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Should the Federal Government dump negative gearing and CGT discounts? Expert says, “Not so fast.”

Thierry Ng

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8–10 minutes



MCG Quantity Surveyors' managing director argues that limiting negative gearing and CGT concessions will worsen Australia's housing crisis. Image: Canva.

- Greens and Everybody's Home advocate for abolishing CGT discounts and negative gearing.
- Framing of negative gearing and CGT concessions as handouts is misplaced.
- Taxes generated from property investments provide crucial funding for the Government.

Debates on negative gearing and capital gains tax discounts are all the rage. Recently, the Greens have called for a clampdown on negative gearing and capital gains tax (CGT) discounts while negotiating with the Labor Government over the 'Help to Buy' bill.

They argue that such tax breaks stack the property market against renters and first-home buyers and that the concessions will better serve society if redirected towards public housing.

“The rental crisis is breaking people. This hard-to-get scheme will push house prices up for 99.8% of renters and first home buyers and make it even less affordable than it is now,” said Greens spokesperson for housing and homelessness, Max Chandler-Mather.

National weekly asking property prices

“The system is stacked against renters and first-home buyers. Tax handouts for big property investors, like negative gearing, make it easier for a big property investor to buy their seventh property than for a first home buyer to buy their first home,” he said.

“Pressure works. Labor changed their position on Stage 3 tax cuts and now they need to change their position on negative gearing and capital gains tax.”

National weekly rents

“Property prices and rents are growing way faster than wages, putting home ownership even further out of reach for millions of people, and we can’t fix this until the government stops handing out billions of dollars in tax concessions to big property investors.

“We need to make house prices and rents cheaper, and we can do that by [freezing rents](#), phasing out negative gearing and capital gains tax discounts and investing that money in public housing instead.

“The Greens will not stop fighting for renters, and if Labor ignores us, they will lose at the ballot box.”

Everybody’s Home snubs CGT discounts and negative gearing

In tandem with the Greens, [Everybody’s Home](#) has released a statement arguing that axing negative gearing and CGT discounts will make housing “faired and more affordable”.

Everybody’s Home spokesperson, Maiy Azize, believes that the forgone funds can potentially see the construction of half a million [social homes](#) within the coming decade.

“Housing in Australia has been rigged against average Australians because the government has chosen to prop up the private market.”

Maiy Azize, Everybody’s Home

“Handouts like negative gearing and the CGT discount are pushing up the cost of buying and renting, and they’re making Australia more unfair and more unequal,” she said.

“Politicians understand that trade-off. Most have declared at least one investment property. Some have as many as seven. Each property brings in tens of thousands of dollars in tax benefits funded by the taxpayer every year.

“Our federal budget submission shows we’re losing billions to these handouts every year. We’ve also found that scrapping them would fund enough social housing for one in three renters over the coming decades.

“More and more people want the government to dump these tax breaks and build a system that works for everyone.

“Without action, housing in Australia will only become more unfair and more expensive.”

Expert comments on the role of negative gearing and CGT discounts

[MCG Quantity Surveyors](#)' managing director, Mike Mortlock, told The Property Tribune that these criticisms of negative gearing and CGT discounts are misguided.

Instead, Mortlock believes that the crux of Australia's housing [supply](#) issue stems from investors leaving the market.

“The private market has been doing what it does for a long time, and demonising investors trying to remove themselves from the \$50 billion a year, aged pension cost to the budget has led to the situation we're in now,” he said.

“Investors are exiting the market, that's the key reason affordability is suffering.”

Mike Mortlock, MCG Quantity Surveyors

Negative gearing not a handout, but a tax deduction like any other

Mortlock slammed the framing of negative gearing and CGT concessions as “handouts”, contending that it is a tax deduction applying to all asset classes.

“Negative gearing is a deduction for losses made during the course of owning an asset. These don't apply to just property, but every asset class.

“The cost of the Government providing the housing needs to be considered, and any negative gearing losses wouldn't make a dent if the Government decided to replace the 91% of rental stock provided by private landlords.”

“The CGT discount isn't a handout; it's a reduction in tax.”

“It's quite ludicrous to call a tax a handout. Owner-occupiers don't pay capital gains tax, and the 50% CGT exemption for properties owned more than a year helps to ensure that rather than flipping properties, investors make them available for rent.

“I would argue that a removal of any CGT exemptions only incentivises investors to move to other asset classes.”

Mortlock prophesies that the changes proposed by opponents of property tax breaks will have “catastrophic” effects in Australia, causing more investors to [exit](#) a housing market plagued with limited supply.

National total property listings

Additionally, Mortlock said the argument that the government was “losing billions” from property tax concessions was unsubstantiated, pointing to recent Australian Tax Office ([ATO](#)) statistics showing net profits from investors.

A brief history of negative gearing

“The topic of negative gearing has divided certain segments of society for the entire 130-plus years of its existence. Way back before the Federation, before colonies became states, a standard house cost \$1,000, and today, it costs \$1 million,” Mortlock added.

“Throughout that 130-plus period, home values went up a few per cent in some years, up a lot in other years, and declined in value in other years.

“The tax law hasn’t changed throughout those 130-plus years. So clearly, negative gearing is not the driving force behind capital growth that often people claim it to be.

“Contrary to much of the ongoing commentary, negative gearing is not a tax policy for property investors; it is merely a term which society has adopted several generations ago.

“The tax treatment of declaring every dollar of income earned, claiming expenses and offsetting net losses from one asset against another different income source is no different for a property investor than the owner of any other income-producing asset.

“No one receives any “handouts”. The provision of rental accommodation is no different to other goods and services. As with general businesses, different assets produce losses and profits in different years.”

Taxes from the property market fund the government

“For those with an interest in the truth, the 2.3 million Australians who collectively fund 91% of Australia’s rental pool currently pay at least \$10 billion per year in extra taxes. Last year, approximately \$4 billion was paid to local governments and \$20 billion to state governments (\$12 billion land tax plus \$8 billion stamp duty).

“The latest government CGT figures confirm that a further \$27 billion was paid to the federal government in 2020-21. I agree that the Government has not kept pace with social housing needs, but investors have taken up the slack.

“I firmly argue against the point that social housing has been held back by tax deductions from investors.”

“The Government’s share of accommodation has been in decline for a long time, and it’s not because investors are taking money from their bottom line; in fact, it’s quite the opposite.”