GROW ACCOUNTING CLIENT GUIDE

Property & trust tax changes 2026-27

Clear, practical guidance on the CGT, negative gearing, trust and SMSF residential borrowing changes - without the headline fog.

Current as at 15 July 2026. CGT and negative gearing changes are now legislated to start from **1 July 2027**. The discretionary trust minimum tax is announced to start from **1 July 2028**, with more detail still to come. This guide is general information only.

The short version

Same Budget. Different rules. Different dates. A delightful little tax lasagne.

Negative gearing

Existing property owners

If you held residential investment property before 7:30pm AEST on 12 May 2026, existing negative gearing rules continue for that property while you keep owning it.

Post-Budget purchases

Established residential property

From 1 July 2027, losses from affected purchases cannot offset wages or non-property income. They are quarantined to residential property income and gains.

CGT

More than property

CGT changes apply broadly to CGT assets held by individuals, trusts and partnerships, including property, shares and crypto where the rules apply.

Trusts

Later start date

The discretionary trust minimum tax is a separate measure, announced to start from 1 July 2028. Do not mix it up with the CGT minimum tax.

1. Negative gearing - existing properties are not affected

Negative gearing has not been abolished. The changes target established residential investment properties acquired after Budget night.

Property or timing	What it means

Residential property held before 7:30pm AEST on 12 May 2026	Grandfathered. Existing negative gearing rules continue while you keep owning that property.
Established residential property acquired after the cut-off	From 1 July 2027, losses cannot offset salary, business income or other non-property income.
Eligible new build	Negative gearing remains available. The definition of "new" is technical and is not the same as the GST meaning of new residential premises.
Commercial property	Negative gearing changes do not apply.
Super funds and widely held trusts	Excluded from the negative gearing changes.

What does quarantined mean?

If a post-Budget established residential property is caught by the new rules, the rental loss is not wasted. It can be used against residential property income, including residential rental income and capital gains from residential property. Excess losses carry forward to future years.

The practical issue is timing. For some investors, a property that previously looked manageable because an annual tax refund helped fund the shortfall will need to be reviewed under the new cash flow reality.

2. Capital gains tax - the sale date and ownership date matter

From 1 July 2027, the current 50% CGT discount is replaced for individuals, trusts and partnerships with a different system based on cost base indexation and a 30% minimum tax on certain capital gains.

Situation	Broad treatment
Asset sold before 1 July 2027	Current rules apply.
Asset owned before 1 July 2027 and sold later	Gains up to the changeover date are treated differently from gains after the changeover date.
Asset acquired after 1 July 2027	New CGT rules apply to the whole gain, assuming the asset is otherwise in scope.
Pre-CGT asset	Historical gain to 1 July 2027 is not expected to suddenly become taxable. Future gains from 1 July 2027 onwards enter the CGT system when realised.
Eligible new residential build	Investors can choose between the 50% CGT discount and the new indexation/minimum tax method when they sell.

This is one of the areas where the headlines are doing a very average job. It is not just about property: the CGT changes can also apply to shares, crypto and other CGT assets where the relevant conditions are met.

CGT decision guide

Use this as a conversation starter, not a calculation tool. Valuation, apportionment and minimum-tax mechanics still need detailed review for each client.

1. **Was the CGT event before 1 July 2027?**
   Yes: current rules apply. No: keep going.

2. **Was the asset owned before 1 July 2027?**
   Yes: transitional rules matter. No: new rules generally apply to the whole gain if the asset is in scope.

3. **Is it an eligible new residential build?**
   Yes: investors can choose the 50% CGT discount or the new indexation/minimum tax method.

4. **Was the asset held for more than 12 months?**
   Yes: indexation can apply to the post-1 July 2027 gain. No: no discount/indexation.

5. **Is the taxpayer a means-tested income support recipient in the gain year?**
   Yes: exemption from the 30% CGT minimum tax may apply.

3. Discretionary trusts - separate change, later start date

The discretionary trust minimum tax is separate from the CGT minimum tax and starts one year later.

What is announced?

From 1 July 2028, a 30% minimum tax is to apply to discretionary trusts, with some exceptions.

Who is likely in scope?

Family trusts are generally discretionary trusts, so many private family groups need to watch this space.

Feature	How it is intended to work
Trustee pays	The trustee calculates and pays the 30% minimum tax at trust level.
Beneficiaries still declare	Beneficiaries still include trust income in their returns. Non-corporate beneficiaries receive non-refundable credits for trustee tax.

Corporate beneficiaries	Corporate beneficiaries do not receive credits for trustee tax, intended to reduce bucket-company benefits.
Restructure window	Rollover relief is expected for three years from 1 July 2027 for eligible restructures out of discretionary trusts.

Grow view: This does not mean every family trust is suddenly wrong. Trusts can still matter for asset protection, business structuring, succession planning and family wealth. The question is whether the trust still makes sense once the new rules are properly modelled. The classic answer - "it depends" - is having a big year.

4. SMSFs - new residential borrowing is the issue

SMSFs are also affected, but this is a narrower issue than some of the commentary suggests.

Not the issue

Existing SMSF residential property ownership is not the problem. Existing SMSF residential property borrowing arrangements are not expected to be affected.

The issue

The change is aimed at **new** SMSF limited recourse borrowing arrangements for residential property.

- SMSFs can continue to purchase residential property without borrowings.
- Commercial property is unaffected.
- If you are planning to use an SMSF to buy residential property with borrowings, timing is critical and advice should be obtained before proceeding.

Examples clients will actually ask about

Client situation	Likely outcome
Bought residential investment property in 2024 and keep it negatively geared	Negative gearing grandfathered while the property is held. CGT still needs separate review if sold after 1 July 2027.
Buy established residential property after Budget night	From 1 July 2027, losses are quarantined to residential property income/capital gains. Excess losses carry forward.
Buy a genuine new build	Negative gearing continues. On sale, investor can choose the 50% CGT discount or indexation/minimum tax method.
Hold shares personally and sell after 1 July 2027	CGT changes can apply to the post-1 July 2027 gain.

Family trust distributes to adult children with no other income	From 1 July 2028, trustee-level 30% minimum tax may reduce the benefit of low-rate distributions.
Family trust distributes to a bucket company	Corporate beneficiary does not receive trustee tax credits, so the strategy may become less effective.

What should clients do now?

Pause before making major decisions.

Do not panic-sell, panic-buy or panic-restructure. The useful work is checking how these rules apply to your structure before you sign contracts or move assets around.

- Get advice before buying established residential property after the Budget cut-off.
- Consider whether the new rules change the cash flow or structure of a planned purchase.
- Review family trust distribution and bucket-company strategies once further detail is available.
- If selling around the 1 July 2027 changeover, get advice before relying on old CGT assumptions.
- If using an SMSF to buy residential property with borrowings, check the timing before proceeding.

Important notice: This guide provides general information only and does not take into account personal circumstances. Clients should obtain advice before buying, selling, restructuring, making trust distributions or changing investment strategy. Source notes: Treasury 2026-27 tax system changes; ATO new legislation guidance on negative gearing and CGT; Treasurer media releases and second reading speech.