MCKELL INSTITUTE

/ JULY 2025

Harnessing Aspiration

A SUPPLY POSITIVE, REVENUE NEUTRAL CGT REFORM DESIGNED TO DELIVER FAIRNESS TO THE HOUSING MARKET

/ JULY 2025

About the McKell Institute

The McKell Institute is an independent, not-for-profit research organisation dedicated to advancing practical policy solutions to contemporary issues.

www.mckellinstitute.org.au

Acknowledgement of Country

This report was written on the lands of the Darug and the Eora Nations. The McKell Institute acknowledges Aboriginal and Torres Strait Islander peoples as the Traditional Owners of Country throughout Australia and their continuing connection to both their land and seas.

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Executive Summary

The housing crisis has seen all governments pursue significant policy interventions aimed at delivering more housing supply, and making the market fairer for first home buyers and for renters.

These interventions are making a difference, but there are additional reforms that the Commonwealth Government can consider to further incentivise the supply of new houses and achieve better outcomes in the market.

For over a decade, advocates have pushed the Commonwealth to consider reforming various house tax concessions to achieve these aims. Primarily, advocates have argued for reforms to negative gearing and the capital gains tax discount (**CGT discount**). These changes have often received hostile public receptions and electoral rejection, and have ultimately not been advanced.

Consequently, our housing tax debate has stagnated. Two major camps have emerged—one pushing for changes that have either been rejected at the polls, or are unpopular, and the other arguing that any changes to the tax treatment of housing will undermine supply and make the housing crisis worse.

These choices represent a false dichotomy, which this report explains, then rejects, while proposing a new way forward.

Recognising this context and the political reality associated with the housing tax debate, this report proposes an alternative. It advances a strategic recalibration of the CGT discount, designed to achieve six core objectives:

1. **Boost the supply of housing units**
2. **Deliver a fairer go for first home buyers**
3. **Place downward pressure on rental affordability**
4. **Create more opportunities for 'mum and dad' investors**
5. **Grandfather existing investments**
6. **Ensure a positive or neutral impact on the Commonwealth budget**

In doing so, the proposal in this report can act as a 'circuit breaker' on our stalled national housing tax debate, demonstrating that there are—in fact—practical new ways forward on the tax treatment of housing that achieve meaningful objectives suited to our current and future housing challenges.

It also offers a new proposal consistent with the design parameters the Commonwealth Government's has outlined of a Productivity Roundtable, to be convened in August, 2025.

Part 1 of this report begins by outlining the challenge for policymakers and describing the stale nature of our stale national debate on housing tax and outlining the case for an alternative path forward.

Part 2 then describes the considerations that should be made prior to embarking upon a housing tax reform process. It explains why the powerful CGT discount, on housing only, should be reoriented towards more productive investment outcomes, but why negative gearing should remain unchanged.

Finally, Part 3 explores our proposed reform option intended to level the playing field for first home buyers and renters, while also incentivising new supply, and attracting and rewarding investors.

We recommend a housing-only path forward that:

1. *Increases* the CGT Discount on new attached builds to 70 per cent, from 50 per cent.
2. Leaves the CGT discount on new detached dwellings and all existing investments *unchanged* at 50 per cent.
3. *Decreases* the CGT Discount on existing detached dwellings to 35 per cent, from 50 per cent, but grandfathers all existing investments on established detached dwelllings.

This reform is estimated to be revenue neutral within five years, and revenue positive to the tune of $1.4 billion within 10 years. It is estimated have up to a 1.2 per cent 'uplift' on supply, helping Australia get back on track to its target of 1.2 million homes by 2030. This would see up to 130,000 additional homes built by 2030.

The impact of our reform on housing supply—or 'housing uplift'—is also quantified on a state and territory, and Commonwealth electoral division basis.

Key Points

1. Australian governments are not on track to meet their stated objective of 1.2 million additional homes constructed by 2030. To get back on track, all policy options, including housing tax reform, should be on the table.

2. Our current housing tax incentives are unproductive: they orient too much investment towards established dwellings, at the cost of orienting investment towards new supply.

3. A sensible recalibration of the CGT discount on housing only, designed to stimulate investment in the types of housing Australia needs, could make the system fairer, while rewarding productive investment in new assets over speculative investment in established assets.

4. The CGT reform proposed in this report is estimated to deliver up to 130,000 *additional* homes by 2030, helping governments achieve the national aspiration of 1.2 million new builds by that date.

5. The CGT reform proposed in this report is estimated to be increasingly revenue positive over time.

6. Changes to negative gearing should be ruled out in favour of sensible reforms to the CGT discount.

7. The commonly held desire by 'mum and dad' investors to secure their future by investing in the housing market should be harnessed to achieve our national objectives on housing supply. This reform proposal helps enable that aim.

Recommendation

The *McKell Plan* would:

- ***Increase*** the CGT discount for all new *attached* dwellings to 70 per cent.
- ***Retain*** the CGT discount of 50 per cent for all new investments in detached houses, and grandfather all existing investments.
- ***Decrease*** the CGT discount for all existing detached dwellings to 35 per cent.

This reform option would:

1. **Have a positive impact on the budget.**
2. **Increase supply by between 0.70 and 1.20 per cent by 2030,** meaning up to 130,000 dwellings additional to those currently forecast would be delivered.

Further, this reform is calibrated to:

1. **Benefit first home buyers** by encouraging more investment into new dwellings and giving first home buyers a better chance at auctions
2. **Benefit renters** by moderating rents through the creation of more housing supply
3. **Reward first-time investors** by creating more opportunities and incentives for 'mum and dad' investors to enter the market via more affordable new builds.
4. **Benefit taxpayers** by ensuring the revenue lost—or the 'tax expenditure'—on the CGT discount is oriented towards a productive outcome in line with Australia's national housing objectives.

Part 1: Australia's Housing Debate Isn't Rising to the Moment

Key points

1. Australia's housing tax debate has stagnated, and there is an abeyance of new ideas beyond old proposals on negative gearing and CGT reform.
2. This comes despite considerable new challenges emerging in the housing market, and a growing appetite for broad tax reform to make housing fairer and to achieve long-term supply targets.
3. The target for 1.2 million homes by 2030 announced by the Commonwealth and assented to by the states and territories is not on track and requires further Commonwealth policy to be realised.

Housing policy has rightfully taken centre stage in our national debate in recent years. The increasing cost and decreasing availability of housing has become one of the most pressing challenges confronting Australia.

Increasing purchasing and rental costs are having a disruptive effect on Australian economy and society. Sydney's housing costs, in particular, have escalated to a point where many working-age people are emigrating, and delaying or permanently putting off starting a family.

Inordinately expensive housing even impacts fertility, productivity and intergenerational equity. In short, this national crisis requires unprecedented action.

In recognition of these challenges and the public's rightful hunger for change, all Australian governments have undertaken a suite of policy initiatives in recent years.

Many of these have been led by the Commonwealth government. Since 2022, it has overseen the establishment of the National Housing Accord which formulated a national target of 1.2 million homes by the end of 2029.[1] State governments have also been proceeding with notable planning reforms, stamp duty and land tax tweaks, and several schemes to unlock additional land and encourage supply.

Housing approvals still need to increase to meet supply objectives

There remains, however, a need for more supply to enter the market if the National Housing Accord target is to be met by the end of 2029. It has been suggested by the Commonwealth Treasury that this target may not be able to be met under current policy settings.[2]

On average, Australia will need to see around 220,000 new dwellings—either houses or apartments/units—approved annually through to 2030.

Currently, around 160,000 dwellings are approved annually, reflecting an annual deficit of some 60,000 per year. On a monthly basis, around 16,700 dwellings per month need to be approved to 2030 to achieve the national objective. Naturally, this too is falling short, with the target being undershot in all but one calendar month since March 2023.

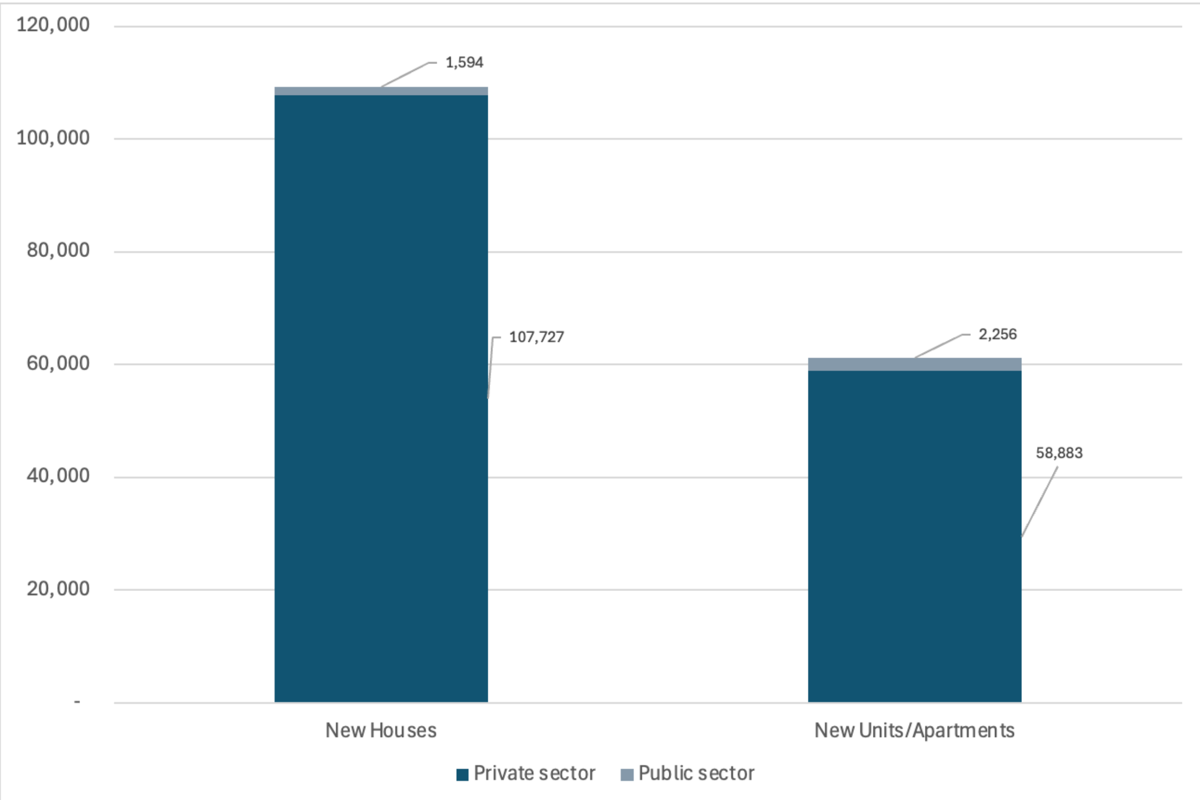

***Figure 1**: National approvals, private and public sector, 12 months to August 2024*[3]

While the overwhelming volume of new supply will come from the private sector, governments have also been focused on public housing investment. This supply is expected to increase over the medium term given the plethora of recent funding announcements, especially from the New South Wales government. Currently, however, there simply isn't enough public housing supply entering the market to take pressure out of the private housing market.

There are numerous barriers to housing supply, including at local and state levels. But the orientation of investor capital into established dwellings, rather than new dwellings, adds to this challenge.

Achieving housing target possible, but only with reform

Relieving Australia's housing crisis and reviving the Australian dream is an achievable national mission. It is an objective that requires the Commonwealth, state and territory governments to pull many policy levers simultaneously. Many of these levers are being pulled, but there are further reforms, particularly to the tax system, that should also be responsibly considered.

While recognising that governments had made considerable efforts to increase supply, it is this report's contention that greater reform to the tax system is needed in order to incentivise investment into new housing stock, and prioritise this investment over investments in established dwellings. This remainder of this report outlines a proposal consistent with this objective.

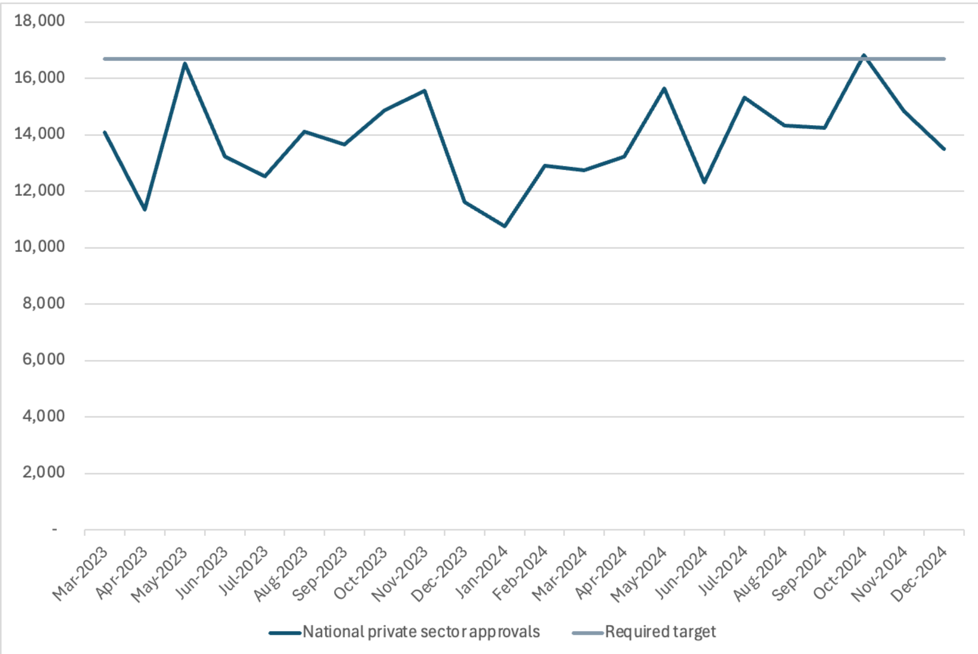

Figure 2: *National private sector approvals and required target, March 2023 to December 2024*[4]

Part 2: Essential Considerations Before Reforming Housing Tax

Key points

1. Housing tax reform shouldn't be considered rashly, and there are many trade-offs that must be understood before pursuing any reform option.
2. The *McKell Plan* proposed in this report understands the aspiration of everyday Australians to invest in property, and seeks to reward that aspiration by increasing their opportunity to do so.
3. By stimulating greater investment in new stock, more fairness will be brought to the market — making the housing market fairer for renters, owner-occupiers, and investors alike.

Aspirational Australians are government's allies in meeting the housing target

Governments should seek to harness the aspiration of everyday Australians towards the achievement of this national goal on housing supply.

One of the challenges that has emerged in the debate on housing tax reform has been the dismissal and, at times, diminution of the aspirations of everyday Australians to invest in housing.

Those who wish to make it harder for 'mum and dad' investors to enter the housing market fail to recognise that this would have a deleterious effect on overall supply, given the imperative for these types of investors to invest in new developments if Australia is to meet its housing target.

The status quo on housing taxation, however, doesn't make it easy for all investors to enter the housing market.

For aspirational Australian families seeking their first investment property, there is considerable competition from established and highly leveraged investors purchasing their third or fourth investment property. This is because all investors are incentivised to purchase established detached dwellings, which have historically provided fastest capital growth.

It is both reasonable and rational for Australian families to work towards a financial future which includes one or more investment properties. Rather than dismissing this aspiration, policymakers should work to harness it towards the achievement of our Australia's national housing targets. The current regime does not do this — it rewards a certain class of investor over others, and makes it harder for new investors to enter the market.

Our housing tax debate has narrowed, leading to a false policy dichotomy

As the housing challenges have intensified in recent years, the debate over reforms to the taxation of housing have ossified. Instead of the debate generating new proposals responding to the novel nature of the housing crisis, the debate over housing tax has been stuck at an impasse.

There have been, in essence, two camps that have emerged: one arguing for a wind up of negative gearing and a blanket elimination or reduction of the CGT discount to 25 per cent, and the other arguing that any adjustment to the taxation status quo would dent the market and dry up supply.

The rigid nature of this debate has meant that anytime the concept of tax reform has been floated, a false dichotomy dominates the discussion.

The reality is that there are innumerable ways in which the taxation treatment of housing can be explored that extend beyond the false choice that frames the debate. The purpose of any tax reform shouldn't be just to placate the interests of one party, but to carve an acceptable path towards improving fairness in the system while leveraging the powerful incentives of tax concessions towards a broader policy objective of more housing supply.

And as this report demonstrates, the McKell Institute believes that a new approach to the CGT discount can achieve these outcomes.

Changes to negative gearing should be categorically ruled out

There is an appetite from the public for big ideas in the housing debate, and significant action from government. This appetite for change will likely grow while housing stressors remain exacerbated.

While no tax measure is a panacea for all issues within the housing market, there is a unique opportunity for governments to provide new proposals in line with public expectations.

However, the caution expressed by policymakers regarding negative gearing reform is warranted, given the muted public appetite for negative gearing reform. While polling is inconclusive on voter appetite for negative gearing reform, the results are clearly mixed. Some polls suggest a majority want to see reform, while others find less support.[5]

What is clear from the inconclusive polling, however, is that most voters want to see *outcomes,* in the form of a fairer housing market, buoyed by more supply and options for younger people, in particular. Housing tax reform must be focused on sensibly calibrating tax settings towards these outcomes, rather than regurgitating old policy ideas that have mixed support from the public and have been unequivocally rejected by voters at the polls.

The McKell Institute's proposals tabled in this report don't adjust the status quo on negative gearing, despite McKell's record of having advocated for changes to negative gearing.

Our 2016 *Switching Gears* report, and subsequent research, identified and explained the benefits of orienting negative gearing concessions towards new builds.[6]

The McKell Institute, however, respects the political reality of the negative gearing debate and believes that newer reforms, tailored to the challenges facing the housing market today and in the foreseeable future, are required and are possible.

The Commonwealth government has repeatedly stated it has no intention to adjust negative gearing, and our policy proposal recognises and accommodates this bipartisan consensus.

We also recognise that the capital gains tax discount is a powerful investment incentive, and that a modernised calibration of the CGT discount is an influential method of increasing supply and fairness in the housing market.

While negative gearing has dominated debate in recent years, The McKell Institute's view is that there is a clearer and more impactful immediate path forward on housing tax via sensible and targeted adjustments to the CGT discount, if the reform is designed in such a way that it both increases supply and increases fairness in the market.

Tax reform should promote fairness, expand investor choice, and increase supply

The housing tax debate in Australia has become narrowed to a point where new proposals are rare, and the risks associated with proposing new ideas, both for policymakers and policy analysts, is unnecessarily high. Any notion of reform to housing tax has been criticised, instinctively and often reactively, for negatively impacting supply. But there are paths forward on housing tax reform that achieve an increase in supply, while bringing more fairness to the housing market overall. The remainder of this report details a reform option which, if implemented, would achieve such an outcome.

A path forward should work for first-home buyers, investors, renters and taxpayers

When considering an intervention in this debate, the McKell Institute had several threshold questions that our reform proposals had to clear before advancing our proposals.

Our considerations in identifying a path forward were six-fold:

- **First:** Would any McKell plan improve fairness in market outcomes and create more opportunities for first home buyers?
- **Secondly**: Would any McKell plan enhance, rather than constrain, supply?
- **Thirdly**: Would any McKell plan help moderate rent growth?
- **Fourthly**: Would any McKell plan still enable and encourage future investment in housing, especially for families that see their financial wellbeing tied to investment in housing?
- **Fifthly, would any change grandfather existing investments**?
- **Sixthly,** would any McKell plan provide benefits to taxpayers, by being revenue-positive or—at worst—revenue neutral?

The policy option the McKell Institute is proposing successfully navigates these six criteria.

Part 3: A Supply & Revenue Positive Reform to the CGT Discount

Key points

1. The McKell Plan offers a way ahead on housing tax that reflects the need for positive reform, while avoiding repeating outdated proposals that will not work, or will not be supported.
2. The McKell Plan offers an easier pathway for 'mum and dad' investors than the status quo.
3. Crucially, it categorically rules out any changes to the tax treatment of the family home.
4. Further, it assumes and endorses no changes to negative gearing in perpetuity.

Why the current CGT Discount regime should be modestly adjusted

Currently, there are two CGT discount rates applied to housing: 100 per cent for the family home, and 50 per cent for other properties held for 12 months or longer.

The status quo doesn't distinguish between property types. It does not enhance the incentive for an individual or family investor to invest in new property. Because the incentive makes no distinction between existing properties, newly built properties, or attached/detached dwellings, it funnels a large proportion of all investment into established, detached dwellings. These are the highest capital growth assets, which are attractive to speculative investors.

This concentration of capital into detached, established dwellings, however, is a major contributor to soaring house prices, and also shifts capital away from new builds. This concentration is making it harder for first home buyers to buy both established houses, due to competing against investors at auctions, and new properties, because there is constrained supply. But it is also making it more difficult for new investors to purchase their first investment property.

This report examined several reform options designed at reforming the CGT discount to achieve the above objectives, and arrived at a reform option that best meets the objectives outlined in Part 2 of this report.

Our reform option, the *McKell Plan,* expands upon, but doesn't dismantle, the existing CGT Discount regime, shifting from a two-tiered system to a four-tiered system, allowing for more incentives to be applied to new builds and attached dwellings, in line with Australia's housing supply mission.

How the McKell Plan works

The McKell Plan proposed in this report expands the CGT discount regime from a two-tiered system to a four-tiered system, with larger incentives applied to new builds and attached dwellings, and a modest reduction in incentives applied to established detached dwellings.

McKell Proposal	CGT Discount Rate	Change from Status Quo
Family Home	100 per cent	No change
New attached dwellings	70 per cent	20 per cent *increase* discount
All new investments in detached housing, and all existing investments (grandfathered).	50 per cent	No change, but shifts incentives for investors from established detached to new detached.
Established detached dwellings	35 per cent	15 per cent lower discount.

Figure 3.1: *Applicable CGT rates under the McKell Institute proposal by investment type*

Reducing discount on high growth assets offsets higher discount on apartments

Modelling undertaken calculates that this reform would **induce a positive change in the Commonwealth budget.**

Despite increasing the CGT Discount on many properties, this revenue loss is recovered through reduced incentive on established detached dwellings.

This works since the greatest, and fastest, capital growth occurs in the established detached dwelling market. Because of this, a considerable degree of investment capital flows into this market, which rapidly increases the value of detached dwellings and therefore, upon sale, creates a significant loss in revenue for the Commonwealth.

By reducing the 50 per cent rate on these assets to 35 per cent, the revenue loss from an increase in the discount on attached dwellings to 70 per cent will be more than offset.

The proposal would stimulate up to 130,000 additional homes by 2030

An important consideration in any adjustment to the capital gains tax discount is the effect on housing supply. Modelling prepared for this report (see Appendix) forecasts that the McKell Plan will see a 0.70 to 1.20 per cent uplift in new dwelling supply to 2030. The effects nationwide would be as follows:

	Additional Dwellings by 2030	
	Lower bound uplift	**Upper bound uplift**
NSW	23,463	40,227
Vic	19,600	33,604
Qld	15,310	26,249
SA	5,637	9,664
WA	8,022	13,754
Tas	1,808	3,100
NT	673	1,154
ACT	1,305	2,237
Total	75,833	130,016

Table 1: *Dwelling uplift from supply effects, all states and territories, upper and lower bound*

Appendix 1: Modelling & Assumptions

Design considerations and comments

Lower discount on high growth assets allows room for larger discounts elsewhere

The $19.5 billion annual expense associated with the CGT discount today is influenced by its application to high capital growth assets, of which detached houses—especially in the Sydney market—are among the most significant components.

Around the country, detached houses typically see higher and faster capital growth than attached dwellings, including units and apartments.

This means that there is a unique incentive for investors to speculate on existing detached houses rather than non-existing off the plan attached dwellings or established attached dwellings. The blanket tax treatment of each of these asset types means an investor is much more attracted to high-growth existing detached dwellings than moderate-growth attached dwellings, especially new builds.

McKell explored several options which create more incentive for prospective investors to invest in the type of housing supply that is most in need—new properties, both attached and detached. Rather than limiting investor options, McKell's proposal in fact expands investor options. Of course, any investor seeking to invest in an existing detached dwelling remains entitled to do so. When making that choice, however, they may find more value in investment in new builds and reap a higher CGT discount on disposal of the asset.

By lowering the CGT discount on old houses, the McKell reform creates for considerable fiscal wiggle room. In our proposal, this fiscal space has been re-oriented towards a larger discount on the housing types we need to see more of.

Legislative language and the task of reform

A barrier to reforming CGT discounts in the past has been the challenge of disentangling housing investments from other investments.

Subdivision 115-A of the *Income Tax Assessment Act 1997* (Cth) (**the Act**) governs the CGT discount. The sale of property attracts the CGT event A1,[7] which refers to the disposal of *any* CGT asset.[8]

The trouble here is that there is no distinction in the Act which quarantines housing from any other asset class. To use the language from the Act, CGT assets refer to 'any kind of property'.[9] Accordingly, any changes to the Act would need to be carefully drafted to ensure that the introduction of an asset distinction does not have unintended consequences, nor is exposed to cynical workarounds.

While there is no technical nor practical reason that housing cannot be disentangled from other CGT assets, policymakers will need to consider the many legislative complexities associated with reforming such a heated and integral part of Australia's taxation infrastructure.

Proceeding the analysis above, the following Part describes the methodology used to obtain our proposal for the changes to the CGT discount. Although we explored several different policies underpinned by the same basic animating considerations, we present below only the methodology for our main proposal and a variation of it which accounts for a behavioural change from investors.

Modelling and Assumptions

The McKell Plan

According to the Parliamentary Budget office, there were an estimated 2,715,600 rental properties on which tax deductions were claimed in the 2023–24 financial year. Based on the latest census data, the share of rentals that are apartments is 29.4 per cent.

Although there is no published estimate on the amount of CGT revenue that is foregone specifically on residential property, the Australian Treasury does publish a *Tax Expenditures and Insights Statement* which estimates the amount of revenue foregone due to various tax exemptions, deductions, rebates and offsets. The 2024–25 *Statement* estimates that the foregone revenue from the CGT discount for the 2023–24 financial year was $19 billion.[10] It is likely that a significant majority of this tax expenditure emanates from residential property, but other asset classes are certainly involved.

For the purposes of calculating the rebalancing rates of CGT that are the focus of this report it is immaterial what proportion of this $19 billion comes from residential property—the rates are invariant to the total dollar cost of the overall CGT exemption. But in the interests of concreteness, we assume that 50 per cent of this $19 billion tax expenditure comes from residential property. That is, $9.5 billion per annum.

We can then apportion this $9.5 billion between apartments and houses. To do so requires knowing the relative values of apartments and houses. As a proxy for this, we use estimated average Australia-wide rents of houses versus apartments.[11] This, combined with the 29.4 per cent share of rental properties that are apartments leads to tax expenditures of $2.6 billion for apartments and $6.9 billion for houses.

Next, we apportion the $6.9 billion foregone revenue for houses between newly built detached dwellings and existing detached dwellings. Data from the ABS and PropTrack estimate that the percentage of buyers opting for brand new dwellings in 2022 is around 30%.[12] This means that around $2.1 billion of foregone revenue can be attributed to new houses, while the remaining $4.8 billion is due to existing houses.

We then calculate the effect on revenue over the next five years from reducing the CGT discount for existing detached dwellings from 50 per cent to 35 per cent. This change leads to an additional $950 million of tax revenue each year on average over the five-year period. This additional revenue is what allows us to expand the CGT discount on apartments while maintaining an overall position which is revenue positive. Because our preferred policy grandfathers the 50 per cent CGT discount for existing investments, we need to model the change in the composition of existing houses eligible for a 50-per-cent-versus-35-per-cent discount. To this end, we assume that in the first year after the policy is implemented, 90% of existing houses are eligible for the 50 per cent discount. Each year, we halve the number of existing homes eligible for the 50 per cent discount. This allows us to compute the expected foregone revenue from existing houses over both a five-year and ten-year time horizon.

Over a five-year time horizon, if we keep the CGT discount for new houses at 50%, then adjusting the amount of revenue to be collected from CGT on apartments to make this revenue neutral means increasing the CGT discount rate on apartments from 50 per cent to around 68 per cent. Over a ten-year time horizon, the revenue-neutral CGT discount on apartments is around 73 per cent. If we fix the CGT discount on apartments to be 70 per cent, then the policy is revenue positive to the tune of $1.4 billion over ten years.

The McKell Plan with a behavioural change

The analysis above assumed that there was no behavioural change from investors in the face of a more generous CGT exemption for apartments. Of course, the animating premise of policy outlined in this report is to affect a behavioural change where property investors shift toward apartments and away from free-standing houses. It is certainly beyond the scope of this report to estimate the magnitude of the behavioural change induced by a move from a 50 per cent to 35 per cent CGT discount for existing detached dwellings, but we can get a sense of the fiscal impact by making some reasonable assumptions.

To that end, suppose that in light of the CGT discount changes that the number of existing rental houses currently subject to the CGT discount shift decreases each year by 5 percentage points, made up of a 3 percentage point increase in the share of apartments and 2 percentage point increase in the share of new houses, keeping the total number of properties subject to the CGT discount constant. This would lead to additional tax expenditures of $700 million over five years, meaning that the revenue-neutral CGT discount on apartments over a five-year time horizon would be 63 per cent, rather than 68 per cent under no-behavioural change, and the 50 per cent discount currently in effect.

Supply estimates

An important consideration in any adjustment to the capital gains tax discount is the effect on housing supply. There is no question that a reduction in the CGT discount has a downward effect on housing supply and an increase in the discount has an upward effect on housing supply. The key question is the magnitudes involved.

One way to assess the impact of the options considered above on housing supply is to consider existing computable general equilibrium (**CGE**) modelling on the impact of various

Australian tax arrangements on housing supply. A good example of this is Yuncho Cho, Shuyun Li and Lawrence Uren.[13] They focus on negative gearing rather than capital gains tax, but it is possible to translate their findings. In particular, they find that abolishing negative gearing would lead to a 1.8 per cent reduction in steady-state housing supply.

Under the McKell plan, the average annual boost to the CGT discount for apartments over 5 years is $1 billion. Comparing this to the tax expenditures from negative gearing in the relevant year for the Cho-Li-Uren analysis, we estimate that there would be a 0.70 per cent increase in overall housing supply (or approximately 75,800 new dwellings).[14]

If there was a shift in the supply of existing detached housing to apartments and new detached housing, (as in "The McKell plan with a behavioural change" outlined above), the average annual boost to the CGT discount for apartments over 5 years is $1.8 billion.

In this case, the supply increase would be 1.20%, or approximately 130,000 new dwellings. This uplift is broken down on a state and territory basis in Table 2, and on a Commonwealth electoral division basis in Appendix 2.

Appendix 2: Estimated Housing Supply by Electorate

		Additional Dwellings by 2030	
State / Territory	Electoral Division	Lower Bound Uplift	Upper Bound Uplift
NSW	Banks	435	745
	Barton	518	888
	Bennelong	553	949
	Berowra	373	640
	Blaxland	442	757
	Bradfield	452	774
	Calare	526	902
	Chifley	472	808
	Cook	434	744
	Cowper	552	947
	Cunningham	478	819
	Dobell	477	818
	Eden-Monaro	534	915
	Farrer	550	943
	Fowler	424	727
	Gilmore	622	1,066
	Grayndler	495	849
	Greenway	482	826
	Hughes	379	650
	Hume	465	798
	Hunter	503	862
	Kingsford Smith	567	972
	Lindsay	497	852
	Lyne	532	913

	Macarthur	500	857
	Mackellar	424	728
	Macquarie	424	726
	McMahon	418	716
	Mitchell	447	767
	New England	512	878
	Newcastle	510	874
	North Sydney	547	937
	Page	539	924
	Parkes	514	881
	Parramatta	574	984
	Paterson	529	907
	Reid	609	1,043
	Richmond	538	923
	Riverina	507	870
	Robertson	487	835
	Shortland	454	779
	Sydney	825	1,414
	Warringah	458	784
	Watson	467	801
	Wentworth	507	869
	Werriwa	434	744
	Whitlam	479	821
Vic	Aston	432	741
	Ballarat	480	823
	Bendigo	476	815
	Bruce	451	773
	Calwell	430	737
	Casey	433	742
	Chisholm	526	902
	Cooper	500	857

	Corangamite	486	833
	Corio	486	834
	Deakin	472	809
	Dunkley	459	786
	Flinders	606	1,038
	Fraser	523	897
	Gellibrand	504	864
	Gippsland	535	918
	Goldstein	462	793
	Gorton	416	713
	Hawke	434	745
	Higgins	574	984
	Holt	429	736
	Hotham	533	913
	Indi	532	912
	Isaacs	465	798
	Jagajaga	452	775
	Kooyong	499	856
	La Trobe	421	723
	Lalor	493	846
	Macnamara	717	1,229
	Mallee	567	971
	Maribyrnong	484	830
	McEwen	408	699
	Melbourne	881	1,510
	Menzies	489	838
	Monash	552	947
	Nicholls	502	860
	Scullin	433	743
	Wannon	556	952
	Wills	503	862

Qld	**Blair**	524	899
	Bonner	443	760
	Bowman	455	780
	Brisbane	652	1,119
	Capricornia	499	855
	Dawson	506	867
	Dickson	415	711
	Fadden	552	947
	Fairfax	510	874
	Fisher	527	904
	Flynn	529	907
	Forde	501	859
	Griffith	576	987
	Groom	475	814
	Herbert	495	849
	Hinkler	512	879
	Kennedy	576	987
	Leichhardt	556	953
	Lilley	485	832
	Longman	517	886
	Maranoa	529	907
	McPherson	490	841
	Moncrieff	649	1,113
	Moreton	456	782
	Oxley	463	794
	Petrie	529	906
	Rankin	464	796
	Ryan	447	767
	Wide Bay	512	878
	Wright	465	797
SA	**Adelaide**	629	1,079

	Barker	600	1,028
	Boothby	549	942
	Grey	673	1,153
	Hindmarsh	544	933
	Kingston	488	837
	Makin	483	828
	Mayo	579	993
	Spence	525	900
	Sturt	566	971
WA	Brand	506	867
	Burt	491	842
	Canning	499	856
	Cowan	514	882
	Curtin	531	911
	Durack	728	1,248
	Forrest	516	885
	Fremantle	502	860
	Hasluck	471	808
	Moore	444	760
	O'Connor	614	1,054
	Pearce	460	789
	Perth	648	1,111
	Swan	605	1,037
	Tangney	492	843
Tas	Bass	356	610
	Braddon	367	629
	Clark	343	588
	Franklin	340	582
	Lyons	403	691
NT	Lingiari	352	603
	Solomon	327	560

ACT	**Bean**	434	744
	Canberra	455	780
	Fenner	425	729
	Total	75,830	130,011

***Table 2**: Dwelling uplift from supply effects, all Commonwealth electoral divisions, upper and lower bound*

Endnotes

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[1] ‘Delivering the National Housing Accord’, *The Treasury* (Web Page, 2025) <https://treasury.gov.au/policy-topics/housing/accord>.

[2]ABC News, 14 July, 2025. ‘Raise taxes, lower housing target, Treasury advises Labor’. https://www.abc.net.au/news/2025-07-14/raise-taxes-lower-housing-target-treasury-advises-labor/105504538

[3] Australian Bureau of Statistics, *Building Approvals, Australia, December 2024* (3 February 2025) <https://www.abs.gov.au/statistics/industry/building-and-construction/building-approvals-australia/latest-release>.

[4] Australian Bureau of Statistics, *Building Approvals, Australia, December 2024* (3 February 2025) <https://www.abs.gov.au/statistics/industry/building-and-construction/building-approvals-australia/latest-release>.

[5] ‘AFR / Freshwater Strategy Federal Poll, October 2024, Negative Gearing’, *Freshwater* (Web Page, 22 October 2024) <https://freshwaterstrategy.com/2024/10/22/afr-freshwater-strategy-federal-poll-october-2024-negative-gearing/>.

[6] Professor Richard Holden, *Switching Gears: Reforming Negative Gearing to Solve our Housing Affordability Crisis* (McKell Institute Report, June 2015).

[7] *Income Tax Assessment Act 1997* (Cth) ss 104.5, 104.10.

[8] *Income Tax Assessment Act 1997* (Cth) ss 108.5(1).

[9] *Income Tax Assessment Act 1997* (Cth) ss 108.5(1).

[10] The Treasury, *2024–25 Tax Expenditures and Insights Statement* (Report, 17 December 2024) 18–9.

[11] The estimated rent ratio of houses to apartments is 11:10.

[12] ‘Nearly one in three buyers choosing to build or buy off-the-plan’ *realestate.com.au* (Web Page, 23 July 2024) <https://www.realestate.com.au/advice/nearly-one-in-three-buyers-choosing-to-build-or-buy-off-the-plan/>.

[13] See Yunho Cho, Shuyum May Li and Lawrence Uren, ‘Investment Housing Tax Concessions and Welfare: A Quantitative Study for Australia’ (2023) 65(2) *International Economic Review* 781.

[14] This treats the reduction in the CGT discount for detached housing as being sunk and therefore having no incentive effects.