

BACKGROUND:

47G: report prepared by a third party external to Treasury

Section 47G

distributional modelling of Labor's proposed negative gearing and CGT reform:

- Section 47G found that negative gearing benefits high income families, with 52.6 per cent of the tax benefit going to the top 20 per cent of incomes and only 5.2 per cent of tax benefits going to the bottom 20 per cent of incomes.
- Section 47G also found that the CGT discount overwhelmingly benefits high income families, with the top 10 per cent accounting for nearly three quarters of the tax savings.
 - By removing the effect of the large one-off benefit coming from capital gains, Section 47G estimates that figure drops to 54.3 per cent of the tax savings flowing to the top 10 per cent of families, as ranked by income.
- On Labor's negative gearing policy, Section 47G found that removing negative gearing will increase revenue in the long run between \$3.4 and \$3.9 billion a year, depending on the increase in new housing construction flowing from the new housing exemption.
- On Labor's CGT policy, Section 47G found that reducing the CGT discount from 50 per cent to 25 per cent would increase revenue by an estimated \$2 billion in the long run in 2017-18 dollars.

- Under Labor's policy, roughly two thirds of the tax revenue would come from the removal of negative gearing and the remainder from halving the CGT discount to 25 per cent.

Section 22