

19 December 2025

Select Committee on the Operation of the Capital Gains Tax Discount

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Dear Committee Secretariat,

Submission regarding Select Committee on the Operation of the Capital Gains Tax Discount

The Financial Advice Association Australia¹ (FAAA) welcomes the opportunity to provide feedback to the Select Committee on the Operation of the Capital Gains Tax Discount ('Select Committee').

The FAAA is the peak professional association for financial advice providers, and represents over 10,000 members. The operation of the capital gains tax (CGT) regime is a fundamental aspect of financial advice – the FAAA membership generally has a strong interest in the issues raised in the Select Committee's Terms of Reference.

General observations

It is the view of the FAAA that the CGT discount plays an important role in the overall taxation regime, encouraging the use of capital for business growth purposes through investment in productive assets. It is however recognised that the discount currently applies in the same way to most investments, when not all assets demonstrate the same prospects of growing the overall economy and employing more Australians.

One of the benefits of the CGT discount is its simplicity and broad application.

It is evident from the Terms of Reference that a key issue in scope for this inquiry is the impact of the CGT discount on housing, housing assets and housing inequality (Terms of Reference points a. and b.). Whilst it would be possible to alter the rate of the discount that is applied to existing housing, as opposed to other investment asset types, this would create additional complexity and may result in restructuring activity designed to avoid the impact of any differential in the rate.

Our members hold divergent views on whether the CGT discount should be changed in relation to housing assets. However, it is generally agreed that making changes to the CGT discount alone is unlikely to have a material effect on housing, housing assets and housing inequality. It is agreed that changes (if any) to the CGT discounts aimed at addressing housing affordability, should only be made as part of a broader review of the policy settings and issues generally that have led to issues of availability and affordability in the housing market.

¹ The Financial Advice Association of Australia (FAAA) is the largest association representing the financial advice profession in Australia, with over 10,000 members. It was formed in 2023 following the merger of the two leading financial planning/advice bodies in Australia – the Financial Planning Association (FPA) and the Association of Financial Advisers (AFA). With this merger, a united professional association that advocates for the interests of financial advisers and their clients across the country was created.



Further FAAA Feedback

It is the view of the FAAA that the CGT discount is just one factor amongst a range of factors that influence the types of assets purchased by investors. This is a complex issue, as it needs to be considered in the context of investments by corporations, super funds, trusts and individuals. The application of the discount varies across each of these different types of investors. The choice of assets is also likely to be influenced by the vehicle of investment and by access to financial advice.

The FAAA supports the application of the CGT discount for trusts, including with respect to superannuation. With superannuation being such an important vehicle for Australians to invest for their retirement, retention of the discount, even in the context of the different taxation arrangements that apply to superannuation, is important.

We believe that the CGT discount is continuing to have a positive impact with respect to its intended purpose of promoting investment in productive assets.

The FAAA believes that the CGT discount has an important role to play in Australia's future tax mix.

FAAA recommendation

The FAAA recommends that any changes to the existing CGT discount aimed at addressing housing affordability be considered as part of a broader review of the issues affecting housing, housing assets and housing inequality.

Issues that may be considered in a broader review of housing inequality include:

- Application of capital gains tax to housing assets.
- Negative gearing.
- Individual borrowing capacity.
- Immigration impact on demand for housing.
- The Social Security settings and their housing market impact.
- Incentives that impact on the reported empty bedroom surplus, leading to more efficient use of existing housing assets.
- The supply of new housing.
- Programs to promote first home purchases.

Please contact me on (02) 9220 4500, or via phil.anderson@faaa.au, if you have any questions or if we can provide further information on any of the points raised.

Yours sincerely,

Phil Anderson

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