

What The Capital Gains Tax Changes Mean For Property Investors

Capital gains tax reform at a glance:

From 1 July 2027, the announced reforms would replace the current 50 per cent Capital Gains Tax (CGT) discount with cost base indexation and introduce a minimum 30 per cent tax rate on capital gains. For property investors, the key point is that the change is prospective: it applies only to gains accruing after 1 July 2027 and only when the gain is realised on sale.

CURRENT 50% CGT DISCOUNT	COST BASE INDEXATION	30% MINIMUM TAX
Replaced for most assets For eligible assets held for at least 12 months, the current 50% discount will be replaced by a CPI-based indexation method from 1 July 2027.	Tax on real gains The cost base will be indexed for inflation, so the taxable gain is intended to reflect the real capital gain rather than the inflation component.	Applies to real gains A 30% minimum tax rate will apply to real capital gains accruing from 1 July 2027. It will not affect taxpayers already paying at least 30% on the gain.

WHAT IS UNAFFECTED?

MAIN RESIDENCE	PRE-1 JULY 2027 GAINS	QUALIFYING AFFORDABLE HOUSING	SMALL BUSINESS CGT CONCESSIONS
No change The main residence exemption continues to apply. A person's home remains exempt from CGT where the existing rules are satisfied.	Preserved Gains that accrue before 1 July 2027 continue to be dealt with under the current arrangements, even if the property is sold later.	60% discount retained The existing 60% CGT discount for qualifying affordable housing is retained.	No change The four small business CGT concessions are unchanged under the announced reforms.

HOW THE TRANSITIONAL RULES WORK

Scenario	Proposed treatment	Property investor takeaway
Property purchased and sold before 1 July 2027	No change. Current CGT settings apply.	The current 50% CGT discount can still apply where the asset has been held for at least 12 months.
Property owned before 1 July 2027 and sold after 1 July 2027	Split treatment. Gains accrued before 1 July 2027 use current arrangements; gains accrued after 1 July 2027 use the new indexation and minimum tax settings.	Investors may need to determine the property value as at 1 July 2027 when they later sell.
Property purchased after 1 July 2027	Wholly under the new CGT arrangements.	The 50% discount will generally be replaced by CPI indexation, subject to any relevant exemptions.
Eligible new residential build	Investor can choose between the 50% CGT discount and the new arrangements on sale.	New builds receive more favourable treatment to encourage additional housing supply.

HOW VALUE AT 1 JULY 2027 MAY BE DEALT WITH

For assets already owned before 1 July 2027 and sold later, the announced approach treats the gain in two parts:

- Pre-1 July 2027 gain: the current CGT arrangements apply, including the 50% discount where the asset has been held for at least 12 months.
- Post-1 July 2027 gain: the new indexation method and 30% minimum tax apply, using the property's value at 1 July 2027 as the starting point for the post-reform gain.

The Government has indicated taxpayers will be able to either obtain a valuation as at 1 July 2027 or use an ATO-supported apportionment formula/tool. This is an important record-keeping point for property investors, particularly those holding assets over long periods.

DOES THE CGT REFORM APPLY TO MY INVESTMENT PROPERTY?

Follow the decision flow below. This is a general guide only and final legislation may alter the detail.

Question	If YES	If NO
Q1. Is the property your main residence?	Generally exempt from CGT under existing main residence rules.	Continue to Q2.
Q2. Is it qualifying affordable housing?	The existing 60% CGT discount is retained.	Continue to Q3.
Q3. Is it an eligible new residential build?	On sale, investors may choose the 50% CGT discount or the new indexation/minimum tax method.	Continue to Q4.
Q4. Will it be sold before 1 July 2027?	Current CGT arrangements apply.	Continue to Q5.
Q5. Was it owned before 1 July 2027?	Split treatment: pre-1 July 2027 gain under current rules; post-1 July 2027 gain under new rules.	Continue to Q6.
Q6. Was it acquired from 1 July 2027?	New CGT arrangements apply for the whole gain, subject to final legislation and any relevant exemptions.	Seek advice before making decisions.

EXAMPLES FOR PROPERTY INVESTORS

Example	Outcome	Plain English
Existing established investment bought in 2018, sold in 2030	Gain is split between the current rules and the new rules.	The investor does not lose the benefit of the current rules on gains already accrued before 1 July 2027.
Established investment bought in 2028, sold later	New CGT arrangements apply to the whole gain.	The 50% discount generally does not apply; CPI indexation and the 30% minimum tax framework apply.
Eligible new apartment bought off-the-plan in 2028	Investor can choose between the current 50% CGT discount and the new arrangements when the property is sold.	New supply receives a choice of treatment.
Rental losses quarantined under the negative gearing changes and property is later sold	Carried-forward residential property losses may be able to offset residential property income, including capital gains.	Losses are deferred rather than lost, but they are limited to residential property income under the announced negative gearing reform.

WHAT INVESTORS SHOULD CONSIDER NOW

- Keep clear purchase, improvement and ownership records, including any cost base adjustments and capital works information.
- For properties expected to be held beyond 1 July 2027, consider how a future valuation or ATO apportionment method may affect record keeping.
- Do not assume every investor will pay more tax. The outcome depends on inflation, growth rate, holding period, marginal tax rate and whether the property is an eligible new build.
- Before selling, buying or restructuring, seek tax advice. Final legislation and ATO guidance may change the practical application of these rules.

KEY MESSAGE

The proposed CGT reform is not a blanket tax on past gains. It is designed to apply prospectively to gains accruing after 1 July 2027. For existing investment properties, the practical impact is likely to centre on valuation, record keeping and how future growth is treated once the new rules commence. New residential builds receive more favourable treatment because the policy is designed to direct investment towards additional housing supply.

General information only. This factsheet summarises the announced reforms as at the issue date and does not constitute tax, financial or legal advice. Final legislation and rulings may differ. Please consult your accountant or financial adviser before acting on the information here.

Sources: Australian Government Budget 2026-27 Tax Explainer - Negative Gearing and Capital Gains Tax Reform; Australian Government Budget 2026-27 Tax Reform page; OBrien Real Estate Federal Budget Summary 2026 negative gearing factsheet supplied by the user