



Parliamentary
Budget Office

Request for budget analysis

Cost of Negative Gearing and Capital Gains Tax Discount		
Person/party requesting the analysis:	Mr Adam Bandt MP, Australian Greens	
Date analysis completed:	11 April 2025	
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 <i>Authorised for public release on 17 April 2025</i>	<input type="checkbox"/> Not confidential
<p>Summary of request:</p> <p>The request seeks budget analysis on the revenue forgone in relation to the cost of negative gearing (NG) and the capital gains tax (CGT) discount. There are 2 components to this request:</p> <ul style="list-style-type: none"> • Component 1: Determine the annual value of revenue forgone due to NG deductions and the CGT discount applied to residential investment properties, over the past 10 years and projected into the medium term until 2035-36. Analysis is to include residential properties owned by individuals, trusts and partnerships. • Component 2: Provide distributional analysis for the projection period (2025-26 to 2035-36), including the annual tax revenue forgone from NG deductions and the CGT discount for the average residential property investor, and for each income decile. 		

Overview

The requested information is provided at Attachment A.

Key assumptions

The Parliamentary Budget Office (PBO) has 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.
- All negative gearing deductions relate to residential properties. This assumption was made as it is not possible to split non-residential from residential properties with the information available.
- 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 2021-22*.
- Due to data constraints, the impact on partnerships and trusts is excluded from the analysis.

Methodology

The capital gains tax discount was estimated using the Tax Expenditure and Insights Statement (TEIS) 2024 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 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 2022-23 income year, provided by the ATO. These were grown over the medium-term using parameters from the 2025-26 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.¹

Data sources

Australian Taxation Office (2024) [Taxation Statistics 2021-22](#), Australian Taxation Office website, accessed 11 April 2025.

Commonwealth of Australia (2025) [2025-26 Budget](#), Commonwealth of Australia.

Commonwealth of Australia (2025) [Pre-election Economic and Fiscal Outlook 2025](#), Commonwealth of Australia.

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

Treasury (2024) [Tax Expenditures and Insights Statement 2024-25](#), Commonwealth of Australia, Canberra.

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

Attachment A – Cost of Negative Gearing and Capital Gains Tax Discount

Table A1: Cost of Negative Gearing and Capital Gains Tax Discount – Estimated annual value of revenue forgone due to negative gearing deductions and capital gains tax discount, over the past 10 years and to 2035-36, \$ million

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Tax revenue foregone										
<i>Negative gearing deductions</i>	3,700.0	3,700.0	4,000.0	3,900.0	3,200.0	2,500.0	2,100.0	3,500.0	5,200.0	6,500.0
<i>Capital gains discount applied to residential properties</i>	3,380.0	3,750.0	4,130.0	3,280.0	3,190.0	5,460.0	9,560.0	6,500.0	6,070.0	5,490.0
Total	7,080.0	7,450.0	8,130.0	7,180.0	6,390.0	7,960.0	11,660.0	10,000.0	11,270.0	11,990.0

Table A1: Continued

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
Tax revenue foregone											
<i>Negative gearing deductions</i>	7,400.0	7,900.0	8,400.0	9,000.0	9,600.0	10,300.0	11,100.0	11,800.0	12,500.0	13,300.0	14,100.0
<i>Capital gains discount applied to residential properties</i>	5,950.0	6,240.0	5,900.0	6,260.0	6,610.0	6,960.0	7,320.0	7,700.0	8,100.0	8,510.0	8,940.0
Total	13,350.0	14,140.0	14,300.0	15,260.0	16,210.0	17,260.0	18,420.0	19,500.0	20,600.0	21,810.0	23,040.0

Table A2: Cost of Negative Gearing and Capital Gains Tax Discount – Estimated annual value of revenue forgone due to capital gains tax discount, by taxable income decile, \$ million

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
Decile											
1	70.0	74.0	72.0	81.0	69.0	75.0	82.0	90.0	96.0	104.0	107.0
2	48.0	46.0	44.0	50.0	59.0	65.0	77.0	84.0	93.0	102.0	84.0
3	82.0	80.0	71.0	76.0	92.0	96.0	104.0	113.0	120.0	131.0	121.0
4	110.0	110.0	100.0	109.0	129.0	132.0	146.0	154.0	161.0	173.0	166.0
5	121.0	120.0	106.0	115.0	132.0	135.0	144.0	154.0	162.0	172.0	172.0
6	141.0	136.0	122.0	132.0	154.0	156.0	166.0	178.0	186.0	204.0	199.0
7	179.0	178.0	161.0	175.0	200.0	202.0	219.0	237.0	249.0	267.0	261.0
8	258.0	255.0	235.0	252.0	290.0	298.0	324.0	348.0	373.0	406.0	386.0
9	437.0	453.0	425.0	461.0	506.0	516.0	569.0	602.0	641.0	697.0	676.0
10	4,505.0	4,787.0	4,563.0	4,809.0	4,977.0	5,285.0	5,489.0	5,740.0	6,020.0	6,255.0	6,768.0
Total	5,950.0	6,240.0	5,900.0	6,260.0	6,610.0	6,960.0	7,320.0	7,700.0	8,100.0	8,510.0	8,940.0

Table A3: Cost of Negative Gearing and Capital Gains Tax Discount – Estimated annual value of revenue forgone due to negative gearing deductions, by taxable income decile, \$million

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
Decile											
1	152.0	166.0	177.0	193.0	211.0	235.0	260.0	282.0	305.0	324.0	350.0
2	175.0	186.0	199.0	223.0	248.0	277.0	308.0	335.0	363.0	398.0	431.0
3	244.0	260.0	275.0	296.0	322.0	353.0	390.0	422.0	453.0	488.0	521.0
4	368.0	399.0	428.0	459.0	491.0	525.0	560.0	588.0	616.0	644.0	673.0
5	411.0	437.0	462.0	488.0	513.0	542.0	577.0	606.0	636.0	674.0	710.0
6	479.0	508.0	539.0	572.0	604.0	644.0	691.0	729.0	768.0	807.0	853.0
7	607.0	644.0	684.0	727.0	770.0	822.0	883.0	937.0	995.0	1,066.0	1,141.0
8	809.0	867.0	924.0	989.0	1,062.0	1,156.0	1,269.0	1,372.0	1,474.0	1,589.0	1,698.0
9	1,202.0	1,291.0	1,388.0	1,503.0	1,616.0	1,742.0	1,888.0	2,029.0	2,173.0	2,350.0	2,515.0
10	2,953.0	3,142.0	3,326.0	3,550.0	3,764.0	4,004.0	4,274.0	4,498.0	4,717.0	4,959.0	5,207.0
Total	7,400.0	7,900.0	8,400.0	9,000.0	9,600.0	10,300.0	11,100.0	11,800.0	12,500.0	13,300.0	14,100.0