

Tax changes announced in the 2026/27 Federal Budget

The 2026/27 Federal Budget introduced several significant tax proposals which may impact the taxation of your investments and the structure you use to conduct your business or hold assets.

The most significant of the changes are summarised here.

Please Note: These changes **have not yet been passed as law**, so the following information is based on currently available information.

Removal of 50% CGT discount

(From 1 July 2027)

- Will apply to individuals and trusts owning any type of CGT asset (companies are not currently entitled to 50% discount)
- Super Funds will not be affected
- Will be replaced by a cost base indexation system
- For any gains that have accrued to 30 June 2027 – 50% CGT discount will still be available
- For any gains accruing post 30 June 2027 – indexation will apply
- You will need to obtain a market valuation at 30 June 2027 to work out the gain up to that point.
- Minimum 30% tax rate on capital gains accruing from 1 July 2027

Removal of negative gearing on residential properties

(From 1 July 2027)

- Losses from established residential properties acquired from 7:30pm on 12 May 2026 will only be deductible against rental income or capital gains from residential properties. ^{1. See note}
- Excess losses can be carried forward to future years
- Newly built properties will be exempt from changes
- Impacts all entity types – individuals, companies and trusts

¹ So, if you buy an existing residential investment property after the start date and it makes a tax loss, you may no longer be able to use that loss to reduce your salary or other income. Instead, the loss would be saved and only used later against residential rental profits or residential capital gains.



30% minimum rate of tax on non-fixed trust income (From 1 July 2028)

- Current treatment: income is generally assessed in the hands of the beneficiaries that trusts distribute to at their relevant tax rate. This allows non-fixed trusts to distribute income in a tax effective manner.
- Proposed treatment: The trustee will be assessed directly at a rate of 30% and certain beneficiaries who receive distributions will receive a credit (non-refundable) for tax paid by the trustee. Critically, corporate beneficiaries will not receive a credit, which may make distributions to companies untenable in future.
- Exclusions from proposed rules:
 - Fixed trusts
 - Testamentary trusts
 - but only where trust existed as at 7:30pm on 12 May 2026
 - Super funds
 - Special disability trusts
 - Deceased estates
 - Charitable trusts
 - Primary production income

If you have a non-fixed trust that conducts a business or holds passive investments, we recommend that you speak with us about potential strategies to mitigate the impact of these changes going forward.



NOTE:

Unit Trusts are not necessarily 'fixed trusts' for tax purposes.

We recommend that anyone who conducts business or holds assets in a unit trust structure should have their trust deed reviewed to assess the impact of these changes.