# Tax Green Paper Series

## Part 1: CGT and Negative Gearing

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FIGHTING INEQUALITY IN AUSTRALIA

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# About Per Capita

Per Capita is an independent public policy think tank, dedicated to addressing inequality in Australia through building a new vision based on fairness, shared prosperity, community and social justice.

Our research is rigorous, evidence-based and long-term in its outlook. We consider the national challenges of the next decade rather than the next election cycle. We ask original questions and offer fresh solutions, drawing on new thinking in social science, economics and public policy.

Our audience is the interested public, along with experts and policymakers. We engage all Australians who want to see rigorous thinking and evidence-based analysis applied to the issues facing our country's future.

## About the authors

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# Executive Summary

At Per Capita's Community Tax Summit in 2025, participants were asked to identify their top priority for tax reform. Capital gains tax (CGT) emerged as the leading response at 30 per cent, followed closely by negative gearing at 26 per cent — together representing two of the three most supported reforms. This finding is reinforced by Per Capita's annual tax survey, where both reforms were among the most popular ways to raise revenue for improved services.

Expert opinion aligns with this sentiment. As Dr Ken Henry AC observed at the summit, "the structure of our tax system offends intergenerational equity" — a view shared by many economists who see CGT and negative gearing reform as essential to rebalancing a tax system that has, over time, favoured asset holders over wage earners.

It is against this backdrop of growing public and expert consensus that Per Capita has developed the **Tax Green Paper series** — a sequence of articles examining Australia's tax and transfer system at a time when the case for reform has never been more pressing. The series will culminate in a comprehensive report on tax reform in Australia, including how the federal government can develop a fair and compelling reform package.

This first paper focuses on revenue raising options — specifically, two of the reforms that resonated most strongly with summit attendees: **reducing the CGT discount** and **limiting negative gearing deductions**. Our key recommendations are to reduce the CGT discount from its current 50 per cent to 25 per cent, and to limit negative gearing deductions to investment income only. The evidence and reasoning behind these positions are set out in the pages that follow.

# Capital Gains Tax discount and negative gearing

## What are the CGT discount and negative gearing?

CGT was introduced in 1985 as part of reforms to broaden the income tax base and reduce the income tax rates. CGT is leviable on the increase in the value of an asset, such as property or shares, and is levied when capital gains are realised (i.e. the asset is sold).

Until 1999, the asset price was adjusted for inflation, to ensure investors[1] were only taxed on their real increase in purchasing power. In 1999, the inflation adjustment was replaced with a flat 50 per cent discount to make the system simpler and stimulate investment in the share market.[2]

Negative gearing is where borrowing is used to finance as an investment ("gearing") and where expenses associated with an asset are greater than income earned from the asset ("negative"). Negative gearing is commonly used for property purchases, where interest and other costs such as maintenance, depreciation, and taxes may exceed rental income. An investor would typically only be willing negatively gear an asset if they expect to make a capital gain. Therefore, the economic and housing impacts of negative gearing are contingent on generous capital gains tax arrangements.

Currently, rental losses can be deducted against any other income, such as salary and wages, which mitigates the size of the loss after tax. For example, if a property owner makes a net rental loss of $10,000 and has a marginal personal income tax rate of 45 per cent, their post-tax net rental loss would only be $5,500.

## Why CGT and negative gearing?

*Pairing back the CGT discount or limiting negative gearing would increase homeownership.*

In combination, the CGT discount and negative gearing are a recipe for speculation in the property market. This means investors are willing to purchase property to secure lucrative capital gains, regardless of how they intend to use the property or whether they expect to make a net rental gain.

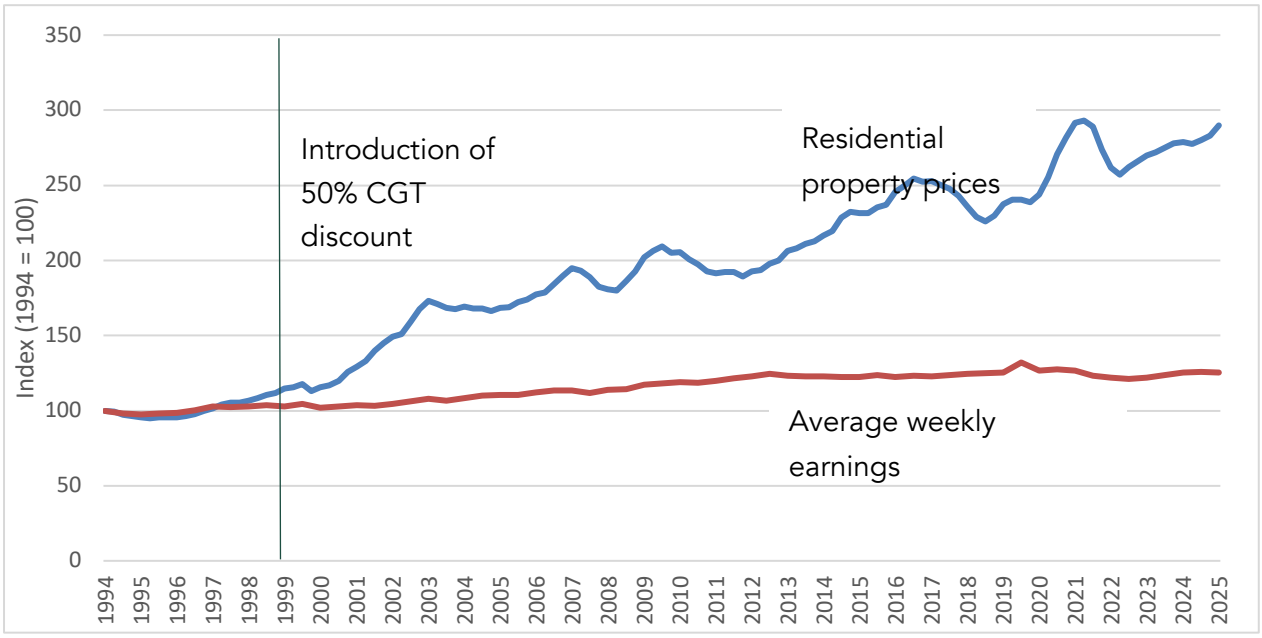
Either limiting negative gearing, by restricting investment losses so they can only be offset against income from the same investment, or reducing the CGT discount, would make property speculation less attractive. House prices would be cheaper than otherwise, and first home buyers would be more likely to outbid investors at auctions, which would give more Australians an opportunity to buy a home.

[1] Here, the term 'investor' refers to any person who saves some of their income and invests it to make a profit.

[2] Paul Kenny, 'Australia's Capital Gains Tax Discount: More Certain, Equitable and Durable?' (2005) *Journal of Australasian Tax Teachers Association*.

The rapid increase in house prices since the early 2000s appears to coincide with the introduction of the 50 per cent CGT discount in 1999 (see figure below). Dwelling prices were around four times incomes in the early 2000s, and it's now eight times.[3] It is debatable whether this is correlation or causation, as other factors such as lower interest rates may have also contributed. Some commentators have argued that the CGT discount only has a small impact on house prices because the dollar value of the CGT discount is a small share of the value of the housing stock.[4] However, others such as commentator Alan Kohler have argued that the "psychological effect" of the CGT changes stimulated the sudden spike in house prices.[5] If investors start to see property as less of an investment opportunity, the house price to income ratio could stabilise.

Residential property prices relative to average weekly earnings, Australia




*Notes: Residential property prices are deflated by CPI. Earnings data is 'all employees average weekly total earnings', deflated by CPI.*

*Sources: Australian Bureau of Statistics[6]; Bank of International Settlements[7]*

[3] Brendan Coates, 'The Housing Crisis That Australia Built', *Grattan Institute* (Web Page, 11 March 2026) <https://grattan.edu.au/news/the-housing-crisis-that-australia-built/>.

[4] Peter Tulip, 'Alan Kohler's The Great Divide: Australia's Housing Mess and How to Fix It', *Centre for Independent Studies* (Web Page, 17 March 2024) <https://www.cis.org.au/commentary/opinion/alan-kohlers-the-great-divide-australias-housing-mess-and-how-to-fix-it/>.

[5] Brendan Coates and Joey Moloney, 'Setting Alan Kohler Straight on Housing Policy', *Grattan Institute* (Web Page, 2 April 2024) <https://grattan.edu.au/news/setting-alan-kohler-straight-on-housing-policy/>.

[6] Australian Bureau of Statistics, *Average Weekly Earnings, Australia, Reference Period: November 2025* (26 February 2026) <https://www.abs.gov.au/statistics/labour/earnings-and-working-conditions/average-weekly-earnings-australia>; Australian Bureau of Statistics, Consumer Price Index, Australia, Reference Period: February 2026 (25 March 2026) <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia>.

[7] Bank of International Settlements, 'Australia - Selected residential property prices', *BIS Data Portal* (Web Page, 2025) <https://data.bis.org/topics/RPP/data>.

In addition to the effects on homeownership, the Henry Tax Review noted that housing speculation leads to higher volatility in the housing market[8], which makes household finances less stable. Housing price volatility can also hinder economic stability and long-term economic growth.[9]

### *Pairing back the CGT discount or limiting negative gearing would have little to no impact on rental prices*

Some commentators have raised concerns that reducing the CGT discount could hinder housing investment and raise rental prices. We do not expect this to eventuate.

In the short-term, if any investors were to sell property because it was no longer a good investment, these existing properties would be purchased either by other investors or by owner-occupiers. In the first case, there would be no change in the number of rental properties. And in the second case, there would be fewer renters and more homeowners.

Over the longer-run, the concern is that lower house prices might reduce the rate of return on housing construction. However, CGT is mostly a tax on growth in land values, because capital improvements are tax deductible, and buildings depreciate over time.[10] This means CGT is effectively a form of land tax, and there is a wide economics literature on why land taxes are not passed onto consumers and do not affect the rate of housing development or rental prices.[11] Instead, the increase in CGT would be absorbed by existing landowners through moderated growth in land prices, because prospective buyers would be willing to pay less to speculate on a property.

There is a stronger case that negative gearing makes housing development more attractive, because negative gearing only applies to land with a rental property[12], so prospective buyers may pay more for developed land. However, dollar for dollar, negative gearing is a poorly targeted way to incentivise property development. Only 18 per cent of lending to housing investors goes to the construction or purchase of new dwellings[13], which means any impact on housing supply is likely to be small.

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[8] Australian Government, *Australia's Future Tax System* (Report to the Treasurer: Volume 2, December 2009) 417-418 <https://treasury.gov.au/sites/default/files/2019-10/afts_final_report_part_2_vol_2_consolidated.pdf>.

[9] Alam Asadov, Mansor Ibrahim, and Ramazan Yildirim, 'Impact of House Price on Economic Stability: Some Lessons from OECD Countries' (2023) 71 *The Journal of Real Estate Finance and Economics*.

[10] Tim Helm, *Economic Reform Roundtable submission* (Prosper Australia, July 2025) <https://www.prosper.org.au/2025/07/economic-reform-roundtable-submission/>.

[11] This is because rental prices are determined by the balance of supply and demand in the market, and it is not possible for anyone to create or destroy land.

[12] Australian Taxation Office, 'How to Claim Rental Expenses' (Web Page, 28 November 2025) <https://www.ato.gov.au/individuals-and-families/investments-and-assets/property-and-land/residential-rental-properties/rental-expenses/how-to-claim-rental-expenses>.

[13] Australian Bureau of Statistics, *Lending Indicators, December Quarter 2025* (11 February 2026) <https://www.abs.gov.au/statistics/economy/finance/lending-indicators>.

Additionally, limiting negative gearing could raise $4.5 billion per year in additional revenue.[14] If even $500 million per year was allocated to social housing over five years, this could fund the construction and operation of around 6,600 additional social homes.[15] This would directly contribute to housing supply, while also better targeting government dollars towards the most vulnerable Australians.

Finally, negative gearing increases the purchasing power of individual investors (colloquially known as "mum and dad" investors), shifting property investment away from institutional investors. This weakens rental stability - institutional investors generally offer greater tenure security, because they are less likely to turn over a property to realise a capital gain or live in the property. They also have a strong incentive to keep the property in good condition to maintain a profitable rental yield.[16] Limiting negative gearing could shift investment towards creating an attractive rental product over speculative capital gains.

## CGT Discount

The previous section outlines why, from a housing affordability perspective, there is a strong case for reforming either CGT or negative gearing. The following sections further build the case for reducing the CGT discount.

### *The CGT discount overcompensates for inflation*

The primary purpose of the CGT discount is to compensate investors for inflation, which erodes the real value of savings over time. Some discount is justified to ensure investors are only taxed on their real increase in purchasing power.

On average, the 50 per cent discount overcompensates investors for inflation. As outlined in Australia's Future Tax System Review (the Henry Tax Review), a 40 per cent discount would more appropriately adjust for inflation, based on the recent history of investment returns and assuming a 2.5 per cent inflation rate (the middle of the Reserve Bank of Australia's target band).[17]

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[14] Aruna Sathanapally et al, *Orange Book 2025: Policy Priorities for the Federal Government* (Grattan Institute, March 2025) <https://grattan.edu.au/wp-content/uploads/2025/03/Orange_Book_2025.pdf>

[15] Based on the estimated subsidy gap between development/operating costs and rental income for a social housing development, indexed by the Consumer Price Index. See Laurence Troy and Ryan van den Nouwelant, *Costing Social and Affordable Housing Delivery across Australia* (Report, UNSW Sydney and University of Sydney, October 2023) 3.

[16] Peter Mares, 'Build-to-Rent: A Potential Solution to Australia's Housing Problem', *The Sydney Morning Herald* (online, 16 September 2018) <https://www.smh.com.au/national/build-to-rent-a-potential-solution-to-australia-s-housing-problem-20180904-p501of.html>.

[17] Australian Government, *Australia's Future Tax System* (Report to the Treasurer: Volume 1, December 2009) 72 <https://treasury.gov.au/sites/default/files/2019-10/afts_final_report_part_2_vol_1_consolidated.pdf>.

The current period of high inflation complicates this picture, but it is unlikely to significantly change the most suitable inflation adjustment. The average holding period of an asset is nine years[18], which means short-term fluctuations will typically balance out over time.

### *Other forms of savings do not receive a discount*

While superannuation savings also receive significant tax concessions, earnings from bank deposits do not receive any discount at all. This inconsistency encourages investors to save based on tax advantage rather than how they would personally trade-off risk and reward. It also exacerbates inequality, because lower income earners are relatively more likely to save through bank deposits than investment properties or shares.[2]

While this is not a reason to reduce the CGT discount per se – it could instead justify a fixed discount on all savings – the latter would be difficult in the current fiscally constrained environment.

### *Lumpy capital gains do not always lead to over-taxation*

One potential justification for a higher discount is that capital gains are earned in a single year, which often pushes investors into a higher marginal income tax bracket. This means someone who earns a large capital gain in a single year may face a higher tax rate than someone who realises the same capital gain in regular intervals. Prior to 1999, this was resolved by allowing investors to spread their capital gain over multiple tax years (income averaging).

However, lumpy gains may also lead to under-taxation in some cases, because investors can reduce their tax rate by selling the asset when their income is low. For example, many investors delay sale until retirement, when they typically face a lower marginal tax rate.[19] This advantage is intensified when investors are negatively geared, because they can fully deduct interest costs during their high-earning years.[20]

### *Addressing wealth inequality*

Australia's wealth distribution is highly unequal. A household at the 90$^{th}$ wealth percentile has almost 70 times as much wealth as a household at the 10$^{th}$ percentile.[21]

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[18] Parliamentary Budget Office, *Policy Costing: Negative gearing and capital gains tax (CGT) reform* 2019 (Post-election report of election commitments: PER414, 2019) <https://www.pbo.gov.au/sites/default/files/2023-03/PER414%20%20ALP%20%20Negative%20gearing%20and%20capital%20gains%20tax%20CGT%20reform.PDF>.

[19] John Daley and Danielle Wood, *Hot Property: Negative Gearing and Capital Gains Tax Reform* (Report No 2016-8, Grattan Institute, April 2016) <https://grattan.edu.au/wp-content/uploads/2016/04/872-Hot-Property.pdf>.

[20] John Kehoe, 'CGT Discount Overtaxes Investors during High Inflation', *Australian Financial Review* (online, 20 March 2026) <https://www.afr.com/wealth/tax/cgt-discount-overtaxes-investors-during-high-inflation-20260320-p5qx2p>.

[21] Danielle Wood, 'Inequality in Australia – What Role Does Government Policy Play?' (Hugh Stretton Oration, University of Adelaide, 22 May 2024) <https://www.pc.gov.au/media-speeches/speeches/inequality-government-role/>.

Almost 90 per cent of CGT discount concessions benefit people in the highest income quintile (top 20 per cent).[22] This is not merely because lumpy gains push lower income earners into higher tax brackets. Research by the Grattan Institute in 2016 found that almost 40 per cent of capital gains were earned by the top 10 per cent of earners by income *before* capital gains.[23]

Additionally, research by the e61 Institute found that many individuals in the top 5 per cent of income earners have very low effective tax rates, which is partly caused by the CGT discount. For example, 10 per cent of individuals with incomes of $390,000 have lower tax rates than almost all individuals with incomes of $71,000.[24]

Even if economic fundamentals suggested that the current 50 per cent discount was justified, reducing the CGT discount would be a straightforward way to improve Australia's wealth distribution.

### *Impact on productive investment*

The original intent of the higher CGT discount was to encourage investment in the share market.[25] However, this is a poorly targeted measure, as the CGT discount also encourages investment in land and other speculative assets. In fact, rapidly growing small businesses and innovative startups are largely exempt from CGT.[26]

Instead, reducing the CGT discount to 25 per cent would provide additional revenue (approximately $6.5 billion per year[27]), which could be used to fund more targeted tax and spending measures. These could include investment in social housing, recalibrated family benefit tapering to prevent work

[22] Commonwealth of Australia, *Economic Reform Roundtable: Budget Sustainability and Tax Reform* (Economic Reform Roundtable, Treasury, 2025) <https://treasury.gov.au/sites/default/files/2025-08/budget-sustainability-overview.pdf>

[23] John Daley and Danielle Wood, *Hot Property: Negative Gearing and Capital Gains Tax Reform* (Report No 2016-8, Grattan Institute, April 2016) <https://grattan.edu.au/wp-content/uploads/2016/04/872-Hot-Property.pdf>.

[24] Greg Kaplan, Matthew Maltman, and Matt Nolan, *Who Pays Income Tax? The Distribution of Individual Income Tax Rates in Australia* (e61 Institute, July 2025) <https://e61.in/who-pays-income-tax-the-distribution-of-individual-income-tax-rates-in-australia/>.

[25] Paul Kenny, 'Australia's Capital Gains Tax Discount: More Certain, Equitable and Durable?' (2005) *Journal of Australasian Tax Teachers Association*.

[26] Allegra Spender, *Personal Tax White Paper* (White Paper, March 2026) 65 <https://www.allegraspender.com.au/tax>.

[27] Brendan Coates, Joey Moloney, and Aruna Sathanapally, *Reforming the Capital Gains Tax Discount: Submission to the Senate Select Committee* (Grattan Institute, December 2025) <https://grattan.edu.au/wp-content/uploads/2025/12/Grattan-Institute-2025-Senate-Select-Committee-Capital-Gains-Tax-Inquiry.pdf>.

disincentives for secondary earner parents[28], or replacing company tax with a cash flow tax to encourage new business investment.[29]

## Negative Gearing

If the CGT discount is reduced, this lessens the need to reform negative gearing, because investors are only likely to negatively gear investment properties when they expect to earn significant capital gains with a tax advantage in the future. However, there is still a strong case for limiting negative gearing.

### *Employees cannot deduct most work-related expenses*

It is well established that investment losses should be deductible from investment income. For example, company tax applies to business profits, rather than just income. This ensures business activities with different cost structures are treated equally.[30]

However, the extension of negative gearing to unrelated labour income is more questionable. While employees may deduct certain work-related expenses such as uniforms and some travel, they are not able to deduct most expenses incurred in the process of earning income, such as childcare and travel to their place of work. Yet property owners can deduct rental losses unrelated to their labour income.

Other high-income countries typically have at least some restrictions on how investment losses can be deducted against other income. For example, many countries only allow rental losses to be offset against rental income or other passive investment income, but not unrelated labour income.[31]

### *Negative gearing mostly supports high-income earners*

Negative gearing also exacerbates income inequality. An individual in the top income tax bracket is three times more likely to use negative gearing than someone outside the top tax bracket.[32]

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[28] Ana Gamarra Rondinel, Guyonne Kalb, and Miranda Stewart, *Updating Family Payments for Work and Shared Care: Submission to the Economic Reform Roundtable* (July 2025) <https://cdn.theconversation.com/static_files/files/3880/GamarraKalbStewartEconomicReformRoundtableSubmissionFinal.pdf?1754455013>.

[29] Productivity Commission, *Creating a more dynamic and resilient economy* (Interim report, 2025) <https://www.pc.gov.au/inquiries-and-research/resilient-economy/interim/>.

[30] Paul Tilley, *Negative Gearing: Is It a Tax Concession?* (Policy Brief No 6/2024, Tax and Transfer Policy Institute, Crawford School of Public Policy, ANU, November 2024) <https://crawford.anu.edu.au/sites/default/files/2025-02/Complete%20PB%20Paul%20Tilley%20Nov%202024.pdf>.

[31] John Daley and Danielle Wood, *Hot Property: Negative Gearing and Capital Gains Tax Reform* (Report No 2016-8, Grattan Institute, April 2016) <https://grattan.edu.au/wp-content/uploads/2016/04/872-Hot-Property.pdf>.

[32] Saul Eslake, Submission to Everybody's Home, *People's Commission into the Housing Crisis* (16 April 2024) <https://everybodyshome.com.au/wp-content/uploads/2024/04/Saul-Eslake.pdf>.

## CGT Reform Options

### *Option 1: Reduce the CGT discount to 25 per cent (**recommended**)*

There is debate on how much discount is recommended, from removing the CGT discount completely to 40 per cent as recommended by Ken Henry.

Per Capita recommends a CGT discount to 25 per cent because halving the CGT discount would have four major benefits:

- Increased homeownership
- Lower wealth inequality
- Greater consistency with earnings from bank deposits
- Increased revenue to reduce more costly taxes or to fund social housing

The Grattan Institute estimates this would raise around $6.5 billion per year in additional revenue.[33]

### *Option 2: Apply the discount to property only*

Applying the lower discount only to property would retain the homeownership benefits of the reform and may shift investment away from speculation on land. This would raise significantly less revenue, which could limit the government's ability to design an equity-enhancing reform package. However, it could be combined with changes to the marginal income tax brackets, to make income tax more progressive. This option poses some risk of tax minimisation, such as investors holding property through a company.[34]

Others have proposed restricting the discount to only newly built property to encourage new investment. However, this is unnecessary, because the building component of newly built property is already mostly CGT deductible. It could also create a perverse incentive to knock down and rebuild existing homes, and it would increase administrative complexity to define whether significant renovations are classified as new property.

### *Option 3: Return to a direct inflation adjustment and income averaging*

The e61 Institute's proposal for CGT recommends replacing a fixed discount with explicit adjustments that:

a) Provide an allowance for the inflation component of capital income; and

[33] Brendan Coates, Joey Moloney, and Aruna Sathanapally, *Reforming the Capital Gains Tax Discount: Submission to the Senate Select Committee* (Grattan Institute, December 2025) <https://grattan.edu.au/wp-content/uploads/2025/12/Grattan-Institute-2025-Senate-Select-Committee-Capital-Gains-Tax-Inquiry.pdf>

[34] Allegra Spender, *Personal Tax White Paper* (White Paper, March 2026) 51 <https://www.allegraspender.com.au/tax>.

b) Spread the capital gain over multiple tax-years (income averaging).[35]

This approach would resolve two concerns with a fixed CGT discount: that it may undercompensate or overcompensate for inflation, and that lumpy gains may lead to over-taxation. The e61 submission argues that modern technology reporting systems allow for this more principled approach at a reasonable administrative cost.

However, this option may tax capital income at a similar or even lower rate on average, which means it would fail to achieve the housing, wealth inequality, or revenue raising benefits of reducing the CGT discount.

### *CGT Implementation and Transition Options*

The CGT discount should **not** be fully grandfathered (where the reform only applies to future asset purchases). This would create a two-tiered system, where existing wealthy investors would benefit from a more generous tax concession than those building their wealth. It would also raise significantly less revenue and discourage investors from selling their existing assets.

However, the CGT discount could be reduced gradually over 3, 5, or 10 years, so that investors still have the opportunity to realise capital gains under the rules that guided their past savings and investment decisions.

Alternatively, CGT could be applied based on a mix of the old and new rates (partial grandfathering), as proposed by independent MP Allegra Spender. For example, the existing 50 per cent discount could apply to all past asset growth prior to the announcement, while the new lower discount would apply to asset growth after announcement.[36]

Under either option, an investor who sold an asset soon after announcement would be no worse off under the reform.

## Negative Gearing Reform Options

### *Option 1: Limit negative gearing deductions to investment income only* ***(recommended)***

This would restrict negative gearing such that investment losses could be deducted from other investment income, but not unrelated labour income. Investment losses could also be carried forward to

[35] Greg Kaplan, Matthew Maltman, and Matt Nolan, *e61 Submission to the Senate Select Committee on the Operation of the Capital Gains Tax Discount* (e61 Institute, 19 December 2025) <https://e61.in/submission-to-the-senate-select-committee-on-the-operation-of-the-capital-gains-tax-discount/>.

[36] Allegra Spender, *Personal Tax White Paper* (White Paper, March 2026) 54 <https://www.allegraspender.com.au/tax>.

be deducted from investment earnings in future years. This would be consistent with the approach taken by many other high-income countries.

Property investors would still have a strong incentive to improve the quality of rental stock, such as by making significant renovations, because those costs could be deducted from rental income in a current or future year.

The Grattan Institute estimates this would raise a further $4.5 billion per year in additional revenue.[37]

### *Option 2: Limit negative gearing deductions to the same investment*

Under this option, investment losses could only be deducted from earnings on the same particular investment, not just any investment.

This would offer similar benefits to Option 1 but may have higher compliance costs to classify which costs and earnings derive from the "same" investment.

### *Option 3: Apply a discount to interest deductions*

While an investor is only taxed on half their capital gains, they can receive a full deduction for their interest costs. Yet just as asset growth includes an inflation component, the real value of a loan erodes over time due to inflation. This means highly-leveraged investors can achieve much higher rates of return on their initial capital investment.[38] As noted in the Henry Tax Review, this encourages households to take on excessive debt and financial risk.[39]

The Henry Tax Review recommended that the same discount should apply across both capital income and interest costs. Alternatively, an explicit inflation adjustment could apply to interest deductions.

This option could be implemented in conjunction with or instead of Option 1 or 2.

### *Negative Gearing Implementation and Transition Options*

Unlike with CGT, grandfathering negative gearing changes are unlikely to lock in long-lasting generous tax concessions, because most investors become positively geared within 15 years once the principal of

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[37] Aruna Sathanapally et al, *Orange Book 2025: Policy Priorities for the Federal Government* (Grattan Institute, March 2025) <https://grattan.edu.au/wp-content/uploads/2025/03/Orange_Book_2025.pdf>

[38] Greg Kaplan, Matthew Maltman, and Matt Nolan, *e61 Submission to the Senate Select Committee on the Operation of the Capital Gains Tax Discount* (e61 Institute, 19 December 2025) <https://e61.in/submission-to-the-senate-select-committee-on-the-operation-of-the-capital-gains-tax-discount/>.

[39] Australian Government, *Australia's Future Tax System* (Report to the Treasurer: Volume 1, December 2009) 73 <https://treasury.gov.au/sites/default/files/2019-10/afts_final_report_part_2_vol_1_consolidated.pdf>.

the loan is mostly repaid.[40] Grandfathering would support those who purchased an investment property based on the expectation they would be able to negatively gear.

It would, however, be prudent to sunset grandfathering arrangements, where negative gearing does not apply to any investment beyond a certain period (such as 10 years). This would give investors sufficient time to manage cash flow but ensure there is an equal playing field in the long-run.

## Community Support

Per Capita's annual tax survey in 2025 showed that the majority (57 per cent) of Australians would pay more tax to support better health and aged care services. Additionally, removing the CGT discount and cutting negative gearing concessions were among the most popular ways to raise more tax to pay for improved services. Around two-thirds of survey participants wanted negative gearing to be either abolished or restricted.

[40] Allegra Spender, *Personal Tax White Paper* (White Paper, March 2026) 54 <https://www.allegraspender.com.au/tax>.