



Policy costing request—during the caretaker period for a general election

Name of policy:	Phase out Capital Gains Discount and End Negative Gearing
Person requesting costing:	Senator Di Natale
Parliamentary party:	Australian Greens
Date of request to cost the policy:	1 July 2016
<i>Note: This policy costing request and the response to this request will be made publicly available.</i>	
Has a costing of this policy been requested under Section 29 of the Charter of Budget Honesty (ie from the Treasury or the Department of Finance)?	No
Details of the public release of this policy (Date, by whom and a reference to that release):	http://greens.org.au/ng-and-cgt
Description of policy	
Summary of policy (as applicable, please attach copies of relevant policy documents):	<p>Progressively phase out the 50 per cent capital gains tax (CGT) discount for trusts and individuals for capital gains realised on or after 1 July 2016.</p> <p>The CGT discount would be phased out by 10 percentage points each year for five years to phase out entirely by 1 July 2020.</p> <p>This would be accompanied by the removal of negative gearing for all non-business assets purchased by individuals, funds, trusts, partnerships and companies on or after 1 July 2016, with assets purchased prior to this date grandfathered.</p>
What is the purpose or intention of the policy?	<p>To remove tax benefits available for investors that make it harder for aspiring first home owners to purchase a place to live in.</p> <p>Reducing income inequality and make our tax system fairer by removing the discount on capital gains (enjoyed overwhelmingly by high income earners) by taxing real adjusted capital gains at the marginal income tax rate – as the system used to be.</p>
What are the key assumptions that have been made in the policy, including:	
Is the policy part of a package? If yes, list the components and interactions with proposed or existing policies.	No

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Where relevant, is funding for the policy to be demand driven or a capped amount? If a capped amount, are the costs of administering the policy to be included within the capped amount or additional to the capped amount?	N/A			
Will third parties (for instance the States/Territories) have a role in funding or delivering the policy? If yes, is the Australian Government contribution capped, with additional costs to be met by third parties, or is another funding formula envisaged?	No			
Are there associated savings, offsets or expenses? If yes, please provide details.	No			
Does the policy relate to a previous budget measure? If yes, which measure?	Current Income Tax and CGT tax regime.			
If the proposal would change an existing measure, are savings expected from the departmental costs of implementing the program?	No			
Will the funding/program cost require indexation? If yes, list factors to be used.	No			
Expected impacts of the proposal				
If applicable, what are the estimated costs each year? If available, please provide details in the table below. Are these provided on an underlying cash balance or fiscal balance basis?				
Estimated financial implications (outturn prices)^(a)				
	2016–17	2017–18	2018–19	2019–20
Underlying cash balance (\$m)	-12	2292	4798	7348
Fiscal balance (\$m)	-12	2292	4798	7348
(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number in the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.				
What assumptions have been made in deriving the expected financial impact in the party costing (please provide information on the data sources used to develop the policy)?				

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<p>Has the policy been costed by a third party? If yes, can you provide a copy of this costing and its assumptions?</p>	<p>No</p>
<p>What is the expected community impact of the policy? How many people will be affected by the policy? What is the likely take up? What is the basis for these impact assessments/assumptions?</p>	<p>Future investors will pay higher capital gains tax upon sale of their investments.</p> <p>441,000 individual taxpayers reported a net capital gain in 2010-12, on which they paid a total \$3.6 billion in tax.</p> <p>Over half of individual taxpayers with negatively geared rental housing investments are in the top 10% of personal taxpayers, with 30% earning over \$500,000</p> <p>The tax benefit of negative gearing is 10 times more for the highest income earners than for the lowest</p> <p>The number of people using negative gearing is almost four times higher for those with incomes of \$150,000 than for those earning \$50,000 or less.</p>
<p>Administration of policy:</p>	
<p>Who will administer the policy (for example, Australian Government entity, the States, non-government organisation, etc)?</p>	<p>Australian Tax Office, Treasury</p>
<p>Please specify whether any special administrative arrangements are proposed for the policy and whether these are expected to involve additional transactions/processing (by service delivery agencies).</p>	<p>N/A</p>
<p>Intended date of implementation:</p>	<p>Assume announced and have effect from today, 1 July 2016</p>
<p>Intended duration of policy:</p>	<p>Ongoing</p>
<p>Are there transitional arrangements associated with policy implementation?</p>	<p>Assume announced and have effect from today, 1 July 2016</p>
<p>List major data sources utilised to develop policy (for example, ABS catalogue number 3201.0).</p>	
<p>Are there any other assumptions that need to be considered?</p>	<p>Deductions would be restricted to the same class of asset in which the losses were incurred. Within-year losses could not be carried forward to offset future rental gains, and could not be used to offset the ultimate capital gain when the asset is sold.</p>