

2026 Federal Budget

3 big tax changes - different start dates

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1. Negative gearing

- **Start date:** 12 May 2026 (AEST 7:30 pm) (*already started*)
- Negative gearing rules are changing for **only** one type of asset - ie **residential** properties, acquired after 12 May 2026 (7:30 pm AEST) (which are **not new builds**) - as follows:

Key dates	Impact
12 May 2026 to 30 June 2027	Negative gearing allowed only until 30 June 2027
On or from 1 July 2027	Quarantining will apply from 1 July 2027. That is, it will only be possible to offset rental losses against rental income or capital gains from sale of residential properties. It may be possible to carry forward rental losses into future years.

- For all other types of assets, negative gearing will continue to apply, in **exactly the same way as in the past**. That is, negative gearing is not changing in any way for residential properties acquired under contracts exchanged up to 12 May 2026, all commercial properties, shares or other CGT assets.
- New changes will apply to individuals, companies and trusts (but **not** superannuation funds).

2. Capital gains tax

- **Start date:** 1 July 2027 (*yes, not this coming financial year, but the one after*)

- 50% general discount, for assets held for at least 12 months, to end on 30 June 2027 (not this 30 June, but next year). Exemptions for pre-CGT assets will also end, *for the most part*.
- Changes apply to individuals, trusts and partnerships (but not companies or superannuation funds - capital gains of superannuation funds will still be taxed at 15%, 10% or even 0%).
- CGT discount to be replaced by cost base indexation, for all assets (including residential property, commercial property and/or any other CGT assets, such as shares in private companies and/or public companies).

Key dates	Impact
Assets bought or sold before 1 July 2027	No change
Assets already owned, sold after 1 July 2027	<p>CGT discount will apply to capital gains up to 30 June 2027.</p> <p>CGT discount will not apply to gains on and from 1 July 2027.</p> <p>Indexation only will apply to gains on or after 1 July 2027.</p> <p>Minimum tax of 30% (even where taxpayer's tax rate would otherwise be lower). Taxpayers will no longer benefit from lower marginal tax rates on capital gains. The only exceptions will be Age Pension and other welfare payment recipients.</p>
Assets bought and sold after 1 July 2027	<p>Indexation only will apply.</p> <p>Minimum tax of 30%.</p>

- Taxpayers who buy new residential property (ie new builds) will be able to **choose** between the 50% general discount or the new indexation (including the 30% minimum tax rate).

- **Action item:** If you own any type of CGT asset, including real property, a business, shares, ETFs, managed funds, Crypto currencies, gold/silver bullions, foreign assets or any other type of asset you should obtain a qualified valuer's market valuation as at 30 June 2027.

3. Discretionary trust distributions

- **Start date:** 1 July **2028** (yes, still a **while** away - or *(hopefully)* never, *depending on the Government*)
- **30% minimum tax** to be paid by trustee of a **discretionary** trust (on most types of income).
- Most beneficiaries will receive a credit for the 30% tax already paid by the trustee.
- If the beneficiary's tax rate is below 30%, they **cannot obtain a refund**.
- Minimum tax rate applicable to all trustees and beneficiaries of discretionary trusts to be 30%.
- Company beneficiaries (eg bucket companies) **will not receive any credits**, resulting in **double taxation**. In fact, the tax rate applicable to bucket companies could be as high as 60%.
- Changes do not apply to **other** types of trusts (eg widely held trusts, fixed trusts, discretionary testamentary trusts (existing as at 12 May 2026), charitable trusts and special disability trusts).
- New relief for roll-over to other structures to apply in certain instances, for about 3 years. Careful with stamp duty.

All of the above will be elaborated upon in more detail, in the future, in the laws enacted. For now, they are announcements in Budget Papers only.