

26-27 Federal Budget

Investors Edition

AH TAX & ACCOUNTING

Key Highlights for Investors

Reform Item	Current System	New System
50% Capital Gains Tax Discount (CGT Discount)	Assets held for over 1 year, only 50% of the gain is taxable	From 1 July 2027, change to indexation method + minimum 30% tax rate; new builds can still choose to use 50% CGT discount
Negative Gearing	Rental losses from investment properties can offset other (i.e. salary) income.	From 1 July 2027, only available for new builds, existing residential properties can no longer offset other income. Commercial properties and other assets (i.e. share) remain unaffected
Family / Discretionary Trust	Flexible distribution of income to lower tax rates	From 1 July 2028, income distributed from family trusts taxed at minimum 30%

Grandfathering Protection Provisions

✓ Investment properties acquired before 12 May 2026 are protected under the old rules until sold.

- Existing properties can still use negative gearing;
- Capital gains accrued before 1 July 2027 still receive the 50% CGT discount.

Example Calculations: CGT Impact After Reform


Second-hand investment property purchased in 1997, sold in 2025

Item	Old System	New System
Purchase Price	\$200,000	\$200,000
Sale Price	\$300,000	\$300,000
Capital Gain	\$100,000	\$100,000
Taxable Gain	\$50,000 (50% discount)	\$60,067 (Based on online CPI, accurate figure subject to ATO publication)
Tax Payable (45% Tax Rate)	\$22,500	\$27,030

⚠ Additional Tax Under the New System: +\$4,530

Response Strategies

- **Review your investment portfolio:** Organise information and book tax planning with your accountants.
- **Shift to new builds:** Retain negative gearing and option to use the 50% CGT discount.
- **Trust restructure:** 3-year CGT-free restructuring period is available from 1 July 2027(e.g., switching to a company or fixed trust).
- **Diversify your investments:** Consider holding property through an SMSF (CGT as low as 10%).

 **Disclaimer:** The information and data in this document are for reference only and do not constitute any investment advice.

Source: CPA Australia 2026-27 Federal Budget Report

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