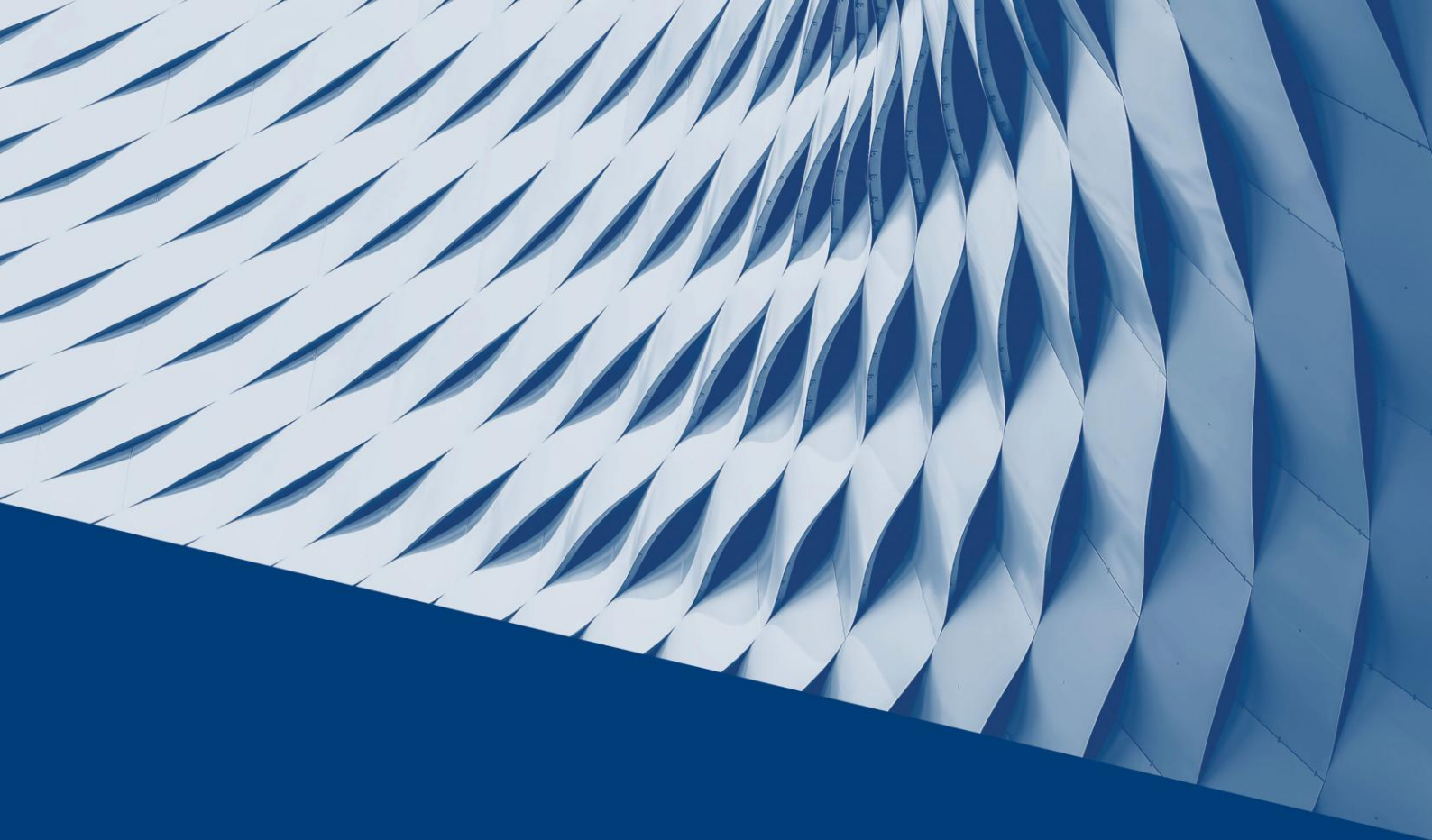




A moral imperative: Addressing the unequal tax treatment of wages vs wealth.

Australian Council of Trade Unions submission to the Economics Legislation Committee inquiry into the Treasury Laws Amendment (Tax Reform No. 1) Bill 2026 and Income Tax Rates Amendment (Tax Reform No. 1) Bill 2026

ACTU Submission, 9 June 2026
ACTU D. No 43/2026

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Introduction

The Australian Council of Trade Unions (ACTU) is Australia's peak national body of unions, founded in 1927. Our 37 affiliated unions and trades and labour councils represent nearly 2 million members across all industries and occupations. This movement, with the ACTU, has a long and proud history of winning for working people, and continues to build on this by advocating for change in a broad range of areas.

The ACTU welcomes the Treasury Laws Amendment (Tax Reform No. 1) Bill 2026 and the Income Tax Rates Amendment (Tax Reform No. 1) Bill 2026. They are important steps towards ending the preferential tax treatment of wealth when compared to that of income derived through work. The preferential tax treatment of wealth is inequitable, contributes to ongoing inequality and hands advantages, and tax dollars, to the wealthiest people in our society. The Capital Gains Tax discount and negative gearing have created distortions in our housing market which have driven house prices out of reach for an entire generation and funnelled the benefits to the wealthiest. Discretionary trusts have protected the earnings of wealthy and high-income families from taxation and ensured that the top 10 per cent of families benefit from a system that is inaccessible to the vast majority of working people.

The tax changes that the Government has proposed in these Bills will address some of the most pernicious impacts of this inequity and begin to address the severe reduction in housing affordability experienced by younger Australians. These changes will ensure that all Australians are paying their fair share of tax, and we will no longer be asking working Australians to subsidise the income of professional landlords and the ultra-wealthy. Combined with tax cuts designed to ensure low and middle-income Australians have more of their own money in their pockets, these Bills will, according to Treasury analysis, benefit 9 out of 10 young people as well as represent a critical first step in addressing the tax imbalance in our system and in restoring equity.¹ Australian unions fully support these Bills and commend them to the Parliament for passage.

¹ Quoted in The Age, 28 May 2026, "[Nine in 10 young Australians to be better off under tax changes: Treasury data](#)".

Changes to the Capital Gains Tax Discount and Negative Gearing

The housing challenge faced by young Australians

The Capital Gains Tax Discount and Negative Gearing have combined to create an untenable situation for any Australian trying to enter the housing market. The impact of this is already being felt across the generations. As Figure 1 below shows, home ownership rates have undergone a fairly steady decline since 2001 across all age groups. In 1947 about 53 per cent of all Australians owned their home. By 1966 this figure was nearly 75 per cent. An unprecedented growth in prosperity and security for Australian families - a period in which the Australian dream of home ownership was not only achievable but was achieved for the vast majority of people. This rate stayed broadly around the 70 per cent mark through to 2001, at which point it began to decline. Despite some recent recovery, the overall rate is now more than 10 percentage points below what it was in 1966 – the clear impact of the drop in affordability.

As Figure 2 shows, this drop has been most keenly felt among younger Australians. While most generations, those 65+ excluded, are significantly below the rate of home ownership they achieved prior to 2001, only those aged 25-34 have experienced a drop so precipitous that they are now back at the level they were at in the 1940s and 1950s. In terms of home ownership, young people have lost nearly a century of progress and are now well below a 50 per cent home ownership rate.

Figure 1 – Home Ownership Rate²

Overall home ownership rate, 1911-2021

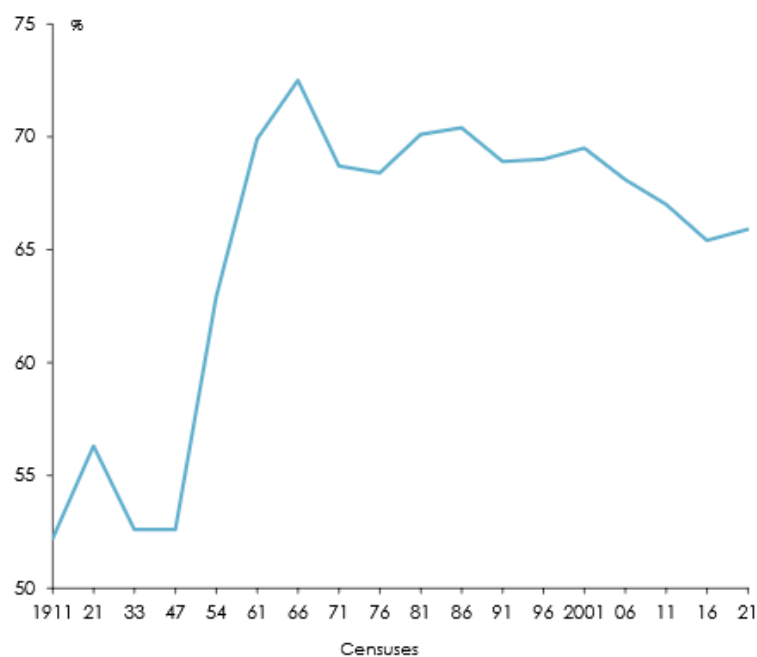
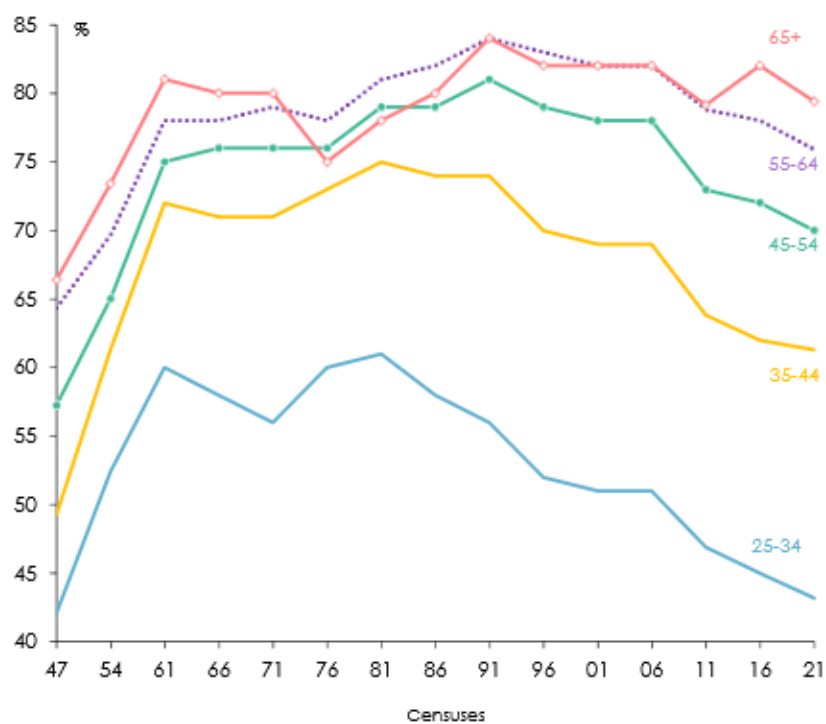


Figure 2 – Home ownership rate by age group³

Home ownership rates by age, 1947-2021



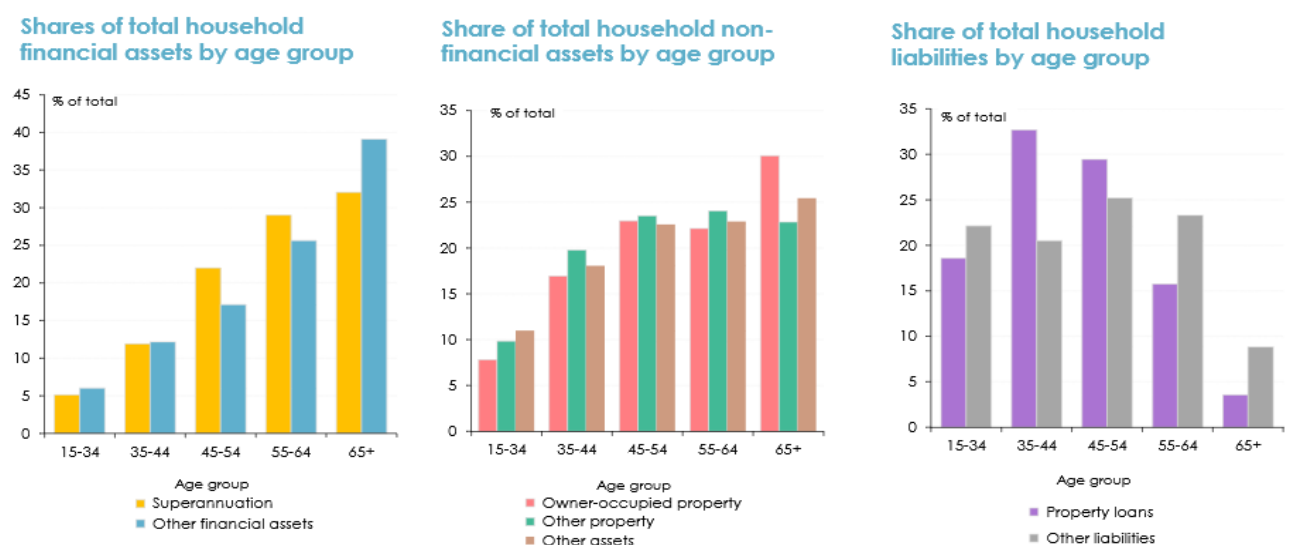
² Eslake, Saul, *An Intergenerational Perspective on Wealth Inequality in Australia*, May 2025, <https://www.sauleslake.info/an-inter-generational-perspective-on-wealth-inequality-in-australia/>

³ Ibid

This collapse in ownership, particularly among the young, has been caused by a significant decline in the affordability of property. Once, buying a home cost around 6 times the average income of a worker, it has nearly doubled to just over 11 times. Increases in house prices have consistently outpaced wages. In the last five years, house prices have risen around 43 per cent while wages have increased by only 17 per cent over the same period. Saving a deposit, which ten years ago took 4.9 years and 20 years ago took 4.6 years, now takes 5.6 years nationally and is approaching 7 years in NSW.⁴ Housing is simply too expensive for young people to afford – their wages cannot keep up with the growth in house prices and if they can wait the half-decade now required to save a deposit they find that prices have risen even further beyond their reach.

The inability of young people to access the housing market has also affected their ability to build financial security. Figure 3 shows that younger households hold only a fraction of the financial assets of older generations and yet hold a significant portion of the liabilities – both in the form of property loans but also other liabilities such as student loans and other debt. This reality has particularly exaggerated the generational inequality caused by low home ownership among young people because real estate makes up the largest share of Australian wealth, far more than any other source and this is more true in Australia than it is Canada, NZ, UK and the US.⁵ Real estate is wealth and security and young people have been locked out of it.

Figure 3 – Assets and Liabilities by age group⁶



The principal problem for Australian housing prices is a maldistribution of housing ownership and an excessively generous set of tax concessions that have driven house price increases – the very concessions that these Bills seek to reform.

⁴ REA Group, *The Savings Slog: How long it takes a first home buyer to save a deposit*, 2024, www.realestate.com.au/insights/savings-slog-how-long-it-takes-a-first-home-buyer-to-save-a-deposit/

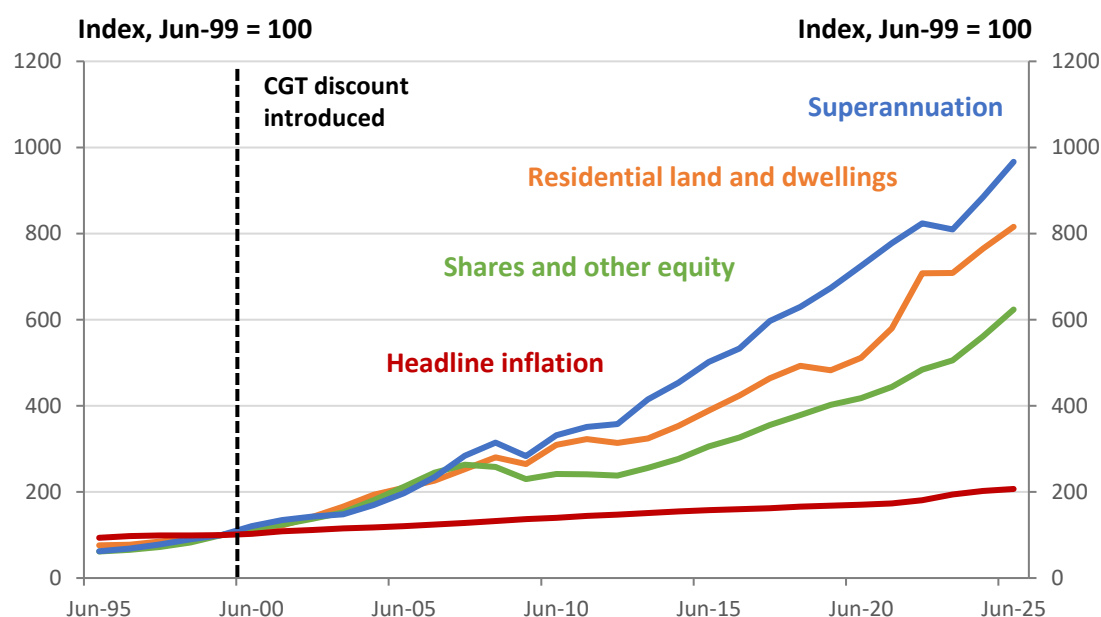
⁵ Eslake, Saul, Op. Cit

⁶ Ibid

The Impact of the CGT discount and negative gearing on house prices and inequality.

In 1999, the Capital Gains Tax reforms replaced the system of discounting capital gains for the purposes of income tax on the basis of inflation with a flat 50 per cent reduction. Since this occurred, household asset values have increased significantly more than inflation – resulting in a massive under taxation of investment housing assets and a windfall gain for investors. The value of residential land and dwellings has increased by over 700 per cent between June 1999 and June 2025, while inflation has increased by 100 per cent, as Figure 4 outlines.

Figure 4 – Index of asset values and inflation



Source: Australian National Accounts: Finance and Wealth, Consumer Price Index & ACTU calculations

The benefits of the CGT discount and its interaction with negative gearing have overwhelmingly benefitted wealthier Australians (See Figure 5). 75 per cent of the total benefit of the CGT discount was captured by the top 10 per cent of taxpayers in 2019-2020.⁷ The problem is getting worse. On the most recent figures published in December 2025, this share has lifted to 83 per cent for 2022-2023.⁸ The top 1 per cent of taxpayers by taxable income accounted for 54 per cent of all capital gains income in 2022-23, with an average gain of \$850,690.⁹ This accords with international experience, with the OECD recently finding that high income and high wealth individuals disproportionately benefit from the favourable tax treatment of capital gains across countries.¹⁰

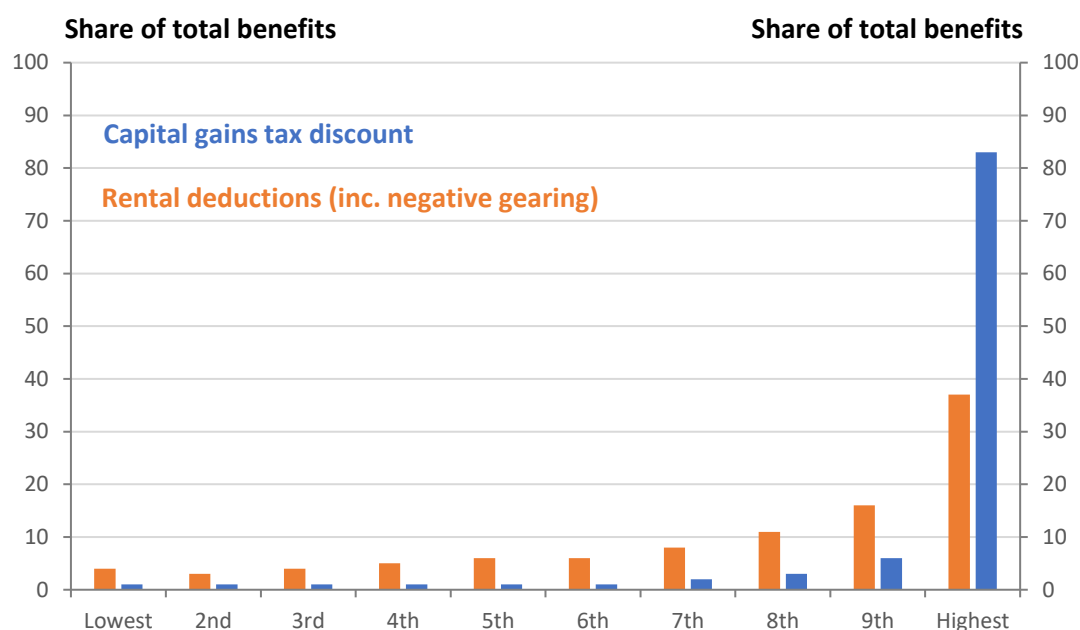
⁷ Australian Government [2022-23 Tax Expenditures and Insights Statement | Treasury.gov.au](#), page 13

⁸ Australian Government, [2025-2026: Tax expenditures and Insights Statement](#), page 19

⁹ Ibid.

¹⁰ OECD Working Paper [Taxing capital gains | OECD](#), 26 February 2025, page 34

Figure 5 – Benefits of CGT Discount and rental deductions by income decile



The Capital Gains Tax discount is a key driver of intergenerational housing inequity. The vast majority of the benefits of the CGT discount accrues to Australians over the age of 60¹¹ because they disproportionately own financial assets and property.¹² This has driven the share of household wealth of people 65 and over from 24.8 per cent in 2003-04 up to 35.6 per cent in 2019-2020.¹³

Access to negative gearing on investment properties create incentives to invest in property and run those properties at a loss during the income earning years of a high-income individual's life and then sell the property when their marginal tax rate is significantly lower. The weakness of the capital gains tax discount is that an individual is able to choose when to realise the capital gain and therefore maximise the benefits of the discount. This is in contrast to a wage earner who is subject to pay as you go tax withholdings over the course of their life and is afforded no choice in when they realise their income. This has resulted in high income individuals using the capital gains tax discount to both avoid paying a fair contribution to Australia's tax system and to focus their earnings on capital gains.¹⁴

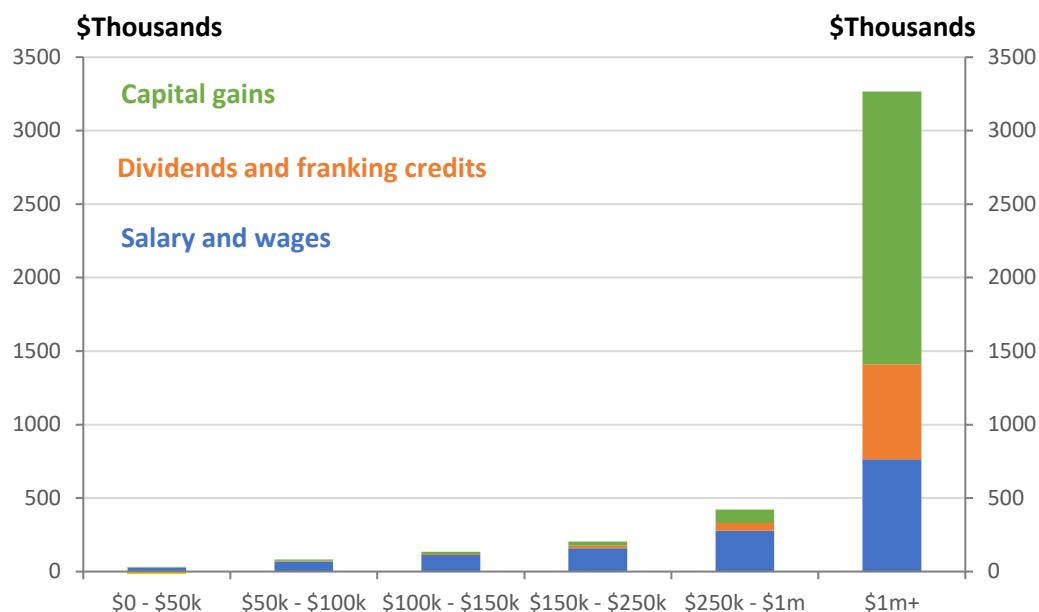
¹¹ Australian Government 2025-26, page 20

¹² Eslake, S, [Wealth Inequality in Australia – An Intergenerational Perspective](#), 16 May 2025, slide 6.

¹³ Ibid

¹⁴ Jericho, G, [Capital gains for the rich and persistent gender pay gaps: what we can learn from the ATO's annual tax statistics | Greg Jericho | The Guardian](#), 3 July 2025

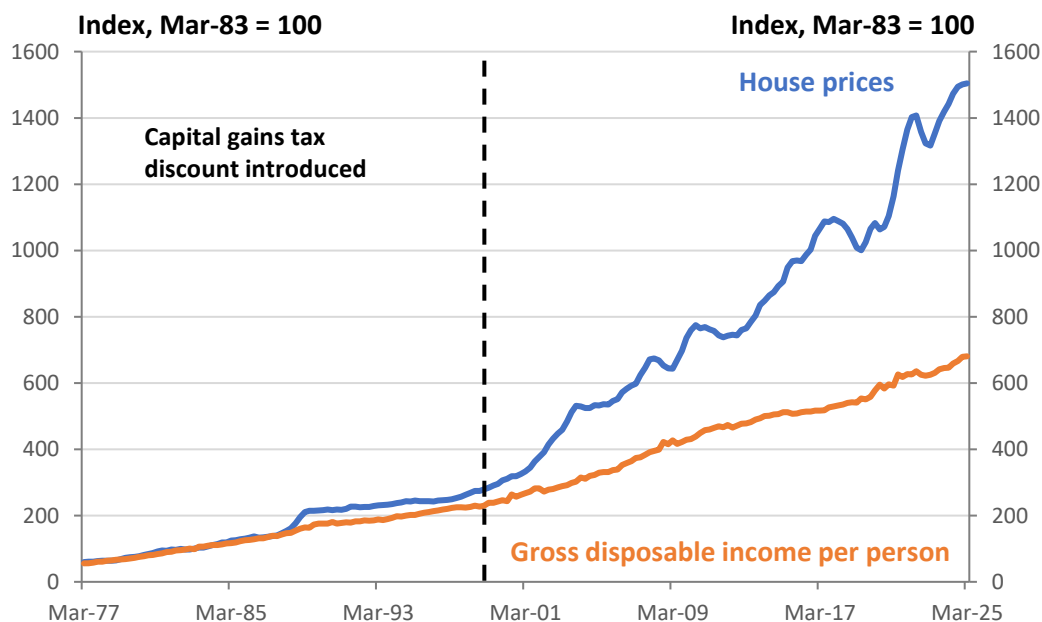
Figure 6 – Sources of earnings by income range



Source: ATO tax statistics 2022-23, Table 10

The massive incentives, and windfalls, from property investment that these settings created mean it is no surprise that, as we see in Figure 7, that period of greatest divergence between house prices and income per person began in the period in which they were introduced.

Figure 7 – Growth in nominal house prices and nominal income per person



Source: Bank of International Settlements, Residential property price data, Australian National Accounts: National Income, Expenditure and Product & ACTU calculations.

Research by the e61 Institute indicates that Australia's tax system is broadly progressive for most taxpayers, but the progressivity of the tax system breaks down for the top 5 per cent of

individuals, where there are a wide range of effective tax rates and income has almost no relationship with the tax rate faced by any one person.¹⁵ The e61 Institute notes that above the 93rd percentile, the CGT discount becomes the largest driver of the difference in income tax rates between individuals with similar incomes.

As observed by e61's Greg Kaplan, "The absolute worst case you can be in is to earn all of your income as an employee working for somebody else".¹⁶ This growing trend means that only about two-thirds of income is still captured by the tax system.¹⁷ Ordinary working people in Australia contribute their fair share to the Australian tax system through the work they do that keeps Australia's economy running.¹⁸ Thanks to the CGT discount, the same cannot be said of Australia's high-income individuals, who instead make their money through minimising tax and speculating on property. It is this speculation that is locking too many working Australians, especially younger Australians, out of the security of home ownership - in March 2026, 82.8 per cent of total investor loans were used to speculate on the existing housing stock. A mere 13.4 per cent were used for new housing builds, a share which has declined over the last year from 14.0 per cent, also an incredibly low proportion.

These incentives in the tax system are contributing directly to upwards pressure on house prices that is making owning a home increasingly impossible for young workers. ACTU analysis shows there is a strong correlation between annual growth in investor loans and house prices (See Figure 8). In contrast, first-home buyer loans have no discernible impact on house prices (See Figure 9) – those with capital are able to speculate and make gains, while those without are forced to take on increasing debt in a market driven higher by forces over which they have no control driven by incentives from which they will never benefit.

¹⁵ e61 Institute, Ibid.

¹⁶ Crowley, T, [Will Labor's conversation about everything produce anything much? - ABC News, 5 August 2025](#)

¹⁷ Australian Financial Review, [Economic reform roundtable: 4 charts that prove the tax system is stacked against young people](#), 19 August, 2025.

¹⁸ Across the countries studied CGT taxation has similarly driven growing "horizontal inequity" – individuals with the same level of income facing different and unequal tax liabilities. See OECD page 33.

Figure 8: Annual growth in investor loans vs annual growth in house prices

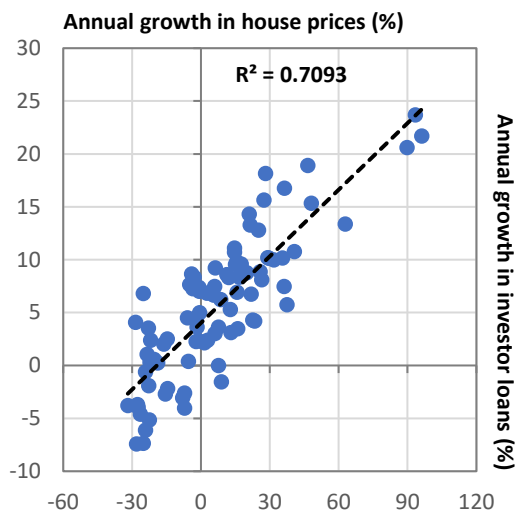
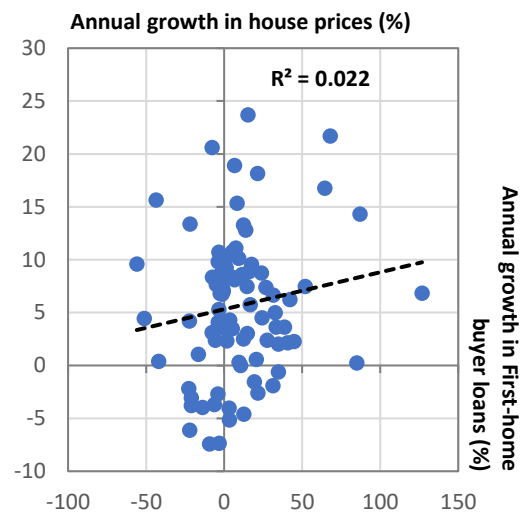


Figure 9: Annual growth in first-home buyer loans vs annual growth in house prices



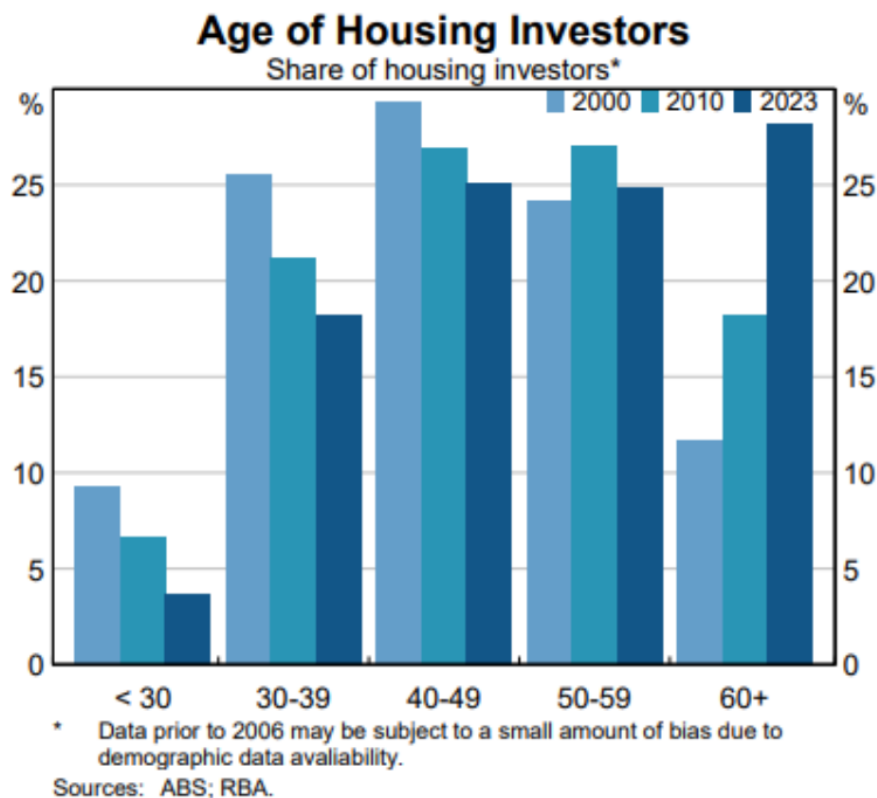
Source: Bank of International Settlements, Residential property price data, ABS Lending Indicators & ACTU calculations

We are already seeing evidence that, far from being a ‘ladder’ for young people to climb as supporters of these distortions claim, they are already beginning to act as a bulwark against them – shutting those few young people with access to capital out of the system and its benefits. Reserve Bank research shows that housing investment in Australia has become increasingly concentrated among older and wealthier Australians, with younger people being squeezed out of the market. Over the past two decades, the share of investors aged over 60 has more than doubled from 12 to 28 per cent, while participation by younger cohorts has sharply declined, including a fall in investors under 30 from 9 to just 3 per cent and those aged 30 to 39 years old dropping from 26 to 18 per cent, as can be seen in Figure 10 below.¹⁹ At the same time, investment activity has become more skewed towards higher-income households, as rising property prices have lifted entry costs beyond the reach of lower and middle-income earners, and tax concessions such as negative gearing and capital gains discounts disproportionately benefit those with greater borrowing capacity. This concentration is reinforced by the growing dominance of multiple-property owners, who now account for a larger share of investors and own about half of all investment properties.²⁰ Together, these trends show that the financial gains from housing investment are increasingly captured by older, richer Australians. The ‘ladder’ that those defending these concessions like to refer to has already been pulled up – young people are left as mere spectators to a housing system enriching people against whom they cannot possibly compete.

¹⁹ Hutchens, Gareth, *Housing Investors are increasingly older and wealthier, Reserve Bank research shows*, ABC News, <https://www.abc.net.au/news/2026-05-28/housing-investors-older-and-wealthier-reserve-bank-bulletin/106723128>

²⁰ Ibid

Figure 10 – Age of housing investors, 2000-2023²¹



These flawed tax settings incentivise wealthy investors to channel funds into housing and drive-up house prices instead of making investments that could lift Australia's productive capacity and rebuild sovereign capability. Young workers are locked out of home ownership and are facing deepening inequality. It is long past due for major reform of Australia's approach to the taxation of housing assets such as those undertaken by these Bills.

The reforms to the CGT discount and Negative Gearing proposed by the Government in these Bills will, according to Treasury figures, increase the owner occupier share of the housing market, resulting in around 75,000 additional owner-occupiers over the next decade. This is equivalent to reversing around 10 years of declines in the home ownership rate. This is an end we must pursue. These changes also send a clear signal that the Government is taking action to address the huge flow of benefits and wealth from younger and working Australians to those already at the top of our income and wealth distributions. These measures are necessary and urgent priorities for our nation, and we commend them to the Committee and to the Parliament.

Changes to Discretionary Trusts

Similarly to Negative Gearing and the CGT discount, discretionary trusts have acted as distortions of our tax system allowing high wealth and high-income Australians to reduce their tax payable

²¹ Ibid

and continue to build their wealth using structures that are not available to regular working Australians. An equitable and fair tax system is one where someone earning an income from wealth should pay the same rate of tax as someone earning the same level of income from a wage. Those earning more should pay more. People on lower incomes and those who have less wealth should pay less in absolute and relative terms. Yet the use of trusts has contributed to a tax system where the definition of 'taxable income' departs materially from a comprehensive definition and does so in a way that disproportionately benefits well-off individuals.

Trusts have become an increasingly popular tool of the wealthy over recent years, with numbers of trusts doubling to more than a million since 2001 – far outpacing the growth in companies which has grown by only 70 per cent over the same period.²² The distribution of funds from these trusts has also grown apace, growing 7.8 per cent on average annually since 2011-12 and disbursing more than \$142 billion in income to other entities in 2022-23.²³ They have become an endemic feature of our tax system – an untenable situation. The vast majority of trust income flows directly to the top 10 per cent of families, with 90 per cent of private trust wealth owned by the richest 10 per cent of households (those with a net worth over \$2.3 million).²⁴ Trusts have significantly contributed to the preferential treatment of wealth as compared to income earned via work. Treasury analysis shows that in 2022-23 the average tax rate of families with a discretionary trust was around 4 per cent lower than that of a family with a similar income who do not utilise a trust.²⁵

Introducing a 30 per cent minimum tax brings the tax outcome on income earned in a discretionary trust closer to that of wage and salary earners who pay a 30 per cent marginal rate on incomes between \$45,001 and \$135,000. There can be no argument founded in equity or a progressive tax system which can be made against such an outcome. Attempts to defend the trusts system or to cast those who disproportionately benefit from their use as 'ordinary Australians', particularly given the exclusions and assistance for small business that the Government has proposed, is an attempt by the already-wealthy to defend their vested interests. The measures proposed by the Government with relation to trusts are sensible, fair and timely. Australian unions fully endorse these changes and commend this Bill to the Committee and Parliament.

²² Australian Government, *Budget 2026-27 Minimum tax on discretionary trusts*, Budget 2026-27, <https://budget.gov.au/content/factsheets/download/tax-explainers-minimum-tax-discretionary-trusts.pdf>

²³ Ibid

²⁴ Ibid

²⁵ Ibid

The Working Australian Tax Offset (WATO) and \$1000 Instant Tax Deduction

In addition to taking much-needed steps to reduce the distortions in our tax system which have preferred income earned via wealth over those derived through work, these Bills contain two important cost-of-living measures for working people. Both the WATO and the \$1000 instant tax deduction are welcome new measures from the Government to address the financial strain that many working people are experiencing. As the Treasury figures themselves show, after three rounds of tax cuts, the WATO and the instant tax deduction, an Australian worker on average earnings could receive a combined benefit of up to \$2,816 from the 2027–28 income year relative to 2023–24 tax settings.²⁶ The Government's combined tax cuts are lowering average tax rates for all working Australian taxpayers, with the average tax rates across all taxpayers falling from 25.5 per cent in 2023–24 to 24.7 per cent in 2027–28. The combined tax cuts are expected to keep average tax rates for an Australian worker on average earnings who receives the average benefit from the instant tax deduction below 2023–24 levels until 2032–33 – three years later than under 2024–25 settings.²⁷ Australian unions have a history of supporting tax cuts aimed at low and middle-income Australians, particularly when, as is the case here, these initiatives are funded by increases to revenue that enhance the progressivity of the tax system more generally. The WATO and \$1000 instant tax deduction will provide additional financial relief for working people who are suffering from income squeezes and inflation caused by overseas conflicts. Their inclusion in these Bills indicates the Government's commitment to delivering a fairer and more equitable tax system and to move away from a system in which the earnings of working Australians are taxed fairly and those of the wealthiest Australians are treated with kid gloves. Australian unions endorse these measures and commend the Bills in which they are contained to the Committee and to the Parliament.

Conclusion

The ACTU supports these Bills because they confront a basic injustice at the heart of Australia's tax system. For too long, people who work for their income have carried a heavier burden than people who make their money through capital gains, tax concessions and legal structures designed to minimise tax. That is not equitable, it is not sustainable and it is not compatible with a tax system that claims to reward work and uphold equity. The measures in these Bills begin to redress this situation. Reform to the Capital Gains Tax discount and negative gearing will address concessions that have inflated house prices, rewarded speculation over productive investment

²⁶ Australian Government, *Budget 2026-27 New tax cuts for Australian workers*, Budget 2026-27, <https://budget.gov.au/content/factsheets/download/tax-explainers-new-tax-cuts-workers.pdf>

²⁷ Ibid

and helped lock a generation of young Australians out of home ownership. Reform to discretionary trusts will curb a mechanism that has allowed high-wealth households to reduce their tax in ways that are simply unavailable to ordinary wage and salary earners. The Working Australian Tax Offset and the instant tax deduction matter for the same reason - they ensure that tax reform does not stop at closing loopholes for the wealthy but delivers tangible relief to the people who keep the economy running.

These Bills are positive reforms that would restore fairness to our tax system. Work should be respected, not penalised; housing should be a place to live, not a tax-advantaged vehicle for speculative gain and public policy should serve the many, not preserve privileges for the few. For those reasons, Australian unions support these Bills and strongly commend them to the Committee and to the Parliament.

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