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Committee Secretary

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**Submission to the Senate 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**

Executive Summary

The Australian Shareholders' Association (ASA) opposes the proposed capital gains tax (CGT) reforms contained in Schedule 1 of the *Treasury Laws Amendment (Tax Reform No. 1) Bill 2026* (the Bill), and the associated *Income Tax Rates Amendment (Tax Reform No. 1) Bill 2026*.

ASA recognises the Government's stated objectives of improving fairness, supporting intergenerational equity, ensuring that only real gains are taxed, and better aligning the tax treatment of labour and asset income. ASA supports tax settings that are fair, sustainable and promote confidence in Australia's long-term prosperity. However, ASA does not consider that the proposed design will achieve these objectives.

In ASA's view, the proposed removal of the 50% CGT discount and introduction of a 30% minimum tax on capital gains would have significant unintended consequences for Australia's retail investors, future wealth creators, and the broader economy. The reforms risk reducing confidence in investing outside superannuation, discouraging long-term investment, increasing compliance complexity, and weakening the supply of patient domestic capital to Australian listed companies.

According to the ASX Australian Investor Study 2023, 7.7 million Australians, equivalent to 38% of all adults, hold investments in ASX-listed securities, outside of superannuation. These investors provide an important source of patient capital to Australian listed companies and play a role in supporting business investment, innovation, productivity, and economic growth. Tax settings that discourage long-term investment risk reducing participation in Australia's capital markets and limiting the domestic capital available to Australian listed businesses.

Australian Shareholders' Association Investor Sentiment Survey shows that many retail investors are concerned about the proposed reforms. The majority of 1,112 respondents indicated that the changes would reduce confidence in investing outside superannuation, discourage long-term investment, increase compliance complexity, and increase the likelihood that investors would need professional advice to understand the impact on their portfolios.

ASA is also concerned that the proposed minimum tax on discretionary trust income, although part of the broader tax reform package, would add further complexity and uncertainty for investors using widely established family, investment, and succession planning structures.

Tax policy should encourage Australians to invest in productive enterprises and share in the nation's economic success. ASA is concerned that the proposed reforms would instead create disincentives that reduce participation in capital markets and make it more difficult for Australians, including younger investors, working Australians and retirees, to build and manage long-term wealth.

ASA is also concerned that the reforms may reduce the willingness of investors to provide risk capital to early-stage, high-growth and research-intensive companies, including Australian start-ups, mining, technology companies, and biotechnology businesses. These sectors often require patient capital over many years before commercial returns are realised. If the after-tax reward for accepting this risk is reduced, investors may be less willing to support companies that are central to innovation, productivity, and future economic growth.

Recommendation

The ASA recommends that the Committee urge the Government to:

- Retain the existing 50% CGT discount for individuals and trusts.
- Abandon the proposed 30% minimum tax on capital gains.
- Defer any major CGT changes until there has been proper consultation with retail investors, tax professionals, listed companies, superannuation representatives, and investor advocates.
- Undertake a comprehensive review of investment taxation that considers Australia's competitiveness in attracting and retaining capital, retirement income sustainability, and long-term productivity growth.
- Ensure any review specifically considers the impact of CGT settings on risk capital, start-up formation, biotechnology, medical technology, mining exploration, innovation, and the commercialisation of Australian research.
- If reforms proceed, provide extensive transitional arrangements, clear investor guidance, detailed worked examples, ATO calculators and sufficient implementation time to minimise compliance costs and market disruption.

1. Protect Long-Term Investment

The current 50% CGT discount recognises that investors who commit capital for extended periods assume significant market, economic and liquidity risks. By providing a clear and predictable tax concession, the discount helps compensate investors for those risks and encourages long-term investment in productive assets.

Replacing the CGT discount with inflation indexation would alter this risk-reward equation. Although indexation appropriately excludes inflationary gains from taxation, it removes a longstanding and easily understood incentive that has supported long-term investment behaviour for more than two decades. Because the value of indexation depends on prevailing inflation rates, its benefits are inherently less certain and may be viewed by investors as a weaker incentive than the current discount.

This change has broader economic implications. Investment in Australian listed companies provides essential capital for business expansion, innovation, employment, and economic growth. If investors perceive that the rewards for accepting long-term investment risk have diminished, the attractiveness of equity investment may decline, reducing the capital available to support Australia's productive economy.

ASA survey results show the following updated findings among 1,108 respondents (4 skipped):

- **65.34%** (724 respondents) support retaining the current 50% CGT discount.
- **18.86%** (209 respondents) support the proposed changes.
- **7.49%** (83 respondents) are unsure.
- **8.30%** (92 respondents) selected other.

These results indicate that a clear majority continue to favour retaining the current CGT discount, with relatively limited support for the proposed changes.

These findings suggest a significant risk that the reforms may reduce investor confidence and participation in Australian capital markets, contrary to their intended policy objectives.

2. Protect Investment in Innovation, Start-ups, Biotechnology and Minerals Exploration

Australia's future productivity depends not only on investment in established listed companies, but also on the availability of capital for start-ups, emerging companies and research-intensive sectors such as biotechnology, medical technology, advanced manufacturing, and minerals exploration and development.

These businesses often require patient, risk-bearing capital over long periods. In many cases, investors accept limited or no income returns in the early years in the expectation that successful commercialisation, project development or resource discovery may generate capital growth over time. This is particularly relevant for biotechnology and life sciences companies, where research, clinical development, regulatory approvals and commercialisation can take considerable time. It is equally relevant for minerals exploration and critical minerals projects, where substantial capital may be invested over many years in exploration, resource definition,

feasibility studies, environmental approvals, processing technologies, and project development before a final investment decision is reached or any commercial production occurs. Periods of five to ten years between initial investment and project development milestones are not uncommon.

Many Australian-founded and Australian listed companies, including CSL Limited, ResMed, Afterpay, Xero and Atlassian, began as early-stage ventures that relied on investors willing to provide capital during periods of significant uncertainty. Similarly, many exploration and development companies listed on the Australian market depend on investors funding high-risk activities long before a commercially viable resource is confirmed or a project reaches production. These companies often later become publicly listed or mature into significant contributors to the Australian economy, meaning early-stage investors bear substantial risk over prolonged periods before any liquidity event or commercial return occurs. In many cases, investors experience complete loss of capital, while in others they may only realise returns after years of development and reinvestment. Even where supported by the best available science, engineering and technology, both commercialisation and resource development outcomes remain inherently uncertain.

The proposed CGT reforms risk reducing the after-tax reward available to investors who take this risk. This may discourage investment in higher-risk Australian companies and projects and shift capital toward lower-risk or more tax-favoured assets. The result could be a smaller pool of domestic capital available to support innovation, commercialisation, company formation, resource discovery and project development in Australia.

This concern has also been raised more broadly by the start-up and technology sector, with public debate focusing on whether the proposed CGT changes could reduce incentives for founders, early employees and investors who accept long-term risk in building Australian companies. Life sciences companies rely heavily on investor readiness and future capital raising to progress from research and development to commercial scale. Likewise, minerals exploration and critical minerals projects depend on sustained access to risk capital throughout lengthy exploration, evaluation and development phases, often with no certainty that a commercially successful project will emerge.

ASA considers this a significant unintended consequence. Tax settings should encourage Australians to back productive enterprise, innovation, resource development and long-term company growth. The prospect of higher after-tax returns is an important mechanism for compensating investors who provide patient capital and accept substantial risk, including the possibility of total capital loss over extended periods. Reducing incentives for risk capital risks weakening Australia's capacity to discover and develop strategic mineral resources, commercialise new technologies, and build, fund and retain the next generation of successful domestic

companies, including those that may grow into publicly listed entities contributing to employment, productivity, export earnings and national economic growth.

3. Protect Opportunities for Future Generations

Australia should encourage younger generations to save and invest outside compulsory superannuation. Australians can only access their superannuation when they meet a condition of release, most commonly upon reaching preservation age and retiring. This means superannuation is typically inaccessible for decades of an individual's working life and cannot be used for earlier life goals such as purchasing a home, funding education, or building financial independence prior to retirement.

The Government's proposals move in the opposite direction by increasing the effective tax burden on long-term investment gains and reducing incentives for wealth accumulation.

Building financial independence through investing is already challenging due to housing affordability pressures, higher living costs, and lower household savings rates. Increasing taxation on investment gains further reduces incentives for younger Australians to become long-term investors and build wealth over time.

This is particularly concerning given the strong growth in retail investor participation among younger Australians. The ASX Australian Investor Study 2023 found that 22% of on-exchange investors had commenced investing within the previous two years, highlighting significant growth in market participation. Australians aged 18 to 24 accounted for 22% of all new investors, demonstrating that younger Australians are increasingly using listed markets to build long-term financial security. The study also found that more than 1.3 million Australians intended to begin investing in the following 12 months, indicating continued momentum in retail investor participation.

The Australian Shareholders' Association Investor Sentiment Survey shows that the proposed reforms are associated with a significant decline in investor confidence outside superannuation.

Overall, **69.21% of respondents (769)** reported that the changes would make them less confident investing outside superannuation, including **49.95% (555)** who would be much less confident and **19.26% (214)** who would be somewhat less confident. In contrast, only **3.15% (35)** reported increased confidence (1.98% much more confident and 1.17% somewhat more confident). A further **24.84% (276)** said the reforms would have no impact on their confidence, while **2.79% (31)** were unsure.

These trends should be encouraged through policy settings that support, rather than impede, long-term wealth accumulation. At a time when governments are seeking to increase self-reliance and reduce future fiscal pressure, tax policy should reinforce Australians' ability to take responsibility for their financial futures through investing.

The proposed changes also create a policy inconsistency. Governments regularly encourage Australians to take greater responsibility for their financial future and retirement outcomes. However, these reforms reduce the incentives available to those who save, invest, and accept long-term risk.

Australia's future prosperity depends on encouraging more people to become investors, not fewer. A tax system that supports long-term investment strengthens household financial resilience and ensures a greater pool of domestic capital is available to fund Australian businesses, innovation, and economic growth.

Importantly, ASA does not consider that the proposed reforms will improve opportunities for future generations. Younger Australians already face significant barriers to wealth creation, including housing affordability pressures, rising living costs and lower capacity to save. Policy settings should encourage participation in capital markets and long-term investing. Reducing the incentives to invest risks widening the gap between those who already own assets and those seeking to build them, undermining the intergenerational equity objectives the reforms are intended to support.

4. Prevent Double Taxation of Investment Income

The proposed reforms risk increasing the cumulative tax burden on investment returns that are already subject to tax at different points in the investment chain.

Australian shareholders invest in companies using after-tax income. Company profits are taxed at the company level before being retained in the business or distributed to shareholders. Over time, the value of shares may reflect retained earnings, expected future earnings, business growth, and market conditions.

By reducing CGT concessions and imposing a minimum 30% tax on capital gains, the Government risks increasing the overall tax burden on long-term investment returns. This may reduce the after-tax reward for investors who accept equity market risk and provide capital to Australian businesses.

Tax policy literature has long recognised that capital gains taxation can interact with company tax and create concerns about multiple layers of taxation on the same underlying economic return. It has also recognised that capital gains tax can create a “lock-in effect,” where investors defer selling assets to avoid triggering tax liabilities ([OECD, 2025](#)) ([OECD, 2006](#)) ([NBER, 1978](#)).

For many investors, particularly retirees and those investing outside superannuation, the reforms may therefore compound the taxation of long-term investment returns and discourage efficient portfolio management.

This outcome may reduce investment efficiency, distort capital allocation decisions, and discourage long-term capital formation. ASA considers that any reform to capital gains taxation should carefully account for the interaction between company tax,

shareholder taxation, franking credits, inflation, and the need to maintain incentives for long-term equity investment.

5. Complexity and Compliance Costs

The Government's proposal replaces a simple and widely understood framework with a more complex system involving indexed cost bases, transitional calculations, and interaction with a minimum tax regime.

The Australian Shareholders' Association Investor Sentiment Survey highlights substantial concern regarding the complexity of the proposed reforms, and the level of support investors would require understanding them.

A strong majority of respondents indicated they would need additional guidance or tools. **73.36% (815)** said they would require guidance on how inflation indexation and capital losses would apply, while **72.10% (801)** requested clear worked examples covering shares, ETFs, LICs and managed funds. Around **67.15% (746)** wanted an ATO calculator or online tool, and **67.42% (749)** requested plain-English investor fact sheets.

In contrast, only **6.03% (67)** indicated they would not expect to need any additional information or tools, while **2.88% (32)** were unsure and **2.43% (27)** selected other.

In addition, when asked whether they would expect to seek paid professional advice to understand the impact of the proposed changes on their investments or financial plans (1,106 respondents), a majority of **55.24% (611)** said yes, compared with **28.84% (319)** who said no and **15.91% (176)** who were unsure.

These findings suggest the proposed reforms would likely require substantial explanatory support for many investors to understand and apply in practice.

These findings suggest the reforms would introduce significant complexity for individual investors, creating additional compliance burdens and increasing the need for education, guidance and administrative support. The fact that more than half of respondents expect to seek paid professional advice indicates that the reforms may also impose additional financial costs on investors. Collectively, these results suggest that greater complexity could discourage direct participation in Australian capital markets, particularly among smaller investors who manage their own portfolios.

Tax reforms should simplify the system wherever possible. These changes achieve the opposite.

The concern is not only that investors may invest less, but that they may change the way they invest. Some retail investors may move away from direct share ownership and towards ETFs, managed funds, or other pooled investment structures to reduce record-keeping, tax calculation, and compliance complexity. While these vehicles play an important role in diversified portfolios, a tax-driven shift away from direct

share ownership could reduce direct participation in Australian listed companies, particularly smaller and emerging companies. It may also weaken shareholder engagement, voting participation and retail investor accountability in listed markets.

ASA is particularly concerned about the proposed application to long-held and pre-CGT assets, noting that the Government states the reforms will apply prospectively to gains accruing after 1 July 2027. Clear valuation, grandfathering and transitional guidance will be essential.

6. Impact of Proposed Taxation of Discretionary and Testamentary Trusts

Although the proposed changes to discretionary trusts are not the primary focus of Schedule 1, ASA considers them relevant to the Committee's consideration of the broader tax reform package. The proposal affects many of the same investors and compounds concerns about complexity, certainty, and long-term investment behaviour. ASA therefore considers it appropriate to draw the Committee's attention to the impact on retail investors who use trusts for legitimate family investment, succession planning, and wealth management purposes.

The Federal Budget also proposes a 30% minimum tax on the taxable income of discretionary trusts from 1 July 2028, including structures commonly used by families for investment, succession planning, and intergenerational wealth transfer. This represents a significant policy shift affecting a broad range of investors, including those who use trusts to manage long-term share portfolios, pooled family investments, and estate planning arrangements.

Discretionary and testamentary trusts are widely used by Australian investors as legitimate structures for managing investment income, shared family ownership, succession planning, and intergenerational asset transfer. While integrity in the tax system is important, reforms should not inadvertently penalise ordinary investors using long-standing and lawful structures for practical financial and estate planning reasons.

The Australian Shareholders' Association Investor Sentiment Survey (1,108 respondents; 4 skipped) shows notable concern regarding the proposal to change the taxation of discretionary trusts' taxable income from 1 July 2028, including potential impacts on family investment structures and estate planning.

Overall, **39.17% (434)** of respondents are very concerned and **13.27% (147)** are somewhat concerned, meaning a majority express some level of concern. In contrast, **21.39% (237)** are not concerned. A further **22.74% (252)** indicated the proposal is not applicable to their circumstances, while **3.43% (38)** are unsure.

Among respondents for whom the measure is relevant, a clear majority expressed concern about the potential impact on family investment structures, trusts and estate planning arrangements.

These findings indicate that the proposed changes are likely to have a material impact on investor confidence in commonly used wealth management and succession planning structures. This is particularly significant for long-term investors and retirees who have accumulated assets over many years and rely on trusts and similar structures to facilitate the orderly management and intergenerational transfer of wealth. The fact that more than half of respondents (**52.44%**) expressed either strong or moderate concern highlights the extent to which investors view these arrangements as an important component of long-term financial planning.

The proposed reforms therefore risk increasing complexity and uncertainty in family investment arrangements, discouraging the use of widely established legal structures, and potentially forcing restructuring of long-standing portfolios. This may have unintended consequences for capital allocation decisions, estate planning behaviour, and the ability of families to manage intergenerational wealth transfer efficiently.

More broadly, the introduction of a minimum tax on trust income further compounds concerns already raised in relation to capital gains taxation, particularly the risk that investment income is subject to multiple layers of taxation across entities and beneficiaries. This adds to the cumulative compliance burden on retail investors and undermines policy neutrality between different investment structures.

The ASA considers that any reforms in this area should carefully balance integrity objectives with the need to preserve simplicity, certainty, and neutrality in widely used investment structures. Changes of this nature should not inadvertently discourage legitimate long-term investment behaviour or increase complexity for ordinary Australian investors.

7. Impact on Retirees

The Australian Shareholders' Association Investor Sentiment Survey provides a clear profile of respondents, highlighting that the majority are older Australians and many are retired or approaching retirement.

Across 1,111 respondents, the largest age cohorts were **75–84 years (34.38%, 382)** and **65–74 years (28.08%, 312)**, followed by **55–64 years (14.22%, 158)**. Smaller proportions were in the 45–54 years group (**7.56%, 84**), 35–44 years (**4.68%, 52**), 25–34 years (**1.26%, 14**), and 18–24 years (**0.09%, 1**), with **1.35% (15)** preferring not to say.

In terms of life stage (1,106 respondents), **72.88% (806)** identified as retired or semi-retired, while **21.52% (238)** are working and investing for long-term wealth creation.

A smaller proportion were building wealth or saving for a home deposit (**1.45%**, **16**), with **2.80%** (**31**) selecting other and **1.36%** (**15**) preferring not to say.

In addition, the survey indicates that more than 92.91% of respondents hold Australian shares outside superannuation, underscoring the importance of direct share ownership to the financial circumstances of many respondents most affected by the proposed reforms.

Many retirees rely on investment portfolios built over decades to fund retirement expenses and supplement pension income. Australian household wealth data from the ABS Household Income and Wealth (2022–23, released 2024) that older households hold a significant proportion of Australia’s net financial assets, including shares and managed funds, reflecting long-term accumulation of savings over working life. Research from the RBA wealth distribution research (2023–2024 updates) similarly shows that wealth holdings are heavily skewed toward older age cohorts, with financial assets forming an important component of retirement resources. The proposed reforms would reduce after-tax returns for affected investors by altering the tax treatment of capital gains and therefore change portfolio drawdown and realisation behaviour. This in turn can increase complexity in retirement planning, particularly for self-funded retirees who rely on investment income to manage living expenses and sequence-of-returns risk.

Importantly, the reforms affect not only wealthy investors but also ordinary Australians who have accumulated modest portfolios through decades of disciplined saving and investment.

The Government should carefully consider whether these outcomes align with Australia’s retirement income objectives.

To illustrate the practical application of these reforms, ASA has modelled a scenario involving “Tom,” who retires in 2030. This scenario is also representative of “asset-rich but cash-poor” individuals during gap years, career breaks, or early retirement before pension eligibility.

- **Financial Profile:** Tom is not receiving government income support (e.g. the Age Pension). In 2030, his only income is a capital gain.
- **Transaction Details:** Tom sells his Australian shares for \$150,000 that were purchased post-July 2027 for \$100,000.
- **Nominal Gain:** \$50,000.

Comparative Financial Analysis: Current vs Proposed Rules

The table below demonstrates how the 30% floor reduces the relevance of the progressive tax system, and specifically the tax-free threshold, for this cohort.

Financial Metric	Current Rules (50% Discount)	New Rules (Indexation + 30% Minimum Tax)
Nominal Gain	\$50,000	\$50,000
Discount / Indexed Cost Base	(\$25,000)	\$100,000 × 1.077
Taxable Capital Gain (Real)	\$25,000	\$42,311
Tax-free Threshold	(\$18,200)	(\$18,200)
Taxable Income	\$6,800	\$24,111
Tax at Marginal Rates	\$1,088	\$3,770
30% Minimum Tax Calculation	N/A	\$12,693 (30% of \$42,311)
Tax Payable (Higher of the two)	\$1,088	\$12,693

Source: ASA

Key Findings: The 11-Fold Tax Increase

The impact of this reform is most evident when examining the effective tax rate on the nominal gain:

- **Magnitude of Increase:** Tom's tax liability increases from \$1,088 to \$12,693. This is more than an 11-fold increase (approximately 11.6 times).
- **Effective Tax Rate Shift:** Under current rules, Tom's effective tax rate on his \$50,000 gain is 2.17%. Under the proposed rules, the effective tax rate rises to 25.38%, despite Tom having no other income.

The proposed 30% minimum tax creates a significant disparity for low-income taxpayers. While income support recipients are exempt, the reform disproportionately affects individuals in specific life stages, such as:

- Early retirees not yet eligible for a pension
- Individuals taking career breaks, parental leave or "gap years".
- Taxpayers with minimal other taxable income in a given financial year

Conclusion

The proposed CGT reforms risk reducing investment, increasing complexity, and weakening Australia's long-term capital formation.

The Australian Shareholders' Association Investor Sentiment Survey results demonstrate strong concern among retail investors and indicate that the proposed changes could lead to behavioural responses that reduce investment in Australian businesses and productive assets.

The existing CGT discount has played an important role in encouraging long-term investment, supporting wealth creation, and providing patient capital to Australian enterprises. Replacing it with indexation and a minimum capital gains tax would reduce the clarity and certainty of the existing framework while introducing significant complexity and compliance burdens.

ASA recommends that the Committee urge the Government to retain the existing 50% CGT discount and abandon the proposed 30% minimum tax on capital gains. At a minimum, reforms of this scale should not proceed without proper consultation, detailed modelling, clear transitional arrangements, and practical guidance for investors.

The Committee should also consider the potential effect on start-ups, biotechnology and other research-intensive companies that rely on patient, risk-bearing capital. A tax system that discourages long-term investment in higher-risk enterprises may undermine Australia's innovation pipeline and reduce the likelihood that Australian ideas are commercialised and scaled domestically.

Australia's tax settings should encourage, not discourage, individuals to commit long-term capital to productive assets. A stable, understandable, and investment-friendly tax system is important to household financial resilience, business investment, and national prosperity.

Regards,



Rachel Waterhouse

CEO

Australian Shareholders' Association

Appendix A: ASA Investor Sentiment Survey Results

1. Survey Overview and Methodology

This appendix presents the findings of the Australian Shareholders' Association (ASA) Investor Sentiment Survey, conducted to evaluate the perspectives of retail investors regarding proposed Federal Budget tax changes. The survey was specifically distributed to ASA members and the broader retail investor community, providing a targeted assessment of this key demographic rather than a general population sample. While the survey captured a total of 1,112 participants, the number of respondents (*n*) varies slightly across individual questions due to optional participation in specific survey items. The data presented herein offers a formal analysis of investment profiles, sentiment toward Capital Gains Tax (CGT) modifications, and anticipated behavioural shifts to inform policy considerations.

2. Respondent Demographics (Questions 1-2)

2.1 Question 1: Age Distribution

Full Question: "Which age group are you in?"

Age Group	Percentage (%)	Response Count (n)
18 to 24	0.09%	1
25 to 34	1.26%	14
35 to 44	4.68%	52
45 to 54	7.56%	84
55 to 64	14.22%	158
65 to 74	28.08%	312
75 to 84	34.38%	382
85 and over	8.37%	93
Prefer not to say	1.35%	15

Analytical Summary: The respondent base is heavily concentrated in the senior demographic, with 62.46% of participants situated in the 65–84 age bracket. As this cohort represents the primary demographic affected by changes to capital drawdown and retirement income policy, their high level of participation demonstrates the significance of the proposed tax changes to Australians currently managing their retirement phase.

2.2 Question 2: Life Stage

Full Question: "Which best describes your current life stage?"

Life Stage	Percentage (%)	Response Count (n)
Retired or semi-retired	72.88%	806
Working and investing for long-term wealth	21.52%	238
Building wealth or saving for a home deposit	1.45%	16
Other	2.80%	31
Prefer not to say	1.36%	15

Analytical Summary: The survey profile is dominated by individuals in the later stages of the wealth cycle. Nearly three-quarters of respondents (72.88% of $n=1,106$) identify as retired or semi-retired, indicating that the feedback is largely reflective of those relying on established investment portfolios for ongoing financial security.

3. Current Investment Profile (Question 3)

3.1 Question 3: Holdings Outside Superannuation

Full Question: "What investments do you hold outside superannuation? Select all that apply."

Investment Type	Percentage (%)	Response Count (n)
Australian shares	92.91%	1,022
International shares	34.73%	382
ETFs	48.36%	532
LICs or LITs	32.45%	357
Managed funds	26.91%	296
Cash or term deposits	72.82%	801
Investments through a discretionary or family trust	21.64%	238
Other	15.27%	168

Note: Percentages may exceed 100% as respondents could select multiple options.

Analytical Summary: Portfolio composition outside of superannuation is primarily focused on domestic equities and liquid assets. Australian shares (92.91%) and cash or term deposits (72.82%) are the most prevalent holdings. Exchange Traded Funds (ETFs) also show high adoption, held by nearly half (48.36%) of the 1,100 respondents who answered this item.

4. Capital Gains Tax (CGT) Proposals: Sentiment and Confidence (Questions 4-5)

4.1 Question 4: Preferred Position on CGT Changes

Full Question: "What is your preferred position on the proposed CGT changes?"

Position	Percentage (%)	Response Count (n)
Retain the current 50% CGT discount	65.34%	724
Support the proposed changes	18.86%	209
Unsure	7.49%	83
Other	8.30%	92

Analytical Summary: There is a decisive preference for maintaining the status quo, with a 65.34% majority advocating for the retention of the current 50% CGT discount. Only 18.86% of respondents expressed support for the proposed amendments.

4.2 Question 5: Impact on Investment Confidence

Full Question: "How would the proposed CGT changes affect your confidence in investing outside superannuation?"

Confidence Impact	Percentage (%)	Response Count (n)
Much more confident	1.98%	22
Somewhat more confident	1.17%	13
No change	24.84%	276
Somewhat less confident	19.26%	214
Much less confident	49.95%	555
Unsure	2.79%	31

Analytical Summary: The data indicates a substantial negative impact on investor confidence. Collectively, 69.21% of respondents reported feeling either 'somewhat' or

'much' less confident about investing outside the superannuation environment, with nearly half of all participants (49.95%) feeling 'much less' confident.

5. Impact on Investment Behaviour and Key Concerns (Questions 6-7)

5.1 Question 6: Anticipated Behavioural Changes

Full Question: "How would the proposed CGT changes affect your investment behaviour? Select all that apply."

Expected Behaviour	Percentage (%)	Response Count (n)
I may invest less outside superannuation	32.46%	360
I may invest more through superannuation	20.92%	232
I may consider selling some assets before 1 July 2027	50.95%	565
I may favour income-producing investments over growth investments	51.49%	571
I do not expect to change my behaviour	21.91%	243
Unsure	7.03%	78
Other	3.61%	40

Note: Percentages may exceed 100% as respondents could select multiple options.

Analytical Summary: Significant behavioural shifts are anticipated in response to the policy changes. Notably, 50.95% of respondents indicated a willingness to sell assets specifically to avoid the new regime prior to 1 July 2027, suggesting the potential for "front-running" or significant pre-emptive market distortion. Furthermore, a shift toward income-producing investments (51.49%) over growth-oriented assets highlights a likely reallocation of capital across the retail sector.

5.2 Question 7: Primary CGT Concerns

Full Question: "Which CGT issues are most important to you? Select up to three."

Issue	Percentage (%)	Response Count (n)
The future of the 50% CGT discount	51.49%	572
Minimum 30% tax rate on capital gains	49.77%	553
Complexity for retail investors	36.81%	409
Impact on retirees drawing down investments	38.16%	424
Impact on working investors building wealth outside superannuation	32.76%	364
Impact on investors saving for a home deposit	19.71%	219
Impact on long-term investment in listed companies	32.13%	357
I do not have concerns about the proposed CGT changes	13.23%	147
Other	3.42%	38

Note: Percentages may exceed 100% as respondents could select multiple options.

Analytical Summary: The most prominent concerns revolve around the structural changes to tax rates and the specific vulnerability of retirees. The future of the 50% discount (51.49%) and the 30% minimum tax rate (49.77%) are the primary issues, followed by the specific impact on retirees drawing down their investments (38.16%).

6. Compliance, Information, and Professional Advice (Questions 8-9)

6.1 Question 8: Required Tools and Information

Full Question: "If the CGT changes proceed as proposed, what information or tools should Government, Treasury or the ATO provide to help investors understand and comply with the new rules? Select all that apply."

Resource Requested	Percentage (%)	Response Count (n)
ATO calculator or online tool	67.15%	746
Clear worked examples for shares, ETFs, LICs and managed funds	72.10%	801
Guidance on how inflation indexation and capital losses would apply	73.36%	815
Plain-English investor fact sheets	67.42%	749
I do not expect to need additional information or tools	6.03%	67
Unsure	2.88%	32
Other	2.43%	27

Note: Percentages may exceed 100% as respondents could select multiple options.

Analytical Summary: There is an overwhelming requirement for educational and compliance support. Investors particularly seek technical guidance on inflation indexation and capital losses (73.36%) and clear worked examples (72.1%) to navigate the increased administrative burden.

6.2 Question 9: Need for Professional Advice

Full Question: "If the proposed changes proceed, do you expect you would need to seek paid professional advice to understand the impact on your investments or financial plans?"

Response	Percentage (%)	Response Count (n)
Yes	55.24%	611
No	28.84%	319
Unsure	15.91%	176

Analytical Summary: The proposed changes are expected to increase the complexity of personal financial management, with more than half of respondents (55.24%) anticipating the need for paid professional advice to maintain compliance and understand the implications for their financial plans.

7. Discretionary Trust Proposals (Question 10)

7.1 Question 10: Concern Regarding Trust Taxation

Full Question: "Separately, the Budget also proposes a 30% minimum tax on the taxable income of discretionary trusts from 1 July 2028. How concerned are you about this proposal, including any impact on family investment structures or estate planning?"

Level of Concern	Percentage (%)	Response Count (n)
Very concerned	39.17%	434
Somewhat concerned	13.27%	147
Not concerned	21.39%	237
Unsure	3.43%	38
Not applicable	22.74%	252

Analytical Summary: When excluding participants for whom the question was not applicable, the level of concern regarding trust taxation is high. Among those identified as applicable users of such structures, approximately 50.6% reported being 'very concerned' about the impact on estate planning and family investment structures.

Appendix B - Question 11: What question would you like ASA to put to Treasury, Government or policymakers? (free flow text)

1. Executive Summary of Investor Sentiment

The ASA Investor Sentiment Survey indicates strong concern among respondents about the proposed tax reforms and their potential effect on investment confidence, long-term financial planning and capital allocation. Many respondents questioned the policy rationale, the level of consultation and the potential impact on investors who have planned for financial independence outside superannuation. The qualitative responses also highlight concerns about policy certainty, administrative complexity and whether the reforms may discourage long-term investment in productive assets.

The analysis identifies four overarching sentiments:

- **Opposition about policy rationale and perceived revenue focus:** Many respondents questioned whether the reforms are primarily directed at improving housing affordability or raising additional revenue. Respondents also expressed concern that self-funded investors and those who have planned for financial independence may bear a disproportionate burden.
- **Concern for self-sufficiency:** Respondents were concerned that the changes may reduce incentives for self-funded retirees and long-term

investors to remain financially independent, potentially increasing reliance on the Age Pension and other government support over time.

- **Concern about complexity:** Respondents anticipated significant administrative and compliance complexity, particularly in relation to indexation, asset valuation, historical cost bases, dividend reinvestment plans and long-held assets.
- **Erosion of trust and confidence:** Many respondents expressed concern that the reforms may undermine policy certainty and confidence in the stability and fairness of Australia's tax settings.

2. Thematic Analysis: Capital Gains Tax (CGT) Scope and Indexation

The shift from the 50% CGT discount to the proposed indexation model contains a critical technical flaw regarding the asymmetric treatment of real gains and real losses. Analysis of the data reveals that the failure to index capital losses against taxable real gains creates a significant tax drag. Technical analysis provided by respondents (Response 134) suggests that the effective tax rate on shares under this model could reach as high as 60%, effectively destroying the risk premium for long-term equity investment.

Verbatim Evidence:

- "I would like the government to fix the failure to index capital losses to inflation, which will stop real losses being offset against taxable real gains." (Response 13)
- "Why isn't the inflation indexed method being averaged like the old system... the whole lot is being added to taxable income in one year even if accrued over 50 years." (Response 31)
- "Federal Labor have insisted they are introducing the indexation method that Paul Keating introduced... This is clearly not the case. Why can't real losses be deducted from indexed nominal gains?" (Response 85)

3. Thematic Analysis: The 30% Minimum Tax Rate

Verbatim Evidence:

- "The 30% minimum CGT... would be unfair to taxpayers who are on lower marginal rates i.e., assessable income below \$45000."
- "Why such a high 30% minimum tax. This affects retirees who are on minimal income."
- "Taxing min 30% on CGs is very regressive on genuine low-income earners i.e. less than \$45,000 (15%) area."
- "Why is the Labor government... penalising taxpayers on the lowest marginal tax rate by imposing a 30% minimum CGT which will mean they will lose the benefit of that marginal tax rate?"

4. Thematic Analysis: Discretionary and Testamentary Trusts (TDTs)

The 30% tax on trust distributions represents a major disruption to Australian estate planning. This change is viewed as a "death tax by default" particularly impacting Testamentary Trusts (TDTs) established for disabled beneficiaries or minor children. Stakeholders also identified a significant risk of double taxation for corporate beneficiaries who already pay a 30% company rate.

Verbatim Evidence:

- "Why is the current proposal effectively double taxing a corporate beneficiary... A corporate beneficiary already pays tax at the 30% company rate."
- "There should be an exemption for TDTs. Why should beneficiaries of TDTs with little income have their distributions reduced by a 30% tax?"
- "Why the change to Discretionary Testamentary Trusts? This is a death tax by default."

5. Intergenerational Equity and the Housing/Share Market Nexus

The investor perspective suggests a policy contradiction: by taxing equities, one of the primary vehicles for young Australians to build a deposit, the government is effectively "pulling up the ladder." Furthermore, respondents argue that the policy fails to incentivise the movement of capital *from* property *into* productive equities, which would be a more effective lever for increasing housing supply.

"You say these changes are to make housing more accessible for younger generations; and yet the changes make it more difficult for younger Australians; they are pulling up the ladder and locking out house ownership for younger Australians."

Verbatim Evidence:

- "Why shares, ..., why?? If you really want to fix the housing problem, why shares??? ... It seems to be just a cash grab in the garb of a housing policy."
- "Why have they changed the CGT treatment of shares - when the real problem was housing inflation resulting from... negative gearing and CGT discounts [on property]."
- "How do the proposed changes help those young people trying to invest and save for a house deposit?"

6. Innovation, Start-ups, and Economic Productivity

Feedback suggests the changes deter investment in high-risk sectors such as biotechnology and mining exploration. Investors specifically noted that companies like **CSL, Cochlear, and ProMedicus** grew from the very environment these reforms now threaten to dismantle.

Verbatim Evidence:

- "Innovation and the start-up economy is so incredibly valuable... This change is a huge disincentive to build a business in Australia."
- "The risk return ratio for start - ups has changed forcing innovation OS."

7. Governance, Mandates, and the "Pre-1985" Asset Rule

Verbatim Evidence:

- "Why is the pre 1985 CGT exemption changing? Most people with assets bought before this date are old and have made decisions about their future needs."
- "Proposed changes should be put before electors before an election... There has been little heard about... 'grandfathering' of existing investments."
- "Why are you punishing long term providers of housing by retrospectively introducing CGT on pre 20 Sept 1985 assets."
- "Specific... facts actually changed between the time the prime minister said... NO CHANGES to CGT... and now? It seems they basically lied."

8. Administrative Complexity and Compliance Burdens

The administrative burden of calculating indexation for long-term holdings is described as a "nightmare." Specific concern is raised regarding the literal cost of valuing assets held for decades, such as farmland or shares acquired through Dividend Reinvestment Plans (DRP).

Verbatim Evidence:

- "As a tax practitioner the ATO is barely coping with the current system. The complexity will be massive."
- "The complexity impacting shareholders who take dividend reinvestment is now requiring professional paid assistance."
- "We have shares that are pre-CGT (C1983)... this will be a nightmare to calculate!"
- "Why replace a simple system... with a system in which the CGT on each parcel of shares in a company will need to be calculated separately."

Appendix C: Question 12 Please share a practical example of how the proposed tax changes may affect you, your household or your investment decisions. (Free flow text)

1. Submission Context and Methodology

This appendix provides a formal record of verbatim responses to Question 12 of the ASA Investor Sentiment Survey: "Please share a practical example of how the proposed tax changes may affect you, your household or your investment decisions." Of the total survey population, 688 respondents provided qualitative data detailing the anticipated behavioural and financial consequences of the proposed tax

changes. The following sections synthesise this feedback into core policy themes, maintaining a neutral and objective tone suitable for technical review.

2. Impacts on Retirement Income and Self-Sufficiency

A significant majority of respondents identified as self-funded retirees or individuals prioritising financial independence to avoid reliance on the Age Pension. The prevailing sentiment characterises the proposed changes as "moving goalposts" that undermine decades of financial planning. Key practical impacts include:

- **Delayed Retirement Dates:** Investors report they must extend their working lives to accumulate larger capital bases, offsetting lower anticipated after-tax returns.
- **Negation of SAPTO Benefits:** Stakeholders highlighted a significant "tax cliff" regarding the Senior Australians and Pensioners Tax Offset (SAPTO). Currently, a retiree selling assets may pay no tax if the gain falls under the \$34,919 threshold; however, the proposed 30% floor creates an immediate tax liability that bypasses existing pensioner offsets.
- **Diminished Capital Buffers:** Concerns were raised that the 30% floor on capital gains will deplete the capital required to fund aged care or chronic health treatments, eventually forcing individuals onto state-funded support.

"Plans for retirement derailed as less funds available after paying the tax."

"I have been sacrificing to put money into investments outside of super... [this] will now be subject to higher taxes. This means that I am required to wait longer before I can stop working (despite declining health) which contradicts the alleged intention of the changes."

"Under current rules, if I sell shares now, I may incur a capital gain of \$50k. The 50% discount reduces this to \$25k. No tax is payable as the amount is under the SAPTO threshold of \$34,919. Under the proposed rules... I may pay 30% min tax on a portion of the gain."

3. Capital Gains Tax (CGT): Complexity, Indexation, and the 30% Floor

The shift from the 50% CGT discount to the indexation method, coupled with a 30% minimum rate, was cited as a primary driver of administrative burden and capital loss.

Case Study 1: Side-by-Side Comparison (5-Year Investment)

The following scenario, extracted from survey respondent feedback, compares the systems using a \$50,000 investment in ASX shares sold for 80,000 (30,000 gain) after five years, assuming 3% annual inflation.

- **Current System (50% Discount):** Taxable gain is \$15,000. At a marginal rate of 34.5% (**inclusive of the 2.0% Medicare Levy**), the tax is \$5,175.

- **Proposed System (Indexation + 30% Floor):** The cost base is adjusted for inflation (~15.9%) to \$57,950. The taxable gain is \$22,050. At the 30% minimum rate, the tax is \$6,615.
- **Outcome:** The investor pays \$1,440 more in tax under the proposed system, a significant reduction in the compounding nest egg.

Case Study 2: CBA Share Calculation (Loss of Reinvestment Capital)

A stakeholder provided an illustrative calculation regarding the loss of reinvestment capital using a CBA share purchased in 1992 (\$5.40) and sold at 155.40 (150.00 profit).

- **Current (50% Discount):** Taxable amount of \$75.00. At a 33.33% tax bracket, the tax is \$25.00, leaving \$130.40 to reinvest.
- **Proposed (25% Hypothetical Discount):** Utilising a **respondent-provided hypothetical 25% discount assumption** to demonstrate capital loss, the taxable amount rises to \$112.50. At a 33.33% tax bracket, the tax is \$37.50, leaving only \$117.90 to reinvest.
- **Capital Impact:** This represents a 24.1% loss of re-investable capital, compared to 16.08% under the current regime.

4. Trust Taxation and Estate Planning

Feedback regarding discretionary and testamentary trusts emphasised the human cost of the 30% floor and the administrative necessity of "winding up" existing protections.

- **Human Cost & Estate Protection:** One respondent described using a testamentary trust to provide for a dependent family member with significant care needs. Some respondents viewed the 30% floor acts as an unfair impost on vulnerable beneficiaries on the vulnerable who cannot manage their own affairs.
- **Restructuring Burdens:** Respondents identified three primary costs:
 1. **Professional Fees:** Extensive accounting costs to value assets and navigate the transition.
 2. **Legal Costs:** Expenses to amend or wind-up trust deeds to avoid the 30% floor.
 3. **Double Taxation:** Concerns regarding a "loop" where income taxed at 30% in a trust, then distributed to a corporate beneficiary, faces an unfair effective tax rate on the same savings.

5. Investment Property Decisions and the Rental Market

Respondents detailed three primary consequences for the residential rental market:

Withdrawal of Rental Supply Many investors signalled an intent to "take property off the market" or sell current investment properties before 1 July 2027 to lock in existing CGT treatments, potentially exacerbating the housing shortage.

Significant Rental Increases Landlords noted the necessity to "increase rentals significantly" to cover higher tax burdens, as the 30% floor eliminates the ability to offset costs against lower marginal rates.

Pivot to Principal Residences A reallocation of capital was observed, with investors intending to move funds away from productive rental assets into more expensive principal residences (PPOR), which remain CGT-exempt.

6. Impact on Risk-Taking, Innovation, and Small-Cap Investing

The proposed changes appear to act as a significant disincentive for risk, particularly in "start-ups," "biotech," and "junior mining/exploration." Stakeholders noted that because losses cannot be fairly indexed against gains, high-risk innovation becomes unviable. Respondents reported specific intentions to move venture capital "overseas" (referencing New Zealand and the United States) and a general shift from "growth assets" to "defensive, low-risk income assets" or term deposits.

7. Intergenerational Equity and "The Bank of Mum and Dad"

While the changes aim to assist younger generations, respondents argued they limit parental ability to provide first-home deposits. Key findings include:

- **Reduced Deposit Support:** Higher effective tax rates on assets held for children mean parents have less liquid capital to assist with housing entry.
- **Disincentive for Young Savers:** Investors in the 20-30 age bracket reported that their "motivation has gone backwards." These individuals, often earning below \$200,000, find their investment earnings will be taxed at the 30% floor—a rate significantly higher than their average tax rate on labour income.

8. Record of Verbatim Responses (Abridged selection)

- *Every asset I bought, am buying and will buy now will have lower returns, in addition to so much more unnecessary complexity, excessive record keeping and added accounting costs.*
- *I might lose my job! If people don't invest in junior ASX-listed companies... there won't be exploration... there will also be a flow on effect to the wider mining industry.*
- *Won't [affect me]. I fully support the equitable taxation of income from assets and income from labour.*
- *I am currently in the process of raising venture capital for my startup, because of the proposed changes we are taking advice and will likely push funds overseas. That's \$15m of Australian start up jobs - gone.*
- *I would be far less inclined to invest in start-ups and pre-revenue companies because the new laws disincentivise putting capital at risk.*

- *We have a daughter who was born with a brain defect.... We have set up a testamentary trust in our wills so that there will be some provision for her... We are devastated by this Government imposing a tax grab like this.*
- *In conversations with people under 30... their view is their investment earnings will be taxed at a far higher rate than their average tax rate, and their capacity to save reduced.*
- *Calculations... would be a nightmare. Further, if my estate is distributed to five children, eleven grandchildren and four great grandchildren it would compound the issue.*
- *The decision would be to take this property off the market if this legislation goes ahead.*
- *I will no longer be able to distribute funds through my family trust to my fully dependent children who are living and studying away from home without incurring a 30% capital gains tax.*

The full data set of 688 qualitative responses is available for further departmental review and detailed impact analysis upon request.