



Parliamentary  
Budget Office

## Request for budget analysis

Distribution of property tax concession benefits	
Person/party requesting the analysis:	Mr Adam Bandt MP, Australian Greens
Date analysis completed:	25 September 2024
Expiry date of the analysis:	Release of the next economic and fiscal outlook report
Status at time of request:	Submitted outside the caretaker period
	<input checked="" type="checkbox"/> Confidential – Authorised for public release on 1 October 2024 <input type="checkbox"/> Not confidential
<p>Summary of request:</p> <p>This request sought budget analysis on the revenue forgone in relation to the cost of negative gearing and the capital gains tax discount applied to residential properties.</p> <p>This analysis was to include the annual tax revenue forgone from negative gearing deductions and the CGT discount for each income decile over the medium term. The requestor asked that tables be presented in percentage form, representing the proportion of revenue forgone associated with each taxable income decile.</p>	

## Overview

The requested information is provided at Attachment A.

## Key assumptions

The Parliamentary Budget Office (PBO) made the following assumptions in preparing this response:

- For a given individual, negative gearing is defined as the total rental expenses of all their rental properties being greater than the total rent for those properties.
- On average, 38% of reported net capital gains relate to residential property. This is the level reported by the Australian Taxation Office (ATO) Taxation Statistics in 2021-22.

## Methodology

The capital gains tax discount revenue forgone was estimated using the Tax Expenditure and Insights Statement (TEIS) 2023 model for item *E15 – Discount for individuals and trusts*, supplied by the Treasury, and modified with CGT schedule information from public ATO *Taxation statistics 2021-22*. The model was updated with the PBO's projections for net capital gains from the Build Your Own Budget (BYOB) tool.

The negative gearing deduction revenue forgone estimates were determined from publicly available *Taxation statistics 2021-22* and projected forward using a PBO microsimulation model built from the full set of de-identified personal income tax returns data for the 2021-22 income year, provided by the ATO. These were grown over the medium-term using parameters from the 2024-25 Budget.

This microsimulation model was also used to estimate the distributional impacts for negative gearing and the capital gains tax discount over the medium term.

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.<sup>1</sup>

## Data sources

The ATO provided the de-identified personal income tax returns data for the 2021-22 income year.

The Treasury provided economic parameters as at the 2024-25 Budget.

Australian Taxation Office 2022, [Taxation statistics 2021–22](#), , ATO, Canberra.

Commonwealth of Australia, 2024, [2024-25 Budget](#), Canberra.

The Treasury 2023, [Tax Expenditures and Insights Statement 2022-23](#), Commonwealth of Australia, Canberra.

The Treasury 2024, [Tax Expenditures and Insights Statement 2023-24](#), Commonwealth of Australia, Canberra.

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<sup>1</sup> <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

## Attachment A – Distribution of property tax concession benefits

**Table A1: Distribution of property tax concession benefits – Estimated annual value of revenue forgone due to capital gains tax discount, by taxable income decile (% of annual total)**

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
<b>Decile</b>											
1	2%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
2	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
3	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	2%
4	1%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
5	1%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
6	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
7	2%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
8	4%	4%	4%	4%	4%	4%	4%	4%	5%	5%	5%
9	7%	7%	7%	7%	7%	8%	7%	8%	8%	8%	8%
10	80%	76%	77%	77%	77%	75%	76%	75%	75%	74%	73%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

(a) The indicative taxable income decile ranges presented in the table are for 2024-25.

**Table A2: Distribution of property tax concession benefits – Estimated annual value of revenue forgone due to negative gearing deductions, by taxable income decile (% of annual total)**

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
<b>Decile</b>											
1	1%	2%	2%	2%	2%	2%	2%	2%	2%	3%	3%
2	2%	2%	2%	2%	2%	2%	3%	3%	3%	3%	3%
3	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
4	4%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
5	5%	6%	6%	6%	6%	6%	5%	5%	5%	5%	5%
6	6%	7%	7%	7%	6%	6%	6%	6%	6%	6%	6%
7	8%	9%	8%	8%	8%	8%	8%	8%	8%	8%	8%
8	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	12%
9	17%	17%	16%	16%	16%	17%	17%	17%	17%	17%	17%
10	43%	40%	40%	40%	39%	39%	39%	39%	38%	38%	38%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

(a) The indicative taxable income decile ranges presented in the table are for 2024-25.