Submission to the Senate Economics Legislation Committee Inquiry into the Treasury Laws Amendment (Tax Reform No. 1) Bill 2026 and related legislation

Introduction

Faith Housing Australia (FHA) welcomes the opportunity to make a submission to the Senate Economics Legislation Committee inquiry into the Treasury Laws Amendment (Tax Reform No. 1) Bill 2026 and related legislation.

FHA is the national peak body representing faith-based organisations involved in community housing, homelessness services, social and affordable housing development, and mission-driven land stewardship across Australia. Our members include registered Community Housing Providers, Specialist Homelessness Services, affordable housing providers and faith-based organisations delivering housing and support to tens of thousands of Australians each year.

Access to safe, secure and affordable housing is foundational to individual wellbeing, community participation and economic opportunity. FHA believes housing policy and housing-related tax settings should support these outcomes and contribute to a housing system that is fair, sustainable and capable of meeting community need.

FHA supports the proposed reforms to negative gearing and the Capital Gains Tax (CGT) discount and encourages the Parliament to pass the legislation.

Australia continues to face significant housing affordability challenges. Too many Australians are struggling to access secure, affordable and appropriate housing, while homelessness services and community housing providers continue to experience growing demand. No single policy reform will resolve these challenges. However, housing tax settings are an important part of the broader housing system and should support, rather than undermine, housing policy objectives.

FHA acknowledges the detailed submissions made by National Shelter and other housing and homelessness peak bodies and supports much of the evidence regarding the relationship between housing tax settings, housing affordability and home ownership outcomes. This submission focuses on the perspective of housing providers, homelessness services and long-term housing stewardship organisations.

Housing Tax Settings Should Support Housing Supply

FHA particularly supports the Government's decision to distinguish between investment that increases housing supply and investment that primarily competes for existing housing stock.

The proposed reforms retain favourable treatment for investment in new housing and affordable housing while reducing incentives that have historically encouraged highly leveraged investment in existing dwellings. This is an important feature of the legislation and one that aligns with FHA's longstanding focus on increasing housing supply.

The Explanatory Memorandum accompanying the legislation notes that the interaction between the CGT discount and negative gearing has favoured leveraged investment in existing housing, contributed to upward pressure on house prices, and reduced opportunities for aspiring home owners (Treasury, Explanatory Memorandum to the Treasury Laws Amendment (Tax Reform No. 1) Bill 2026). The Government has stated that the reforms are intended to improve rates of home ownership while maintaining support for investment that contributes to new housing supply.

As an organisation focused on housing delivery outcomes, FHA supports policy settings that encourage the creation of additional homes. Australia's housing challenge is fundamentally one of both supply and affordability. Tax settings should reward investment that expands housing opportunities for Australians rather than simply increasing competition for existing homes.

The legislation appropriately recognises this principle by maintaining incentives for new residential construction and affordable housing while rebalancing incentives that have contributed to demand pressures in established housing markets.

The Experience of Housing Providers

FHA members experience the consequences of housing market pressures every day.

Across the country, community housing providers, homelessness services and faith-based organisations are responding to increasing demand from individuals and families experiencing housing stress, rental insecurity and homelessness. FHA members continue to report significant unmet demand for affordable and social housing, particularly in metropolitan growth areas and regional centres experiencing acute housing shortages.

This experience is reflected in national data. Social housing waiting lists remain substantial across Australia and homelessness services continue to experience significant demand pressures (AIHW, 2024; AIHW, 2025). For organisations working directly with people experiencing housing insecurity, these pressures are neither theoretical nor temporary; they represent an ongoing challenge affecting households, communities and service systems across the country.

At the same time, many organisations seeking to develop social and affordable housing face increasing land and acquisition costs that challenge project feasibility and limit opportunities to deliver housing in well-connected locations close to employment, transport and services.

From this perspective, housing tax settings are not simply a matter of tax policy. They influence housing outcomes, housing accessibility and the capacity of organisations to deliver homes where they are most needed.

The proposed reforms represent a measured attempt to address some of the long-standing distortions that have contributed to these challenges. While their impact will occur gradually over time, FHA supports reforms that improve access to home ownership, moderate demand pressures in existing housing markets and better align investment incentives with housing supply objectives.

Treasury modelling indicates that the reforms could support approximately 75,000 additional owner-occupiers over the coming decade (Treasury, Explanatory Memorandum to the Treasury Laws Amendment (Tax Reform No. 1) Bill 2026). While this alone will not resolve Australia's housing affordability challenges, it demonstrates the potential for housing tax settings to contribute to improved access to home ownership, particularly for younger Australians seeking to enter the market.

Long-Term Stewardship and Housing Outcomes

Faith-based housing providers operate from a fundamentally long-term perspective.

Many FHA members retain ownership of housing assets for decades, and in some cases generations, with the objective of providing stable housing outcomes rather than maximising short-term financial returns. This stewardship approach recognises housing as essential social infrastructure that supports wellbeing, workforce participation, educational attainment, community connection and economic security.

From this perspective, policy settings should encourage investment that contributes to enduring housing outcomes and long-term community benefit.

FHA welcomes the Government's recognition that housing tax settings should support productive housing investment and improve opportunities for younger Australians seeking to enter the housing market. We also support the retention of incentives for new housing supply and affordable housing, recognising the critical role these forms of investment play in addressing Australia's housing shortage.

FHA has consistently supported evidence-based housing tax reform as part of a broader housing affordability agenda. FHA and many of our members have participated in sector-wide advocacy efforts highlighting the role that tax settings play in shaping housing outcomes. FHA also publicly welcomed the Government's announcement of these reforms in the 2026–27 Federal Budget, recognising them as a measured attempt to address long-standing distortions in Australia's housing system while maintaining support for new housing supply. We therefore view the current legislation as an important and logical step in implementing reforms that the housing and homelessness sectors have advocated for over many years.

Conclusion

FHA supports the Treasury Laws Amendment (Tax Reform No. 1) Bill 2026 and related legislation.

The proposed reforms represent a practical and measured step towards a more balanced housing system. They maintain support for investment that increases housing supply, improve the alignment between tax policy and housing policy objectives, and help address long-standing distortions that have made it harder for many Australians to access secure and affordable housing.

While tax reform alone will not solve Australia's housing challenges, FHA considers these changes an important contribution to a broader package of reforms needed to improve housing affordability, support home ownership and increase housing supply.

FHA therefore encourages the Parliament to support the passage of the legislation.

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