



Request for budget analysis

Cost of property investor tax breaks	
Person/party requesting the analysis:	Senator Larissa Waters, Australian Greens
Date analysis completed:	5 March 2026
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 13 March 2026</i> <input type="checkbox"/> Not confidential
Summary of request: The request sought budget analysis on the revenue forgone in relation to the cost of negative gearing and the capital gains tax (CGT) discount. There are 2 components to this request: <ul style="list-style-type: none">• Component 1: Determine the annual value of revenue forgone due to negative gearing deductions and the CGT discount applied to residential investment properties over the past 10 years and projected into the medium term until 2035-36. The analysis is to include residential properties owned by individuals, trusts and partnerships.• Component 2: Provide distributional analysis over the projection period (2025-26 to 2035-36), including the annual tax revenue forgone from negative gearing 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.

Consistent with the methodology used in the annual Treasury publication, *Tax Expenditures and Insights Statement* (TEIS), this analysis of revenue forgone compares the below scenarios:

- current policy settings, which include negative gearing and the CGT discount
- counterfactual scenarios, without negative gearing and, separately, without the CGT discount.

As a revenue forgone analysis, this response does not constitute a PBO policy costing. A costing would typically incorporate behavioural and timing responses, which are not included in this analysis.

Taxable income deciles are calculated after deductions are applied. This means that some peoples' incomes are in lower deciles due to the volume of deductions they claim. In some cases these deductions are substantial relative to their income. For example, an investor with a large portfolio but significant deductions could end up in the first decile for taxable income.

This results in the ranges for the deciles that are provided in Tables A2-A5.

Key assumptions

The Parliamentary Budget Office (PBO) made the following assumptions in this analysis request.

- For a given individual, negative gearing is defined as occurring when total rental expenses across all of their rental properties exceeds the total rental income for those properties.
- All negative gearing deductions relate to residential properties. This assumption was made as it is not possible to reliably split non-residential from residential properties using the information available.
- On average, 39% of reported net capital gains relate to residential property. This is the level reported by the Australian Taxation Office (ATO) *Taxation statistics 2022-23*.
- Due to data constraints, the impact on partnerships and trusts is excluded from the analysis.

Methodology

Historical negative gearing deduction estimates were obtained from publicly available taxation statistics and projected forward using a microsimulation model based on de-identified unit record data on personal income tax for the 2023-24 income year – as provided by the Australian Taxation Office (ATO) – and benchmarked to parameters from the PBO’s Build Your Own Budget (BYOB) tool as at the 2025-26 Mid-Year Economic and Fiscal Outlook.

The capital gains tax discount was estimated leveraging the TEIS 2025 model for item *E15 – Discount for individuals and trusts*. This model was modified with CGT schedule information provided by the ATO, up to the 2023-24 financial year. The model was supplemented with estimates from the microsimulation model, updated with the PBO’s projections for net capital gains from the BYOB tool.

The 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.¹

Data sources

The ATO provided the de-identified personal income tax returns data for the 2023-24 income year.

Australian Taxation Office (2025) [Taxation Statistics 2022-23](#), Australian Taxation Office website, accessed 4 March 2026.

Commonwealth of Australia (2025) [2025-26 Mid-Year Economic and Fiscal Outlook](#), Commonwealth of Australia.

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

Treasury (2025) [Tax Expenditures and Insights Statement 2025-26](#), Commonwealth of Australia, Canberra.

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

Attachment A – Cost of property investor tax breaks

Table A1: Estimated annual value of revenue forgone due to negative gearing deductions and capital gains tax discount for residential investment properties, over the past 10 years and to 2035-36^(a)

	2015-16 (\$m)	2016-17 (\$m)	2017-18 (\$m)	2018-19 (\$m)	2019-20 (\$m)	2020-21 (\$m)	2021-22 (\$m)	2022-23 (\$m)	2023-24 (\$m)	2024-25 (\$m)
Tax revenue forgone										
<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	3,600.0	5,300.0	5,600.0
<i>Capital gains discount applied to residential properties</i>	3,380.0	3,750.0	4,050.0	3,250.0	3,120.0	5,360.0	9,540.0	6,900.0	7,790.0	8,380.0
Total	7,080.0	7,450.0	8,050.0	7,150.0	6,320.0	7,860.0	11,640.0	10,500.0	13,090.0	13,980.0

(a) A positive number indicates revenue forgone (a cost to the budget).

Table A1: Continued

	2025-26 (\$m)	2026-27 (\$m)	2027-28 (\$m)	2028-29 (\$m)	2029-30 (\$m)	2030-31 (\$m)	2031-32 (\$m)	2032-33 (\$m)	2033-34 (\$m)	2034-35 (\$m)	2035-36 (\$m)
Tax revenue forgone											
<i>Negative gearing deductions</i>	6,900.0	7,500.0	8,100.0	8,500.0	9,000.0	9,700.0	10,300.0	11,000.0	11,700.0	12,500.0	13,300.0
<i>Capital gains discount applied to residential properties</i>	8,530.0	7,460.0	7,700.0	7,980.0	7,860.0	8,300.0	8,770.0	9,250.0	9,770.0	10,330.0	10,910.0
Total	15,430.0	14,960.0	15,800.0	16,480.0	16,860.0	18,000.0	19,070.0	20,250.0	21,470.0	22,830.0	24,210.0

(a) A positive number indicates revenue forgone (a cost to the budget).

Table A2: Aggregate annual revenue forgone due to the capital gains tax discount for residential investment properties, by taxable income decile^{(a)(b)}

	2025-26 (\$m)	2026-27 (\$m)	2027-28 (\$m)	2028-29 (\$m)	2029-30 (\$m)	2030-31 (\$m)	2031-32 (\$m)	2032-33 (\$m)	2033-34 (\$m)	2034-35 (\$m)	2035-36 (\$m)
Decile											
1 – Less than \$10,100	253.0	236.0	250.0	260.0	275.0	289.0	306.0	323.0	346.0	368.0	391.0
2 – \$10,100 to \$22,400	97.0	91.0	101.0	139.0	148.0	157.0	166.0	166.0	173.0	185.0	204.0
3 – \$22,401 to \$33,200	129.0	119.0	144.0	133.0	142.0	152.0	167.0	189.0	201.0	214.0	221.0
4 – \$33,201 to \$44,800	162.0	149.0	156.0	164.0	177.0	186.0	192.0	197.0	215.0	226.0	241.0
5 – \$44,801 to \$55,900	171.0	160.0	168.0	184.0	193.0	205.0	216.0	234.0	242.0	270.0	289.0
6 – \$55,901 to \$68,200	202.0	180.0	194.0	196.0	208.0	221.0	234.0	247.0	265.0	270.0	291.0
7 – \$68,201 to \$83,500	247.0	230.0	252.0	258.0	278.0	296.0	316.0	338.0	372.0	401.0	432.0
8 – \$83,501 to \$104,900	389.0	359.0	401.0	432.0	467.0	500.0	535.0	574.0	607.0	644.0	683.0
9 – \$104,901 to \$142,000	827.0	757.0	822.0	868.0	930.0	993.0	1,056.0	1,121.0	1,188.0	1,258.0	1,348.0
10 – Greater than \$142,000	5,903.0	5,158.0	5,384.0	5,216.0	5,511.0	5,801.0	6,093.0	6,410.0	6,751.0	7,103.0	7,489.0
Total	8,380.0	7,440.0	7,870.0	7,850.0	8,330.0	8,800.0	9,280.0	9,800.0	10,360.0	10,940.0	11,590.0

(a) A positive number indicates revenue forgone (a cost to the budget).

(b) The figures in this table differ from those in Table A1 because they are untimed. While Table A1 reflects revenue forgone in the year it would have accrued i.e. when tax returns are filed, Table A2 reflects revenue forgone in the year in which the capital gain events occurred.

Table A3: Aggregate annual revenue forgone due to negative gearing deductions for residential investment properties, by taxable income decile^{(a)(b)}

	2025-26 (\$m)	2026-27 (\$m)	2027-28 (\$m)	2028-29 (\$m)	2029-30 (\$m)	2030-31 (\$m)	2031-32 (\$m)	2032-33 (\$m)	2033-34 (\$m)	2034-35 (\$m)	2035-36 (\$m)
Decile											
1 – Less than \$10,100	144.0	176.0	180.0	188.0	210.0	228.0	248.0	269.0	298.0	328.0	362.0
2 – \$10,100 to \$22,400	155.0	158.0	166.0	181.0	202.0	219.0	240.0	257.0	279.0	306.0	336.0
3 – \$22,401 to \$33,200	221.0	243.0	251.0	271.0	298.0	324.0	354.0	386.0	417.0	456.0	487.0
4 – \$33,201 to \$44,800	353.0	381.0	397.0	424.0	455.0	481.0	510.0	537.0	575.0	613.0	655.0
5 – \$44,801 to \$55,900	419.0	451.0	473.0	495.0	527.0	552.0	585.0	617.0	652.0	691.0	734.0
6 – \$55,901 to \$68,200	467.0	512.0	529.0	551.0	591.0	622.0	659.0	698.0	745.0	801.0	856.0
7 – \$68,201 to \$83,500	614.0	669.0	698.0	725.0	775.0	822.0	878.0	939.0	1,017.0	1,117.0	1,220.0
8 – \$83,501 to \$104,900	851.0	913.0	968.0	1,047.0	1,153.0	1,247.0	1,352.0	1,454.0	1,561.0	1,671.0	1,786.0
9 – \$104,901 to \$142,000	1,265.0	1,391.0	1,476.0	1,568.0	1,695.0	1,817.0	1,964.0	2,115.0	2,280.0	2,463.0	2,636.0
10 – Greater than \$142,000	3,011.0	3,206.0	3,362.0	3,550.0	3,794.0	3,986.0	4,210.0	4,429.0	4,677.0	4,954.0	5,229.0
Total	7,500.0	8,100.0	8,500.0	9,000.0	9,700.0	10,300.0	11,000.0	11,700.0	12,500.0	13,400.0	14,300.0

(a) A positive number indicates revenue forgone (a cost to the budget).

(b) The figures in this table differ from those in Table A1 because they are untimed. While Table A1 reflects revenue forgone in the year it would have accrued i.e. when tax returns are filed, Table A3 reflects revenue forgone in the year in which the activity occurred, being when properties were negatively geared.

Table A4: Average (mean) revenue forgone per claimant for the capital gains tax discount for residential investment properties, by taxable income decile^(a)

	2025-26 (\$)	2026-27 (\$)	2027-28 (\$)	2028-29 (\$)	2029-30 (\$)	2030-31 (\$)	2031-32 (\$)	2032-33 (\$)	2033-34 (\$)	2034-35 (\$)	2035-36 (\$)
Decile											
1 – Less than \$10,100	70,200.0	57,800.0	57,900.0	55,000.0	56,100.0	57,200.0	58,900.0	60,800.0	63,400.0	65,300.0	67,600.0
2 – \$10,100 to \$22,400	18,000.0	15,600.0	15,800.0	16,600.0	17,300.0	17,900.0	18,600.0	18,500.0	19,000.0	19,900.0	21,500.0
3 – \$22,401 to \$33,200	15,100.0	13,000.0	15,000.0	14,300.0	15,100.0	15,900.0	17,100.0	18,800.0	19,600.0	20,500.0	21,000.0
4 – \$33,201 to \$44,800	16,400.0	14,400.0	14,500.0	14,600.0	15,400.0	15,900.0	16,200.0	16,500.0	17,600.0	18,300.0	19,100.0
5 – \$44,801 to \$55,900	16,600.0	14,700.0	15,500.0	15,900.0	16,500.0	17,200.0	17,900.0	19,000.0	19,500.0	21,300.0	22,400.0
6 – \$55,901 to \$68,200	17,000.0	14,700.0	15,300.0	14,900.0	15,600.0	16,300.0	17,000.0	17,700.0	18,700.0	18,800.0	20,100.0
7 – \$68,201 to \$83,500	15,800.0	14,200.0	15,000.0	15,200.0	16,000.0	16,800.0	17,700.0	18,600.0	20,100.0	21,300.0	22,600.0
8 – \$83,501 to \$104,900	18,000.0	16,500.0	17,900.0	18,500.0	19,700.0	20,800.0	21,900.0	23,100.0	24,200.0	25,400.0	26,600.0
9 – \$104,901 to \$142,000	23,800.0	21,400.0	22,800.0	23,500.0	24,800.0	26,100.0	27,400.0	28,700.0	30,100.0	31,600.0	33,300.0
10 – Greater than \$142,000	67,700.0	59,900.0	62,700.0	62,500.0	65,200.0	67,700.0	70,200.0	72,900.0	75,800.0	78,900.0	82,300.0
Total average	40,100.0	35,100.0	36,500.0	35,800.0	37,400.0	38,900.0	40,500.0	42,200.0	44,000.0	45,800.0	47,900.0

(a) Estimated average impact by decile is for those individuals affected i.e. those individuals with capital gains accessing the capital gains tax discount in a given year.

Table A5: Average (mean) revenue forgone per claimant for negative gearing deductions for residential investment properties, by taxable income decile^(a)

	2025-26 (\$)	2026-27 (\$)	2027-28 (\$)	2028-29 (\$)	2029-30 (\$)	2030-31 (\$)	2031-32 (\$)	2032-33 (\$)	2033-34 (\$)	2034-35 (\$)	2035-36 (\$)
Decile											
1 – Less than \$10,100	3,400.0	3,800.0	3,900.0	4,000.0	4,300.0	4,500.0	4,800.0	5,000.0	5,400.0	5,700.0	6,100.0
2 – \$10,100 to \$22,400	3,000.0	3,000.0	3,100.0	3,200.0	3,500.0	3,700.0	3,900.0	4,200.0	4,400.0	4,800.0	5,100.0
3 – \$22,401 to \$33,200	3,600.0	3,800.0	3,900.0	4,200.0	4,500.0	4,800.0	5,200.0	5,500.0	5,800.0	6,200.0	6,500.0
4 – \$33,201 to \$44,800	4,200.0	4,400.0	4,500.0	4,800.0	5,000.0	5,200.0	5,500.0	5,700.0	6,000.0	6,200.0	6,500.0
5 – \$44,801 to \$55,900	4,200.0	4,400.0	4,600.0	4,800.0	5,000.0	5,100.0	5,400.0	5,600.0	5,800.0	6,000.0	6,300.0
6 – \$55,901 to \$68,200	4,100.0	4,400.0	4,500.0	4,600.0	4,800.0	5,000.0	5,200.0	5,500.0	5,700.0	6,100.0	6,400.0
7 – \$68,201 to \$83,500	4,200.0	4,500.0	4,600.0	4,700.0	5,000.0	5,200.0	5,500.0	5,800.0	6,200.0	6,700.0	7,200.0
8 – \$83,501 to \$104,900	4,500.0	4,700.0	4,900.0	5,300.0	5,700.0	6,100.0	6,500.0	6,900.0	7,300.0	7,700.0	8,100.0
9 – \$104,901 to \$142,000	5,400.0	5,800.0	6,000.0	6,300.0	6,700.0	7,100.0	7,600.0	8,100.0	8,600.0	9,100.0	9,700.0
10 – Greater than \$142,000	9,100.0	9,600.0	9,900.0	10,300.0	10,900.0	11,300.0	11,700.0	12,200.0	12,700.0	13,300.0	13,800.0
Total average	5,500.0	5,800.0	6,100.0	6,300.0	6,700.0	7,000.0	7,400.0	7,700.0	8,100.0	8,500.0	9,000.0

(a) Estimated average impact by decile is for those individuals affected i.e. those individuals with negative gearing deductions in a given year.