REBALANCING CAPITAL GAINS TAX

Housing, Inequality and the Case for Reform

FEBRUARY 2026

Anglicare Australia
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The author of this report is Maiy Azize. This and previous reports are available on the Anglicare Australia website: www.anglicare.asn.au

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Anglicare Australia Ltd
1st Floor
11 Edgar St
Ainslie ACT 2602

PO Box 4093
Ainslie ACT 2602
Tel 02 6230 1775
Email anglicare@anglicare.asn.au
Web www.anglicare.asn.au

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INTRODUCTION

Australia is at a turning point in the debate about housing affordability, inequality, and the role of the tax system. With growing recognition that existing tax settings are worsening housing outcomes and entrenching inequality, there is now a genuine opportunity to reconsider long-standing concessions that no longer serve the public interest. Reform of the capital gains tax (CGT) discount has re-emerged as a live policy question, not as an abstract tax debate, but as a necessary step toward restoring fairness, affordability, and economic security.

Anglicare Australia is a network of independent local, state, national and international organisations linked to the Anglican Church, working in partnership with people and communities across the country. Through more than 37 service areas, our Network supports over half a million people each year, most of whom are living on low or modest incomes and experiencing housing stress, financial insecurity, and exclusion from economic opportunity. These experiences give us a clear view of how Australia's tax system shapes inequality and housing outcomes in practice, not just in theory, and why reform is urgently needed.

Australia is facing a profound housing and inequality challenge. Wealth is becoming increasingly concentrated, home ownership is out of reach for growing numbers of Australians, and renters on low incomes are being pushed to the margins of the housing market. These outcomes are not accidental. They are the result of long-standing policy choices that have privileged asset accumulation over access to secure housing, and private investment over public provision.

This paper focuses on the role of the discount in driving these outcomes. Introduced in 1999, the CGT discount has reshaped incentives within the tax system by significantly reducing the tax paid on profits from asset sales, including housing. Our research shows that the benefits of the CGT discount flow overwhelmingly to higher-income and higher-wealth households, while its costs are borne more broadly through reduced affordability, increased inequality, and foregone public revenue.

Anglicare Australia argues that the CGT discount cannot be meaningfully assessed in isolation, particularly where housing affordability and inequality are concerned. In housing markets, the effects of the CGT discount are closely intertwined with negative gearing, which further amplifies incentives for speculative investment. Considering how these settings interact is essential to understanding the real-world impact of the CGT discount and its contribution to housing and wealth inequality.

Drawing on Anglicare Australia's research into wealth inequality, tax concessions, and housing expenditure, as well as research from the University of NSW on behalf of ACOSS, this paper addresses the contribution of the CGT discount to inequality and its distributional impacts. We set out the case for reform of the CGT discount, consideration of how this reform aligns with related tax settings affecting housing investment, and the reinvestment of revenue raised into public and community housing.

Taken together, these changes would help rebalance Australia's tax and housing systems toward fairness, security, and shared prosperity.

PART I

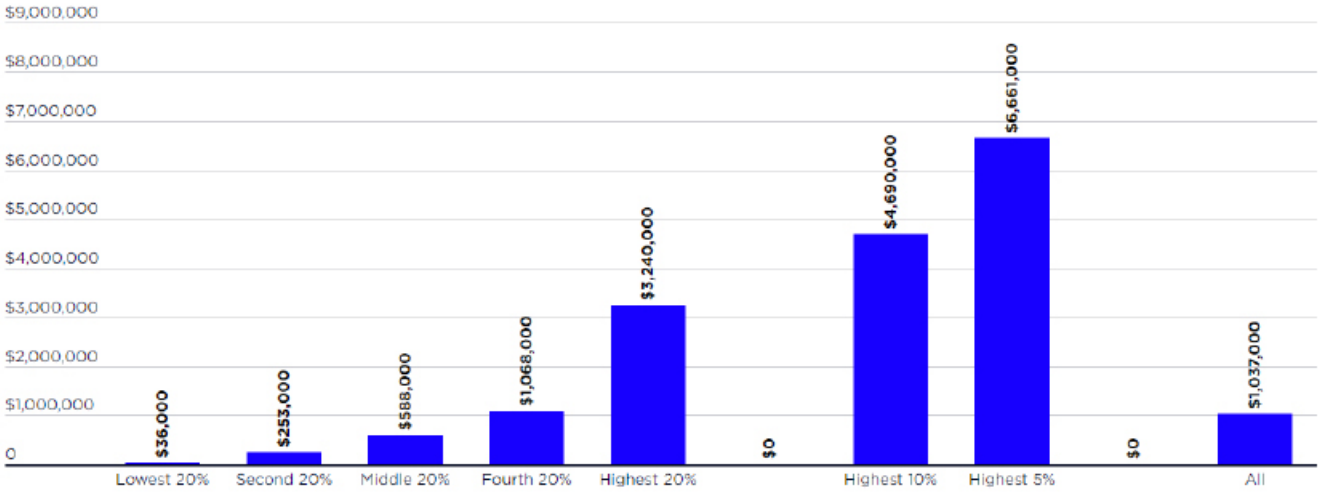
How the CGT discount has driven inequality

Australia's CGT discount has played a major role in widening economic inequality, particularly through its interaction with housing markets. Introduced in 1999, the 50 per cent CGT discount for assets held for more than twelve months has fundamentally reshaped the incentives enjoyed by investors. When combined with negative gearing, it has encouraged speculative investment in housing, driven up prices, and concentrated wealth among those who already hold assets. These outcomes have entrenched inequality and made secure housing increasingly inaccessible for people on low and moderate incomes.

Wealth inequality in Australia is being driven by policy choices

Wealth in Australia is far more unevenly distributed than income, and the gap has been widening over time, with the wealthiest 20 per cent of households now holding around 90 times the wealth of the lowest 20 per cent.[1] This disparity has grown steadily over the past two decades, reflecting the cumulative impact of government policy settings that have privileged asset accumulation for some while excluding others.

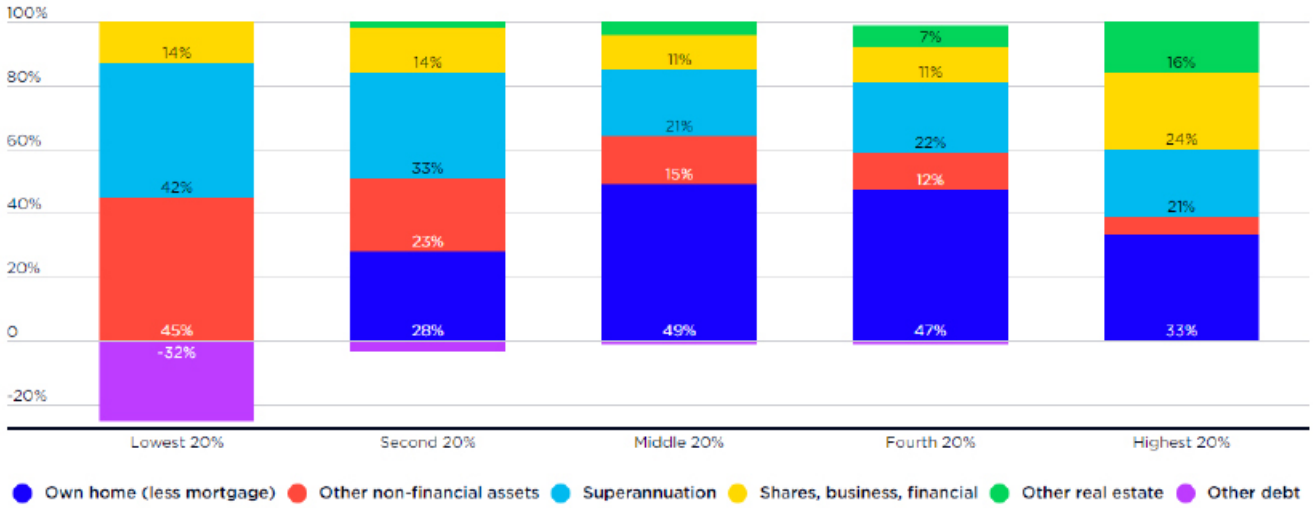
Figure 1. Average household net wealth by wealth group ($000 in 2019-20)



Source: University of NSW and Australian Council of Social Service.

Housing is central to these trends. Owner-occupied housing and investment property together account for around half of all household wealth. Importantly, investment property is not evenly distributed across the population. The majority of investment properties are held by households in the top wealth quintile, alongside other appreciating assets such as shares and financial investments. By contrast, households in the bottom two wealth quintiles are far less likely to own housing at all, and where they hold assets, these are more likely to be modest superannuation balances or

depreciating items such as cars (Figure 2).[2] This uneven distribution of housing assets means that policies which increase the returns to property ownership will, by definition, deliver the greatest benefits to those who already have the most.



Source: University of NSW and Australian Council of Social Service.

The CGT discount amplifies inequality

CGT is levied on profits made from the sale of assets such as property and shares. Prior to 1999, capital gains were taxed in line with income, with indexation to account for inflation. The introduction of the CGT discount fundamentally altered this approach, halving the tax payable on capital gains for assets held for more than one year.

This change disproportionately benefits people who are able to acquire and hold appreciating assets over time. These are overwhelmingly higher-income and higher-wealth households. People on low and middle incomes are far less likely to own investment properties or shares, and far more likely to rely on wages or income support, which are taxed in full.[3]

Anglicare Australia's analysis shows that more than 80 per cent of the benefit of the CGT discount for investors flows to the wealthiest 20 per cent of households, while just two per cent flows to the bottom 20 per cent (Table 1).[4] This is a stark illustration of how the tax system redistributes public resources upward, supporting wealth accumulation at the top while doing little for those at the bottom.

Table 1. CGT concession benefits, recipients by income quintile 2022-23

Benefit	Total expenditure ($B)	Bottom 20% ($B)	Top 20% ($B)
Principle residence CGT exemption	$48	$3.36 (7%)	$20.64 (43%)
Capital gains tax concession	$23.7	$0.47 (2%)	$19.4 (82%)
CGT concessions total	**$71.7**	**$3.83**	**$40.04**

Source: Anglicare Australia.

The CGT discount does not simply reduce tax liabilities after the fact. It actively shapes behaviour by making speculative investment more attractive. This is particularly evident in housing markets.

How the tax system drives speculative housing investment

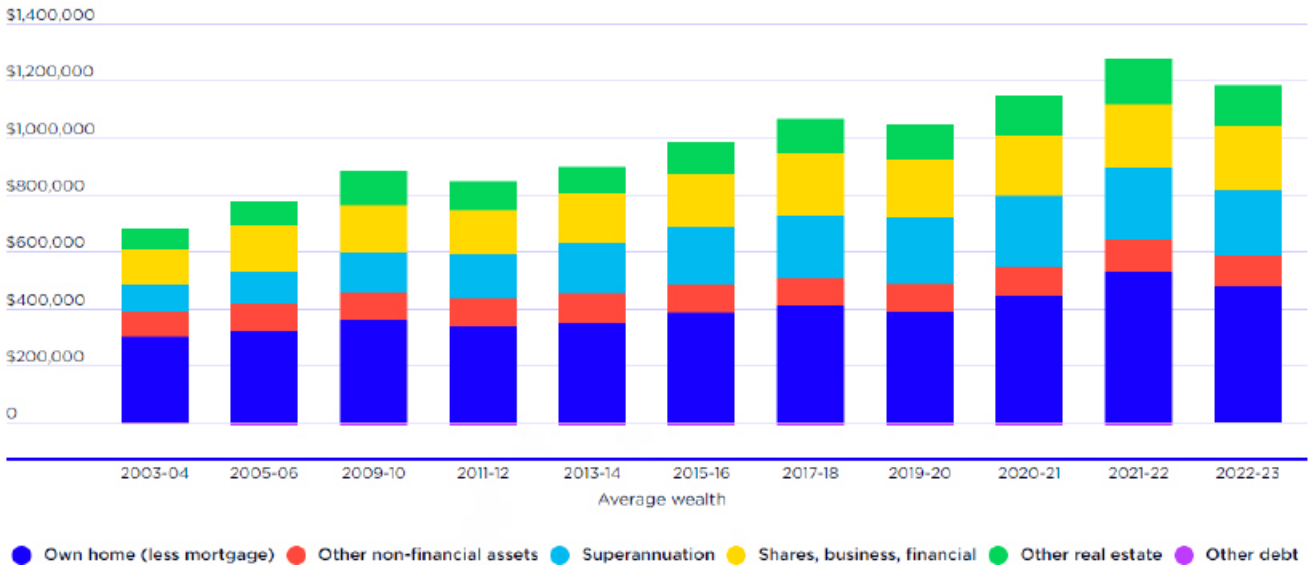
The impact of the CGT discount cannot be understood in isolation. Its most powerful effects emerge when it operates alongside negative gearing. Negative gearing allows investors to deduct losses on investment properties from their other income, reducing their overall tax liability. On its own, negative gearing creates an incentive to accept short-term losses in return for longer-term gains. The CGT discount completes this equation by ensuring that those gains are taxed at a concessional rate.

Together, these policies create a strong incentive to invest in property not primarily for rental income, but for capital growth. Investors are encouraged to bid up house prices, confident that any losses incurred along the way can be written off against their income, and that eventual gains will be lightly taxed.

This dynamic has several consequences that directly exacerbate inequality. First, it advantages investors over owner-occupiers, particularly first-home buyers. Investors who can leverage tax concessions are able to outbid people seeking a home to live in, pushing prices higher and locking more people out of home ownership altogether. Second, it concentrates housing wealth among those who already hold assets. Households that already own property are better positioned to acquire additional properties, benefiting from rising prices and compounding gains. Those who rent are left exposed to higher rents, greater insecurity, and no opportunity to build housing wealth.

Finally, it increases pressure in the rental market. While proponents often argue that these concessions increase rental supply, the evidence suggests they primarily shift ownership of existing housing stock rather than adding new dwellings. In tight markets, this increased investor activity can push up both prices and rents. Anglicare Australia's own research shows that these tax settings have

been a major contributor to the growth in housing wealth among higher-income households over the past two decades, while lower-income households have fallen further behind (Figure 3).[5]



Source: University of NSW and Australian Council of Social Service.

Housing inequality reinforces broader economic inequality

Housing plays a unique role in Australia's economic system. Over time, it has become a primary vehicle for wealth accumulation, retirement security, and intergenerational transfer. As house prices rise faster than wages, access to housing wealth increasingly depends on whether someone already owns property or can rely on family assistance to enter the market. This dynamic entrenches inequality across generations, as wealth begets wealth.

For people locked out of home ownership, the consequences are severe. Renters face higher housing costs, greater insecurity, and limited capacity to save. As they age, they are more likely to enter retirement without housing assets, increasing reliance on income support and social housing that is already in short supply. By privileging investment over access, the CGT discount and negative gearing have contributed to a housing system that rewards wealth rather than work. This undermines the notion of a fair go and weakens social cohesion.

The widening of inequality associated with the CGT discount is not an unavoidable feature of modern economies. It is the result of deliberate policy choices, and different choices can produce different outcomes. Australia once taxed capital gains more equitably, and many comparable countries do not

offer such generous concessions for property investors. Reforming these settings would not eliminate inequality immediately, but it would remove a major structural driver of wealth concentration.

Concerns are often raised about the potential impact of reform on housing markets. , Anglicare Australia recognises that this is seen as a politically difficult decision however we have previously argued that a phased approach to reform can mitigate short-term disruption while delivering long-term benefits.[6] Gradually winding back the CGT discount and negative gearing would allow markets to adjust, while signalling a clear shift away from subsidising speculative investment.

Recommendation: Phase out the CGT discount

Anglicare Australia recommends that the Australian Government phase out the capital gains tax discount and negative gearing. These reforms should be introduced gradually to avoid market disruption, but decisively, to end the use of the tax system to underwrite speculative investment in housing. Phasing out these concessions would reduce upward pressure on house prices, improve fairness in the tax system, and help to rebalance housing markets toward access and security rather than wealth accumulation.

PART II

Who really benefits from the CGT discount

Overwhelmingly, the CGT discount benefits Australians on the highest incomes and with the greatest wealth. Although it has become a major driver of inequity, it sits within a broader set of tax concessions and exemptions that systematically advantage people who already hold assets and high incomes, while offering little or nothing to those on low and modest incomes. Reforming the CGT discount is therefore necessary, but not sufficient on its own. It must be pursued as part of a wider reform agenda aimed at restoring intergenerational equity and fairness in the tax system.

The CGT discount is highly skewed toward high-income households

Australia's tax system treats different forms of income very differently. Income earned through wages is taxed progressively, with higher marginal rates applying as income rises. Income earned through capital gains, however, is taxed at only half the applicable marginal rate once the CGT discount is applied. This design overwhelmingly favours people who are able to derive a significant share of their income from capital gains. These are typically higher-income households, who are more likely to own investment properties, shares, and other appreciating assets.

Anglicare Australia's A Costly Choice and The Cost of Privilege reports have both shown that more than 80 per cent of the benefit of the capital gains tax concession for investors flows to the top 20 per cent of income earners.[7] [8] By contrast, just two per cent of the benefit flows to the bottom 20 per cent. This imbalance reflects the reality that most people on low incomes do not realise significant capital gains, because they do not own the assets that generate them.

Our research also shows that this pattern is not unique to the CGT discount, although it is among the most extreme examples. When viewed alongside negative gearing, superannuation tax concessions, and the use of discretionary trusts, it becomes clear that Australia's tax system offers multiple, overlapping pathways for high-income households to reduce their tax liabilities and grow their wealth (Table 2).

Table 2. Benefits and expenditures, recipients by income quintile 2022-23

Benefit	Total expenditure ($B)	Bottom 20% ($B)	Top 20% ($B)
Principle residence CGT exemption	$48	$3.36 (7%)	$20.64 (43%)
Superannuation - earnings	$21.5	$-0.06 (0%)	$12.47 (58%)
Superannuation - contributions	$23	$-0.07 (0%)	$13.34 (58%)
Capital gains tax concession	$23.7	$0.47 (2%)	$19.4 (82%)
Negative gearing	$5.06	$0.1 (2%)	$2.78 (55%)
Private health GST exemption	$5	$0.4 (8%)	$1.75 (35%)
Discretionary trusts	$2	$0 (0%)	$2 (100%)
Concessions Total	**$128.26**	**$4.2 (3%)**	**$72.38 (56%)**

Source: Anglicare Australia.

Tax concessions for wealth accumulation now cost more than income support

The scale of these concessions is substantial. Anglicare Australia's modelling shows that tax concessions and exemptions that primarily benefit high-income and high-wealth households now cost the federal budget significantly more than income support payments for people on low incomes.

In the year that our research was conducted, the combined cost of major tax concessions, including the CGT discount, negative gearing, superannuation concessions, and discretionary trusts, was more than $128 billion.[9] By comparison, total spending on working-age income support and the Age Pension was around $76 billion.[10]

Table 3. Budgeted expenditure on income support measures in 2022-23, compared with tax concessions [11]

Benefit	Total expenditure ($B)
Age pension	$55.3
Working age payments	$20.3
Benefits Total	**$75.6**

Benefit	Total expenditure ($B)
Principle residence CGT exemption	$48
Superannuation - earnings	$21.5
Superannuation - contributions	$23
Capital gains tax concession	$23.7
Negative gearing	$5.06
Private health GST exemption	$5
Discretionary trusts	$2
Concessions Total	**$128.26**

Source: Anglicare Australia.

This comparison highlights a fundamental imbalance in policy priorities. At the same time as governments argue that raising income support payments, building social housing, or expanding essential services is too costly, they continue to forgo vast sums of revenue by maintaining tax settings that disproportionately benefit those who need them least. The CGT discount plays a central role in this dynamic. It represents a large and growing fiscal cost, yet delivers its benefits to a narrow segment of the population.

The CGT discount undermines the progressivity of the tax system

Australia's tax and transfer system has traditionally been designed to reduce inequality through progressive taxation and targeted transfers. However, the growth of concessions for capital income has eroded this progressivity over time. When high-income earners are able to convert income into lightly taxed capital gains, the effective tax rates they face can be substantially lower than those faced by people who rely primarily on wages. This creates a two-tier system, where people with access to assets and tax planning opportunities are treated more favourably than those without.

Although more than half of the total benefit of major tax concessions flowing to the top income quintile, this skewed distribution is often obscured by claims that these concessions support "mum and dad investors." In reality, while some middle-income households do benefit, the overwhelming share of the benefit accrues to those at the top, both in absolute terms and as a share of income.

Distributional impacts compound over time and across generations

The distributional effects of the CGT discount are not confined to a single year or a single transaction. Because capital gains are tied to asset ownership, their benefits compound over time and across generations.

Higher-income households are more likely to own multiple properties or other appreciating assets. They are also more likely to hold assets for longer periods, maximising the value of the CGT discount, and to use tax planning strategies to further reduce their taxable income. These advantages allow wealth to accumulate and be passed on, reinforcing intergenerational inequality. By contrast, people on low incomes are more likely to experience insecure housing, limited savings, and little opportunity to build or transfer wealth.

As Anglicare Australia has previously shown, this dynamic is contributing to a growing divide between those who can rely on assets and inheritance to secure their futures, and those who cannot. Over time, this undermines social mobility and entrenches disadvantage.

Reforming the CGT discount must be part of a broader equity agenda

Reforming the CGT discount is essential to tackling inequity. However, Anglicare Australia encourages the Government not to view it in isolation. The distributional impacts of the CGT discount are magnified by its interaction with other parts of the tax system that favour wealth accumulation. These include:

- Negative gearing, which allows losses on investments to be deducted from other income;
- Superannuation concessions, which deliver the greatest benefits to high-income earners; and
- The use of discretionary trusts and private companies to minimise tax liabilities.

Together, these settings create a system in which people with high incomes and assets are able to significantly reduce their tax contributions, while people who rely on wages and income support shoulder a proportionally greater burden.

Anglicare Australia's research consistently shows that addressing inequality requires a comprehensive approach to tax reform. Isolated changes risk being undermined by other concessions that continue to funnel public resources toward the top of the distribution.

Rebalancing the system to promote intergenerational equity

The concentration of tax benefits among wealthier households, who tend to be older, also raises serious questions about intergenerational equity. Younger Australians are now less likely to own housing less likely to benefit from capital gains, and more likely to face high rents and insecure work. Yet they will bear the long-term fiscal consequences of today's policy choices through reduced public investment and higher future tax pressures.

A fair tax system should support opportunity across the life course, not entrench advantage for those who already hold wealth. Reforming the CGT discount, alongside other concessions, would help restore balance and ensure that public resources are directed toward shared priorities rather than private accumulation.

Recommendation: A tax reform agenda

Anglicare Australia recommends that reform of the capital gains tax discount and negative gearing be pursued as part of a broader reform agenda to promote intergenerational equity and fairness in the tax system.

This agenda should include:

- Reforming tax concessions that disproportionately benefit high-wealth households.
- Ensuring that income from capital is taxed more equitably relative to income from work.
- Addressing tax structures that enable wealth accumulation and tax minimisation.

Taken together, these reforms would help restore progressivity to the tax system, reduce inequality, and ensure that Australia's fiscal settings support economic security and opportunity for future generations.

PART III

Reinvesting revenue to promote fairness

Reforming CGT and negative gearing presents a critical opportunity to reverse this trajectory at a time when housing affordability has become a defining economic and social challenge. However, the equity benefits of these reforms can be greatly enhanced if the revenue is reinvested in ways that directly address the harms these concessions have helped create. In particular, revenue raised from reforming tax concessions for housing investment must be reinvested in public and community housing.

Australia's housing crisis is not simply the result of market forces or population growth. It is the product of decades of policy decisions that have shifted public resources away from direct housing provision and toward subsidising private investment. Reforming CGT and negative gearing presents a critical opportunity to reverse this trajectory.

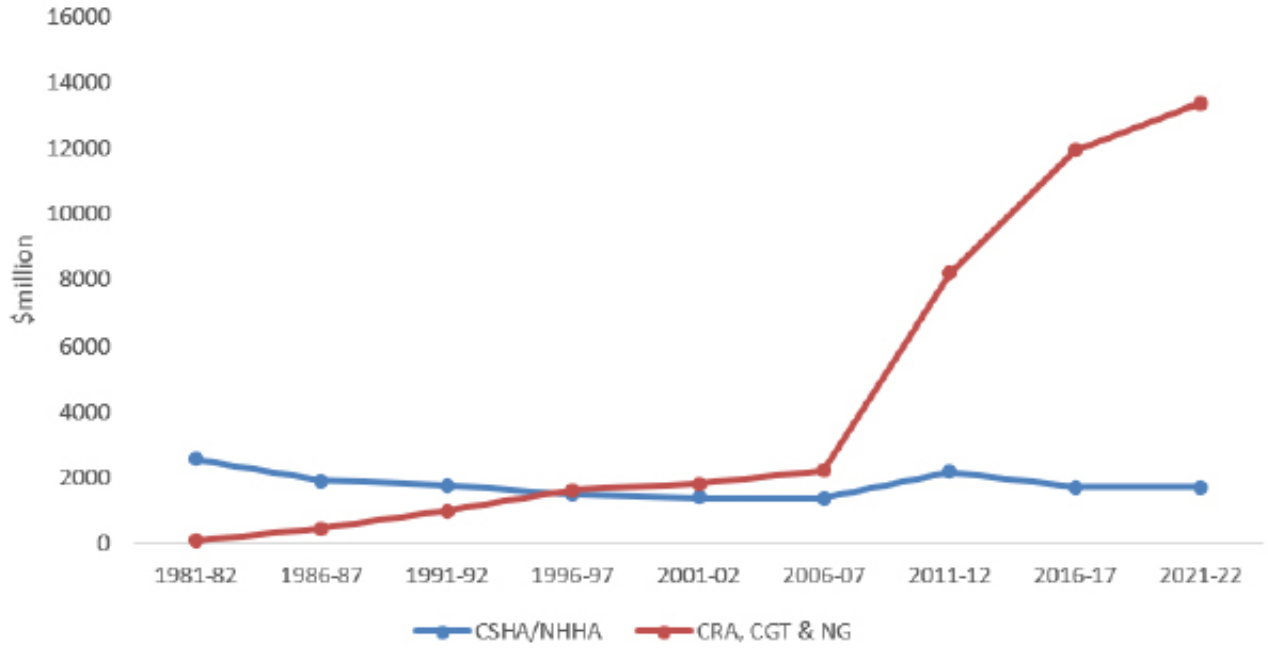
Housing policy has been reoriented away from public provision

Over the past four decades, successive federal governments have fundamentally changed how they intervene in housing markets. Rather than investing in the construction and maintenance of public and community housing, governments have increasingly relied on the private market to deliver housing outcomes, supported by income transfers and tax concessions.

Anglicare Australia's analysis of housing expenditure from 1982 to 2022 shows that direct federal spending on housing has declined significantly in per capita terms, even as Australia's population has grown and housing need has intensified. In the early 1980s, the federal government spent the equivalent of around $168 per person on direct housing provision through Commonwealth–State Housing Agreements.[12] By 2021-22, this figure had fallen to just $65 per person.[13] Over the same period, waiting lists for pubic and community housing have grown, rental stress has increased, and homelessness has become more entrenched.

Using Parliamentary Budget Office data, Anglicare Australia estimates that by 2021–22, the federal government was effectively spending around $175 per person on negative gearing and $179 per person on the CGT discount.[14] When combined with Commonwealth Rent Assistance, spending on private market interventions now vastly outweighs spending on public housing (Figure 4).

Figure 4. Comparison of per capita spending on public housing versus private market subsidies



Source: Anglicare Australia, based on Treasury budget papers and the annual Report on Government Services.

Where the federal government once spent more than thirty times as much on direct housing provision as on private market subsidies, this ratio has now reversed. Today, it spends many times more propping up the private market than it does building or maintaining public housing.

The consequences of this shift are visible in housing outcomes

This reorientation of housing policy has coincided with a dramatic deterioration in housing affordability and security. Despite greatly increased overall spending on housing-related measures, affordability has worsened across both rental and ownership markets. Average rents now consume close to 40 per cent of average incomes, more than double the proportion seen in the early 1980s. Vacancy rates are at historic lows, and competition for rental properties has intensified.

Anglicare Australia's Rental Affordability Snapshot consistently shows that people on low incomes are locked out of the private rental market altogether. In recent years, a single person on the minimum wage has been unable to afford any advertised rental properties in most parts of the country. This highlights a fundamental policy failure. Redirecting public resources toward private market subsidies has not delivered affordability, security, or fairness. Instead, it has entrenched a system in which housing functions primarily as an investment vehicle, rather than as essential infrastructure.

Reinvesting revenue is essential to addressing inequality

Reforming the CGT discount and negative gearing would not only reduce the incentives driving speculative investment; it would also free up substantial public revenue. However, without clear commitments to reinvestment, these reforms risk being framed purely as fiscal measures rather than as tools for structural change.

Anglicare Australia strongly believes that revenue raised from reforming housing-related tax concessions must be reinvested in public and community housing. This would provide secure, genuinely affordable homes, reduces pressure on the private rental market, and delivers long-term public value. Unlike demand-side subsidies, investing directly in the provision of housing creates new supply that remains affordable over time. It also provides economic benefits through job creation, improved health and wellbeing outcomes, and reduced demand on crisis services.

Reinvesting revenue from CGT reform would also support a range of broader policy objectives. It would reduce inequality by providing secure housing to people who are currently excluded from both home ownership and affordable private rental markets. It would improve labour market participation and productivity by enabling people to live closer to work, education, and services. Importantly, it would also reduce reliance on crisis accommodation, emergency payments, and other downstream interventions.

These steps would help restore public confidence that the tax system operates in the interests of the community as a whole, rather than privileging a narrow set of investors.

Recommendation: Reinvesting revenue from to promote fairness in housing

Anglicare Australia recommends that revenue raised from tax reforms be reinvested in public and community housing. This reinvestment should be directed toward:

- A sustained program of social housing construction sufficient to address the existing shortfall.
- Long-term funding arrangements that support security and affordability in social housing.
- A rebalancing of housing policy away from market subsidies and toward direct provision.

Reforming tax concessions without reinvestment would represent a missed opportunity. By contrast, pairing reform with investment in housing would help address inequality at its source, delivering lasting benefits for individuals, communities, and future generations.

CONCLUSION

Australia's housing crisis and widening inequality have exposed the consequences of decades of policy choices that prioritised asset growth over access to secure housing. The capital gains tax discount has been central to this shift.

This paper has shown that the CGT discount is a significant driver of inequality in Australia, particularly through its interaction with housing markets. Together with negative gearing, it has reshaped incentives in ways that encourage speculative investment, drive up house prices, and concentrate wealth among higher-income households. The benefits of these settings flow overwhelmingly to those who already hold assets, while the costs are borne more broadly through reduced affordability, growing inequality, and foregone public revenue.

It is clear that the CGT discount sits within a broader system of tax concessions that disproportionately benefit high-income and high-wealth households. Addressing its distributional impacts therefore requires more than isolated reform. It calls for a wider agenda to restore fairness and intergenerational equity to Australia's tax system, ensuring that income from capital is taxed more equitably relative to income from work.

Finally, this paper has highlighted the consequences of decades of underinvestment in public and community housing. As governments have shifted resources toward private market subsidies and tax concessions, housing affordability and security have deteriorated. Reforming the CGT discount and negative gearing presents a critical opportunity to reverse this trend, especially if the revenue raised is reinvested in housing that remains affordable over the long term.

Anglicare Australia calls on the Government to phase out the capital gains tax discount and negative gearing, pursue these reforms as part of a broader tax equity agenda, and reinvest the revenue raised into public and community housing. Taken together, these steps would help address inequality at its source, rebalance Australia's housing system, and ensure that public resources are directed toward shared community benefit.

Anglicare Australia recognises that reforming the capital gains tax discount is politically difficult. But difficulty is not a reason for delay. Tax settings that shape housing and wealth outcomes must be assessed against the public interest, particularly in the midst of a housing crisis. Governments that are willing to confront structural drivers of inequality and housing unaffordability demonstrate leadership in the public interest, especially when doing so carries political risk.

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