper Australia recommends:

- Removing or scaling back the CGT discount on land and land-like assets.
- Shifting the tax base toward land values rather than labour or productive capital.
- Encouraging productive investment by reducing taxes on income from labour while taxing unearned land gains appropriately.

### Conclusion

The CGT discount primarily rewards speculative gains on land, exacerbating inequality, distorting investment, and undermining housing affordability. Reforming the CGT discount in line with land-value taxation principles would promote fairness, economic efficiency, and productive use of Australia’s scarce land resources.

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