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Scrapping Property Investor Tax Breaks Fails to Solve Australia's Housing Crisis

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The Australian Council of Trade Unions (ACTU) has proposed limiting negative gearing and capital gains tax discounts to one investment property per person, aiming to make housing more affordable for first-time buyers. The union argues that current tax concessions disproportionately benefit wealthier Australians, who own multiple investment properties, and contribute to rising property prices. ACTU

Secretary Sally McManus has called for these tax breaks to be restricted, while existing arrangements would be “grandfathered” for five years.

Negative gearing allows investors to deduct losses from investment properties from their taxable income, while capital gains tax discounts reduce tax on profits from selling properties. Critics of these policies claim that they encourage speculation rather than investment in housing supply. ACTU representatives argue that limiting access would prevent high-income earners from exploiting tax advantages and improve access for younger Australians seeking to enter the property market.

Economists and housing analysts, however, caution that curbing tax incentives alone will not solve the underlying housing affordability issues. According to CoreLogic data, Australia faces a shortage of well-located dwellings, particularly in urban centers such as Sydney, Melbourne, and Brisbane. Supply constraints have contributed to steady price growth over the last decade, making homeownership increasingly challenging. Limiting negative gearing and capital gains tax discounts may reduce investor participation, potentially reducing rental supply and increasing rental costs in certain areas.

Property analysts emphasize that structural reforms are essential to address the housing crisis effectively. Faster planning approvals, increased land release, and public-private collaboration are key measures to expand housing availability. Without these measures, restrictions on investor tax breaks are unlikely to produce meaningful improvements in affordability. Tim Lawless, Head of Research at CoreLogic, notes that “tax policy alone cannot fix housing; supply-side reforms must accompany any changes to investor incentives.”

The debate over investor tax breaks has been ongoing for years. Previous proposals to restrict negative gearing in Australia, including the policy introduced by the previous federal government in 2017, demonstrated limited impact on prices and rental availability. Policy experts argue that while tax incentives influence investor behavior, they are not the primary driver of housing market dynamics. High demand, population growth, and limited new housing construction are more significant factors contributing to price increases.

Some housing advocates warn that overly restrictive tax measures could discourage investment in the private rental market. A decline in rental properties could disproportionately affect low- and middle-income renters, who rely on affordable housing. Policy adjustments targeting investment properties should balance the need to support first-home buyers without unintentionally reducing rental availability.

The ACTU maintains that its proposal aims to improve fairness in the housing market. By limiting access to tax concessions, the union seeks to redirect benefits away from wealthy investors toward individuals attempting to purchase their first homes. However, property economists stress that these measures must be part of a broader strategy. Expanding housing supply, reforming planning regulations, and incentivizing construction are necessary to achieve sustainable improvements in affordability.

The discussion over negative gearing and capital gains tax continues to divide policymakers, unions, and industry stakeholders. While restricting investor tax breaks may address perceptions of inequality, experts agree that without coordinated supply-side reforms, housing affordability challenges will persist, particularly in Australia’s major cities where demand consistently outpaces supply.