

Opening Statement to the Select Committee on the Operation of the Capital Gains Tax Discount

Denita Wawn, Master Builders Australia

Check against delivery

Introduction

Every Australian deserves to live in a home they can afford whether that is through renting or owner occupier. Moreover, we should all share the goal of making the Great Australian Dream of owning your own home a reality for more Australians.

But these goals are unattainable for many because we have a housing crisis in this country. Why? Because there are simply not enough homes. We have not been building enough homes to meet our population requirements in over 30 years. This is why home ownership is harder than ever before, and why rents are high – there is not enough to go around.

Increasing Supply via the Private Sector

We need to increase supply to improve affordability for owner occupiers and renters alike. We need to grow the number of homes available rather than changing the relativities between owner occupiers and renters from existing supply.

This supply problem has been recognised by the Albanese Government since its election in 2022 and pursued through the Housing Accord established by the Federal Government in 2023. We commend the Government for this critically important initiative.

The importance of fixing supply and how best to fix it was clearly articulated by the Prime Minister on 5 May of last year, a few days after the 2025 election, as he outlined his priorities for a second term and I quote:

“And I say this message to the Senate and to members of the House of Representatives that, you know, we have a clear mandate to build more housing. The key is supply. The key is supply. You know, get out of the way and let the private sector build it. That is going to be one of my priorities.”

Master Builders wholeheartedly concurs with the Prime Minister when he rightly points out that the focus should be on supply and to let the private sector build it.

Why is it so important that the private sector is the key to supply? Because:

- We know from experience that the private sector can deliver more efficient construction than the public sector
- 97 per cent of new home starts were in the private sector. This data includes Community Housing organisations and Not-for-Profits
- 87 per cent of the rental market is provided for by private landlords.

Policy levers and a complex housing market

The Housing Accord has set an ambitious target to bridge the supply gap, to build 1.2 million homes over a 5-year period, and we are already behind. While difficult to achieve we believe it is achievable, but only if the following things happen:

1. That there are ongoing new policies and new funding to turbocharge housing supply. Supply levers, not demand levers.
2. That policies and funding decisions are made to remove the barriers to enabling housing supply, particularly when it comes to increasing the number of people working in the industry to meet the target; and
3. That there cannot be any policies that reduce supply.

Our housing market is complex and is multifaceted so there is an absolute risk that pulling one policy lever will adversely impact our capacity to deliver, which is why Master Builders does not support any reduction or abolition to the capital gains tax discount because a reduction in a tax incentive for the private market to invest in housing will lead to a reduction in supply.

A reduction in the CGT discount may reduce property investment in the short term to free up properties for owner occupiers, but in the long term we know it will reduce supply, reduce the availability of the private rental accommodation, and will drive up rental prices for those remaining in the rental market.

And contrary to assertions by some to this Committee, that a decrease in supply from a reduction in the capital gains tax discount can be offset by more demand driven public sector funding into housing is wrong.

Why? Because it will create market distortions and inefficiencies that lead to greater stress in the system that is already challenged by supply chain constraints.

Conclusion

In conclusion, we have a housing supply challenge that we are all working to resolve – Governments and industry. Any policy change must lead to more supply that is driven by private sector investment.

Thank you for this opportunity and we welcome questions from the committee.

End of Statement