

19 December 2025

Select Committee on the Operation of the Capital Gains Tax Discount
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To Whom It May Concern

SELECT COMMITTEE ON THE OPERATION OF THE CAPITAL GAINS TAX (CGT) DISCOUNT

This submission outlines Q Shelter's input into the above inquiry.

Key Recommendations

1. **Reduce the CGT Discount:** Phase down the CGT discount from 50% to 25% over five years, aligning taxation with real capital gains and reducing speculative incentives.
2. **Reform Negative Gearing:**
 - Restrict deductions to income from the same asset class (abolish cross-income offsets), or
 - Alternatively, limit negative gearing to newly built properties to encourage supply.
3. **Review CGT Exemption for Principal Residences:** Consider thresholds based on income or property value to improve fairness.
4. **Redirect Savings to Direct Housing Supply:** Revenue obtained from these reforms should be invested in social and affordable housing, including through the Housing Australia Future Fund (HAFF), or directly to state and territory governments to assist with similar aims.

Our understanding of the role of the Inquiry

Q Shelter understands the Select Committee on the Operation of the Capital Gains Tax Discount has been established to examine:

- the impact of the CGT discount on inequality, particularly in housing, including its influence on investment patterns and productivity,
- its distributional effects across income groups and trusts,
- whether it meets its original objectives,
- its role in Australia's future tax mix, and
- any other related matters.

The committee is to present a final report to Parliament by 17 March 2026.

Introduction

As Queensland's peak body for housing and homelessness, Q Shelter works to ensure every person has access to safe, secure, affordable, and accessible housing by influencing policy, building sector capacity, and fostering collaboration across government, community, and industry. Our role is to advocate for systemic solutions to housing need and homelessness, grounded in evidence and informed by Queenslanders' lived experience.

Q Shelter welcomes the opportunity to contribute to this inquiry. As a peak body for housing and homelessness, we advocate for a fairer housing system. Therefore, tax settings, including the Capital Gains Tax (CGT) discount and negative gearing, are key drivers of housing affordability and equity. Reforming these concessions is essential to address Queensland's housing crisis and promote intergenerational fairness.

We note that our National Peak Body, National Shelter, has made a submission to the inquiry, and that our recommendations align with many of theirs.

Why Reform is Needed

Queensland's rental market remains extremely tight. Recent REIQ reports (The REIQ, 2025) show the statewide vacancy rate stuck around 1%, with most regions at or below 1%, far below the healthy range of 2.6–3.5%. Median house prices have surged beyond the reach of low to moderate-income households. Tax concessions such as the 50% CGT discount and negative gearing distort the housing market by incentivising speculative investment in existing properties rather than productive investment in new housing supply. These concessions overwhelmingly benefit high-income households, exacerbate inequality, and inflate property prices, making home ownership unattainable for many Queenslanders.

- Economists consistently rank reform of housing tax concessions among the top priorities for improving housing affordability in Australia.
- A 2025 poll by the Economic Society of Australia found that one-third of leading economists supported tightening negative gearing and CGT concessions as the most effective housing reform after increasing social housing supply (Martin, 2025).
- The Grattan Institute has similarly argued that these tax settings "turbocharge" investor demand, pushing up prices and locking out first home buyers (Daley & Wood, 2016).

Evidence of Impact

- Multiple studies, including from the Australia Institute (Richardson & Stilwell, 2024), find that the majority of benefits from housing tax concessions, including the CGT discount, accrue to high-income, high-wealth households—with the top 10% receiving a disproportionately large share
- ABS and sector analyses indicate investors account for ~35–40% of new housing loans, and around four-fifths of investor lending is for existing dwellings rather than new construction
- Rising housing costs limit labour mobility and economic participation, particularly in regional Queensland, where housing shortages constrain workforce growth.

Treasury's Tax White Paper notes that these concessions encourage investors to accept short-term losses in anticipation of untaxed capital gains, diverting capital away from productive sectors.

Our Recommendations

- 1. Reduce the CGT Discount:** Phase down the CGT discount from 50% to 25% over five years, aligning taxation with real capital gains and reducing speculative incentives.
- 2. Reform Negative Gearing:**
 - Restrict deductions to income from the same asset class (abolish cross-income offsets), or
 - Alternatively, limit negative gearing to newly built properties to encourage supply.
- 3. Review CGT Exemption for Principal Residences:** Consider thresholds based on income or property value to improve fairness.
- 4. Redirect Savings to Direct Housing Supply:** Revenue obtained from these reforms should be invested in social and affordable housing, including through the Housing Australia Future Fund (HAFF), or directly to state and territory governments to assist with similar aims.

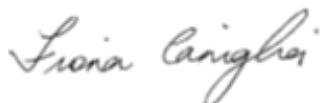
In summary, reforming housing tax concessions is essential to 'level the playing field' for first home buyers, reducing inequality, and addressing Queensland's housing crisis. These changes would temper speculative demand, improve affordability, and generate new revenue for the homes Queensland needs, where they count.

Further contact

Q Shelter appreciates the opportunity to provide input into the Inquiry. We would appreciate the opportunity to appear at any hearings held on the matter.

For further questions or contact, please liaise with our General Manager, Policy & Strategic Engagement, Jackson Hills at Jackson.Hills@qshelter.asn.au.

Yours sincerely



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Q Shelter

References

Daley, J. and Wood, D. (2016) Hot property: property tax reform in Australia, Melbourne: Grattan Institute. www.grattan.edu.au (Accessed: 16 December 2025).

Martin, P. (2025) 'One-third of top economists want negative gearing and CGT concessions tightened to fix housing', The Conversation, 12 May 2025. www.theconversation.com (Accessed: 17 December 2025).

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Richardson, D. and Stilwell, F. (2024) Wealth and inequality in Australia, Canberra: The Australia Institute. www.australiainstitute.org.au (Accessed: 17 December 2025).