Council to Homeless Persons

Towards a fairer housing system

Submission to the Select Committee on the Operation of the Capital Gains Tax Discount

DECEMBER 2025

Council to Homeless Persons is the peak body representing organisations and individuals in Victoria with a commitment to ending homelessness

Our vision is to end homelessness in Victoria. We work towards this goal through leadership in policy and advocacy, building the capacity of Victoria's homelessness sector, and working in partnership with people who are or who have been without a home.

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Acknowledgement of Country

Council to Homeless Persons (CHP) acknowledges and pays respect to the Traditional Owners of the land and waters on which we live and work. CHP's office is in Collingwood, on the land of the Wurundjeri people of the Kulin nations. CHP's work is focussed across all Victoria – the lands of many different Aboriginal people across thousands of generations. CHP acknowledges the pride, strength, and resilience of Aboriginal and Torres Strait Islander people and we pay our respects to Elders, past, present, and emerging. Always was, always will be.

Recognising Lived Experience

Council to Homeless Persons thanks people with lived experience of homelessness who bravely share their perspectives to inform our work. Their knowledge and expertise are vital to understanding homelessness and what it takes to end it. We must hear their voices and act.

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Introduction

Council to Homeless Persons (CHP) welcomes the opportunity to make a submission to the Senate Select Committee on the Operation of the Capital Gains Tax (CGT) Discount. CHP is the peak body representing organisations and individuals in Victoria with a commitment to ending homelessness.

Our members work tirelessly to support marginalised Victorians. They provide emergency accommodation, support people into transitional housing, and help them reconnect with safe and stable long-term homes in the private rental market or in social housing. However, our members are seeing increasing demands for their services at the same time as they are finding it more difficult to house people already homeless. Dual cost of living and housing affordability crises are pushing more Victorians into homelessness and making it harder for them to exit homelessness into housing that is appropriate and affordable.

The causes of homelessness are multiple and complex, yet they can be addressed through evidence-based and effective policy changes. Homelessness is not the fault of individual people, rather an outcome created by unequal economic systems and social structures. A key driver of homelessness is the financialisation of housing which makes housing more valuable for its wealth-generating properties than for offering the security and safety to which every Australian is entitled. Houses are no longer seen just a safe and secure place to live, but as a lucrative investment opportunity – driving up prices at the expense of everyday Australians.

The CGT discount is one factor that contributes to a housing system that is no longer effective in housing every Australian. The current CGT discount settings, which extends tax concessions to investment properties, contributes to widening inequality in Australia, worsening housing affordability, and undermining long-term social and economic wellbeing. These outcomes of the CGT policy directly contribute to rising homelessness.

Significant reform is necessary. CHP's contribution to the Select Committee focuses on the impacts of the housing affordability crisis, in part caused by the CGT discount. Amid the worst housing crisis in living memory, phasing out the CGT discount to build a fairer housing system is an idea whose time has come.

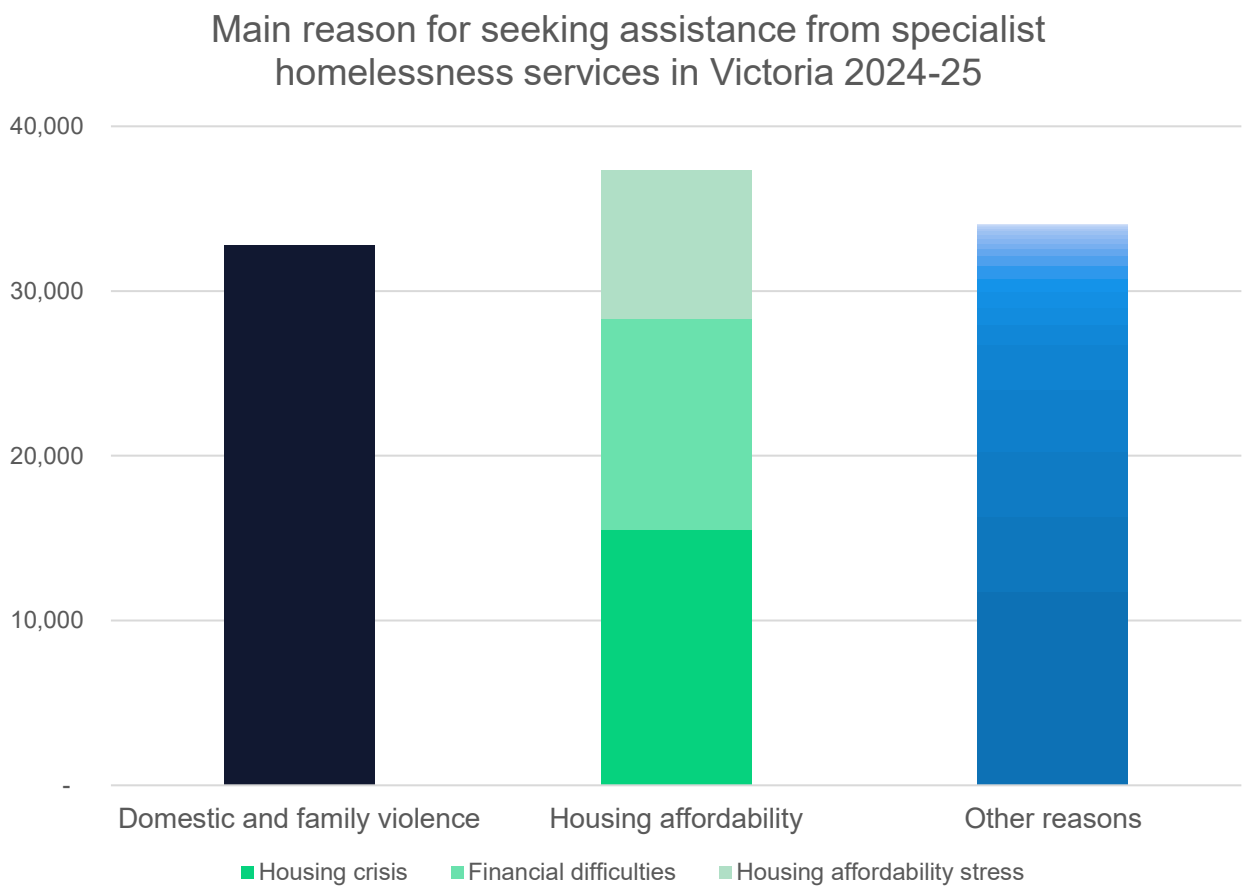
Victoria’s housing affordability crisis

The CGT discount is one factor causing incessant house price rises and declining rental affordability. The CGT discount encourages investment into homes by offering tax breaks on capital gains. The policy makes homes equivalent to other productive investment vehicles in their tax treatment. While the stated intention of the policy was to encourage investment that would grow the nation’s housing stock, the application of the policy to existing homes has resulted in investor interest pushing up purchase and rental prices. Last year, 81 per cent of all investment loans were made for the purchase of existing dwellings, meaning the vast majority of the tax concession is increasing competition for existing homes rather than fuelling increased support of new homes.[1]

This year, Anglicare Victoria’s Rental Affordability Snapshot found that only 0.8 per cent of properties were suitable for at least one household type on income support payments, a decrease of 28 per cent from 2024.[2] There were no properties suitable for singles on JobSeeker payments and there were only five properties affordable for a person on the Disability Support Pension statewide.[3] This means thousands of Victorians on income support payments are paying more than they can afford for housing. SGS Economics found similarly, that rental affordability continues to decline across the state, especially in rural and regional Victoria.[4] Nearly half of low-income renting households in Melbourne and a third of households in regional Victoria are in rental stress and paying more than 30 per cent of their gross income in rent.[5]

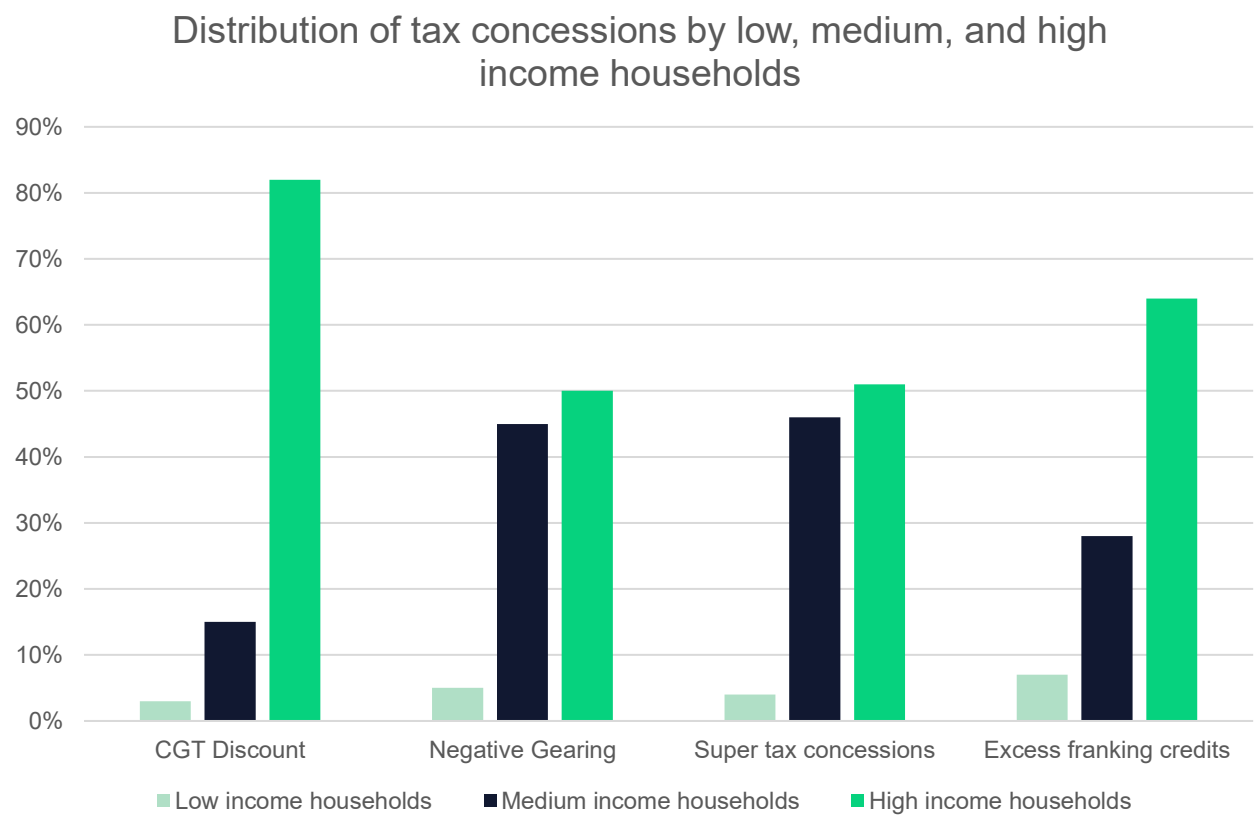
High house prices cause homelessness

Decreasing housing affordability, caused in part by the CGT discount, drives people into homeless. In the last financial year, 37,363 people sought assistance from specialist homelessness services in Victoria because of housing affordability issues, representing 36 per cent of all people approaching services. This figure includes people who cited ‘housing crisis’, ‘financial difficulties’, or ‘housing affordability stress’ as the main reason for seeking assistance.[6] Taken together, these three main reasons for seeking assistance eclipse domestic and family violence, consistently the most common reason people approach specialist homeless services.



Tax breaks shouldn't increase inequality

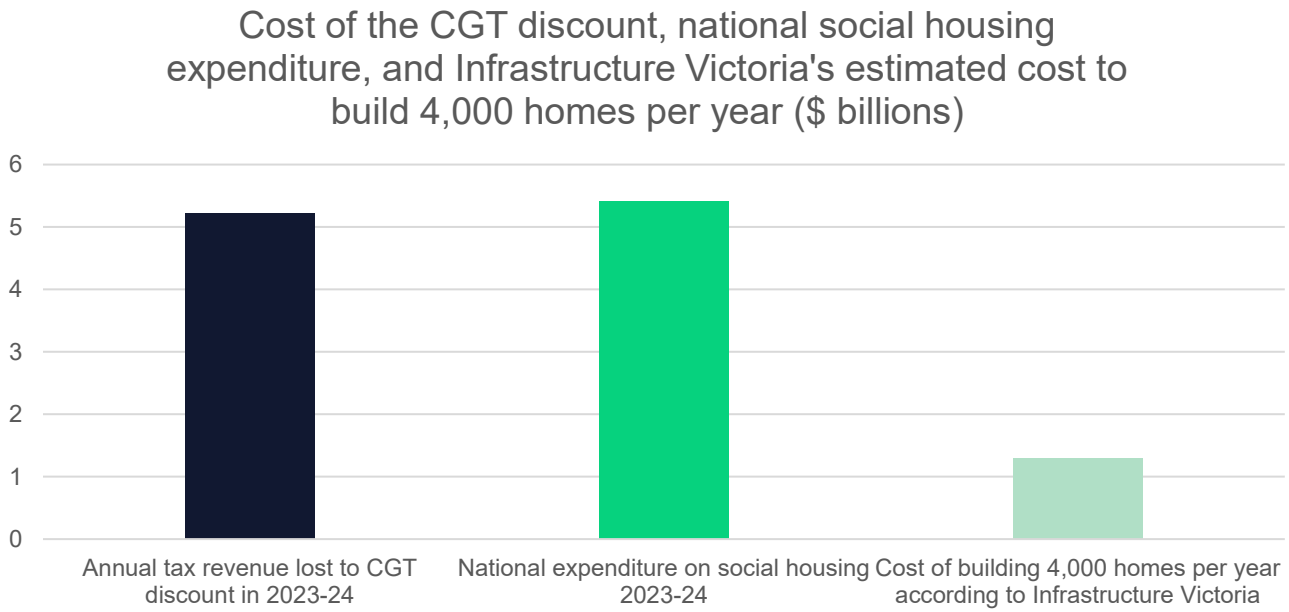
As it currently operates, the CGT discount on properties disproportionately benefits wealthy households and amplifies wealth inequality.[7] It does so at the expense of lower income households and marginalised people. Analysis by The Australia Institute shows that 82 per cent of recipients of the CGT discount are high income households, compared with 3 per cent for low income and 15 per cent for middle income households.[8] The CGT discount is highly exclusive, even compared with other tax concessions that are more commonly used by high-income households. For example, among beneficiaries of superannuation tax concessions, 51 per cent are from high income households and recipients of excess franking credits were 64 per cent high income households.



Lost tax revenue that could be used for social housing

The operation of the CGT discount means billions of dollars are given each year in tax concessions for Australia's wealthiest households, which could otherwise be used for initiatives that end homelessness, like social housing. In 2023-24, the Parliamentary Budget Office put the cost of the CGT discount policy at 5.22 billion dollars in lost tax revenue.[9] Framed another way, this is 5.22 billion dollars in handouts to investors which has inadvertently made housing less affordable. For comparison, in the same year, the federal government spent 5.408 billion dollars on social housing.[10]

If invested in social housing instead, 5.22 billion dollars per year would mean a significant uplift in the number of social homes to meet demand. Infrastructure Victoria, the Victorian government's own independent infrastructure advisory group, has recommended the state government build 60,000 homes over 15 years, while recognising that this is still not enough to bring the state up to the national average or to house everyone on the Victorian Housing Register.[11] Infrastructure Victoria estimates that building 60,000 homes would cost 12 to 19.5 billion dollars over 15 years, or up to 1.3 billion dollars per year, less than a quarter of annual revenue lost to the CGT discount.



Tackling negative gearing for a fairer housing system

Any reform of the CGT discount is incomplete without also tackling negative gearing. This is because these demand-side subsidies each make a limited impact, but together, they form a system that creates housing inequality at the expense of Australian taxpayers.[12]

Negative gearing policies allow investors to deduct expenses associated with holding a property against their taxable income. Like the CGT discount, the policy disproportionately benefits high-income households who have disposable income to purchase property and large tax liabilities to offset through deductions. The policy setting creates negative impacts for low-income renting households and prospective first-home buyers.[13] Together, the CGT discount and negative gearing provided incentives and tax shelters to borrowers that have led to a rapid and disproportionate increase investment in housing which has raised prices.[14]

Negative gearing cost 5.7 billion dollars in lost revenue in 2023-24, which could have been used to address homelessness and housing equity through building social housing.[15]

Increased pressure on the homelessness system

The housing crisis caused, in part, by the CGT discount increases the pressure on the homelessness system. More people than ever before are seeking support from specialist homelessness services, and a smaller proportion than ever are receiving the supports they need. Services are under immense strain, unable to see everyone who comes to their doors, unable to return voicemails, and turning people away every day because of lack of resources.

Homelessness causes immense and enduring impacts on people, but it is also costly to the government. People experiencing homelessness are more likely to present to emergency departments, more likely to interact with the criminal justice system, and face significant barriers re-engaging with education or employment.

Reforms to the CGT discount and negative gearing would alleviate price pressures in the private rental market and reduce the number of people in rental stress. This change would be a significant contribution to preventing homelessness before it starts and reducing pressure on stretched services and the inadequate social housing stock.

Recommendations

In line with expert advice and recommendations from organisations supporting Australia's most marginalised people, CHP strongly urges the Senate Select Committee to propose significant reforms to the operation of the CGT discount to create a fairer housing system and address a major driver of homelessness.

Recommendation 1
Phase out the Capital Gains Tax discount on investment properties

Recommendation 2
Abolish negative gearing deductions for losses on new investment properties and phase out deductions on existing investment properties

Recommendation 3
Reinvest the savings from these reforms into building social housing

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