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2026–27 Federal Budget

A Special Briefing for Property Investors

What the CGT and Negative Gearing Changes Mean for Your Portfolio

13 May 2026

Good afternoon

If you own investment properties — or have been thinking about buying one — last night's Budget directly affects you. We have prepared this briefing specifically for property investors, because the changes announced are significant and the decisions you make in the next twelve months could materially affect your financial outcome.

There are two major changes you need to understand: the reform to capital gains tax, and the changes to negative gearing. They are separate measures, but they interact with each other — and together they shift the economics of property investment more than any single Budget measure since the introduction of the CGT discount in 1999.

We want to give you the full picture, in plain language, so you can have an informed conversation with us about what to do next.

1. Your Existing Investment Properties — What Changes, What Doesn't

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The good news first: existing properties are protected.

If you already own a negatively geared investment property, your ability to offset rental losses against your other income — including salary and wages — continues unchanged for as long as you hold that property. The grandfathering is permanent and unconditional. Nothing about your current arrangements needs to change on this front.

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But the capital gains picture is different.

The CGT changes apply to all assets — including properties you already own. From 1 July 2027, any capital gain that accrues on your investment property after that date will be taxed under the new rules, not the old ones.

Here is what that means in practice. When you eventually sell a property you currently own, the total gain will be split into two portions:

- The gain accrued up to 30 June 2027 — taxed under the current rules, with the 50% CGT discount applying in full.
- The gain accruing from 1 July 2027 onwards — taxed under the new rules, using cost base indexation and subject to a 30% minimum tax.

The longer you hold the property after 1 July 2027, the larger the portion of the gain that falls under the new, less generous rules.

What this means for you:
You do not need to make any immediate decisions about your existing properties. But the CGT change does alter the economics of a long-term hold. We recommend reviewing the expected holding period for each property you own so we can model the tax outcome under both scenarios.

2. The Capital Gains Tax Change — What It Actually Means

From discount to indexation.

Since 1999, if you have owned an asset for more than 12 months, only 50% of your capital gain has been taxable. From 1 July 2027, that discount is replaced by cost base indexation — meaning your original purchase price is adjusted for inflation (CPI) before the gain is calculated.

A 30% minimum tax then applies to the remaining indexed gain. Even if your marginal rate is lower, you will pay at least 30%.

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An illustrative example.

Suppose you purchased an investment property ten years ago for $600,000. It is worth $1,200,000 today. You are deciding whether to sell now — before 1 July 2027 — or hold for another five years and sell for $1,600,000.

Sell now — before 1 Jul 2027	Hold 5 more years — sell after 1 Jul 2027
Sale price: $1,200,000 **Original cost base:** $600,000 **Total gain:** $600,000 **After 50% CGT discount:** $300,000 taxable **Tax at 47%:** approx. $141,000	**Sale price:** $1,600,000 **Indexed cost base (3% CPI × 15 yrs):** approx. $934,800 **Pre-2027 gain (50% discount):** approx. $333,000 taxable **Tax on pre-2027 gain at 47%:** approx. $157,000 **Post-2027 indexed gain at 30%:** approx. $67,000 **Total tax:** approx. $224,000

Note: These figures are illustrative only. They assume CPI indexation of 3% per annum over 15 years, a 47% combined marginal rate and Medicare Levy, and a time-proportionate split of gains between pre- and post-1 July 2027. Final methodology is subject to legislation.

In this example, holding five more years results in approximately $83,000 more tax — but also $400,000 more in sale proceeds. The numbers look very different for each client depending on their tax rate, growth assumptions, and holding period. There is no universal right answer — which is exactly why the conversation with us matters.

What this means for you:
Before making any decisions about selling — or holding — any investment property, please speak with us. We can model your specific property using its actual cost base, expected growth rate, and your personal tax rate to identify the better outcome.

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3. Negative Gearing — The Rules for New Purchases

To be absolutely clear: if you own a negatively geared investment property acquired before 7:30pm AEST on 12 May 2026, your arrangements are fully protected. This section is about what happens if you buy again.

What changes for new purchases.

For established residential properties acquired after Budget night, from 1 July 2027 the tax treatment of rental losses changes. Instead of being able to offset those losses against your salary or other income, they can only be deducted against:

- Rental income from other residential properties, or
- Capital gains from residential properties.

Excess losses carry forward to future years — they are not permanently lost — but the immediate tax benefit of negative gearing against salary income disappears for these properties.

New builds remain fully exempt.

If you purchase a newly constructed property — one that genuinely adds to Australia's housing supply — full negative gearing deductions against all income remain available. The Government's intent is clear: the tax incentive is being redirected toward investment that increases the housing supply, not investment in existing stock.

The combined effect of both changes.

For a high-income earner considering a new established investment property purchase, the economics have shifted on two fronts simultaneously: the annual cash flow benefit of negative gearing against salary is gone from 1 July 2027, and the eventual capital gain will be taxed more heavily. A new build avoids both restrictions.

What this means for you:

If you are considering acquiring another investment property, the comparison between an established property and a new build has fundamentally changed. In many cases, a new build will now produce a significantly better after-tax outcome even if the purchase price is higher. Please contact us before committing to anything.

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4. What Should You Do Now?

The honest answer is: talk to us before making any decisions. But here is a practical framework for thinking through your situation:

If you own existing investment properties:
No immediate action is required on the negative gearing front — your arrangements are protected. The CGT question is worth reviewing, particularly if you have been thinking about selling within the next few years. We can model the tax outcome under both the current and new rules for each property.

If you are considering selling a property:
Before 1 July 2027, the full 50% CGT discount applies to the entire gain to date. After that date, only gains accrued before 1 July 2027 attract the discount. The decision to sell before or after that date is not straightforward and depends on your individual circumstances. Do not sell — or decide not to sell — without modelling the numbers first.

If you are planning to buy another investment property:
The rules have changed materially for established properties purchased after Budget night. A new build now offers significant tax advantages under both the CGT and negative gearing rules. Run the comparison with us before you commit.

If you are a long-term holder with no near-term plans to sell:
The CGT changes do not require immediate action but do change the long-term economics of your portfolio. It is worth updating your holding period assumptions and running a fresh tax projection to understand the full picture.

These are consequential changes and we want to make sure every client with property investments has the opportunity to review their position properly. Please contact us to arrange a time to discuss — the sooner we talk, the more options we have.

Regards,
PENDER & ASSOCIATES PTY LTD

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