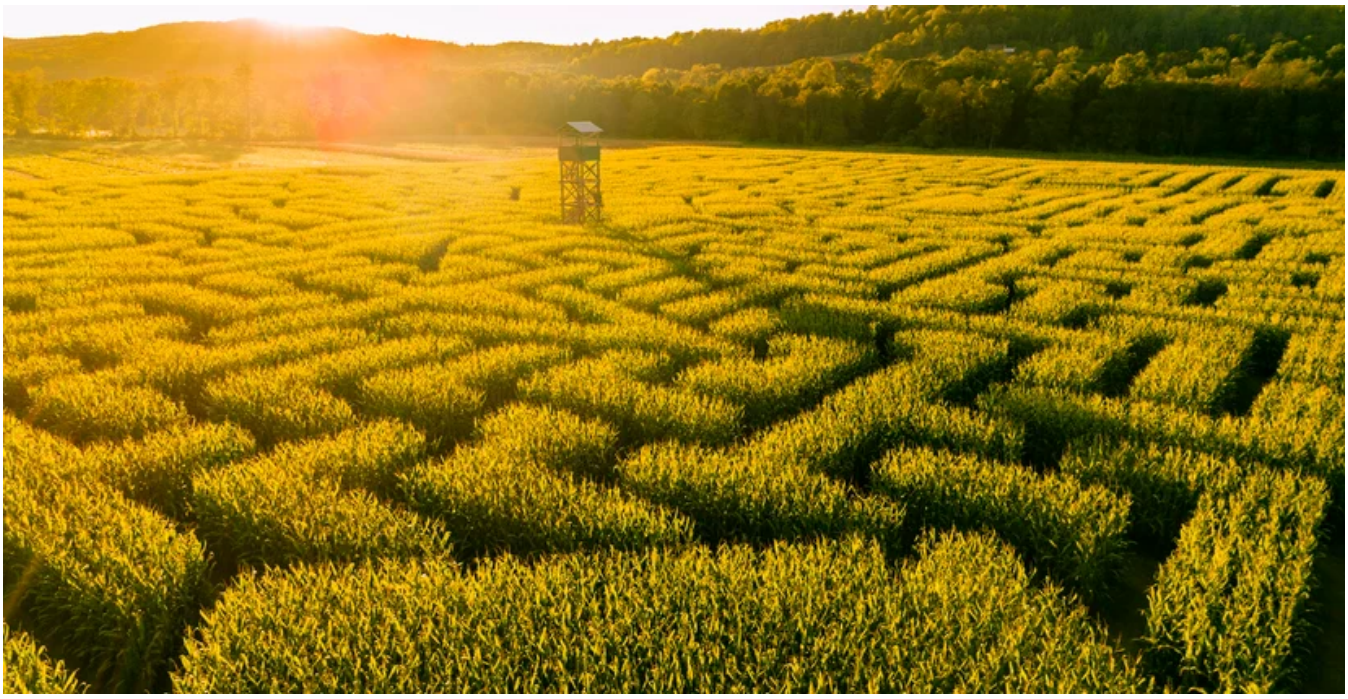
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Capital gains tax changes explained

By Perpetual Private Insights

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The 2026 Federal Budget has made capital gains tax (CGT) one of the most talked-about areas of Australia's tax system. The *Treasury Laws Amendment (Tax Reform No. 1) Bill 2026* and *the Income Tax Rates Amendment (Tax Reform No. 1) Bill 2026* have now passed the Parliament and received Royal Assent on 26 June 2026, making these reforms law.

The changes represent a significant shift in how capital gains will be taxed in Australia, including the introduction of an indexation regime and a minimum tax rate on certain capital

gains. As a result, many Australians are asking one question: *how will this affect me?*

We sat down with **Richard McClelland, Partner at Perpetual Wealth** and tax expert **Danielle Zavone, Partner, Fordham Group** (part of Perpetual Wealth) to unpack what is changing, why it matters, and what individuals should be thinking about now.

It is important to note that every individual's circumstances are unique - seeking personalised financial advice is strongly recommended before taking any action.

Q: What are the key CGT changes legislated?

Danielle:
From 1 July 2027, the key changes include:

- **Removal of the 50% CGT discount**
  The current 50% CGT discount for assets held longer than 12 months will be removed.
- **Introduction of cost base indexation**
  Instead of a discount, gains will be calculated using inflation (CPI) indexation of the cost base.
- **New 30% minimum tax on capital gains**
  A minimum 30% tax rate will apply to real capital gains accruing from that date, with an exemption for certain income support recipients.
- **Pre-CGT assets brought into the regime**
  Assets acquired before 20 September 1985 (currently exempt) will become subject to CGT on gains accruing from 1 July 2027.

In simple terms, rather than automatically reducing a capital gain by 50%, the cost base of the asset would be indexed for inflation, so only the real gain (i.e. the amount above inflation and after any relevant losses applied) is taxed.

However, with the introduction of a minimum 30% tax rate, the effective tax on capital gains would not fall below 30%, regardless of an individual's marginal tax rate.

Importantly, any capital gains accrued prior to 1 July 2027 will continue to be taxed under the current rules, including the application of the 50% CGT discount and marginal tax rates.

Q: What types of assets do these CGT changes apply to?

Danielle:
The measures apply broadly to capital gains tax (CGT) assets held by individuals, trusts and partnerships where the asset has been owned for at least 12 months, thereby qualifying for the general CGT discount. In practical terms, this captures a wide range of commonly held investment assets, including:

- Residential and commercial investment properties
- Listed and unlisted shares
- Units in managed funds and similar investment structures
- Goodwill (Business Assets)

Importantly, these measures do not extend to superannuation. The taxation of capital gains within the superannuation system remains unchanged, including the continued availability of the concessional one-third CGT discount for assets held by complying superannuation funds for more than 12 months. Accordingly, superannuation will continue to operate under its existing tax framework for long-term capital gains.

The CGT reforms do, however, include a specific carve-out for eligible new residential developments, providing transitional or alternative treatment for these assets.

While the broader reforms replace the existing 50% CGT discount with cost base indexation and introduce a 30% minimum tax rate on post-1 July 2027 capital gains, this framework does not mandatorily apply to new residential builds.

Instead, for qualifying new residential properties (generally those that add to housing supply and meet specific criteria), taxpayers will have the option, on disposal, to choose between:

- applying the existing CGT discount regime (i.e. the 50% discount where eligibility criteria are satisfied); or
- applying the new framework, which includes:
    - indexation of the cost base (so that only real, inflation-adjusted gains are taxed), and
    - a minimum 30% tax rate on the resulting capital gain.

Q: What happens if I already own investment assets?

Richard:
There will be transitional rules depending on when the asset was acquired and sold:

- Purchased and sold before 1 July 2027: current CGT rules apply.
- Purchased before 1 July 2027 and sold after:
    - Gains accrued up to 30 June 2027 are taxed under current rules.
    - Gains accrued from 1 July 2027 onwards are taxed under the new indexation rules.
- Purchased and sold after 1 July 2027: new rules apply in full.

This creates a hybrid outcome for many investors, particularly those with long-held assets.

Q: Are assets acquired before CGT was introduced still exempt?

Danielle:
To an extent, yes. Capital gains accrued on pre-CGT assets up to 1 July 2027 will remain exempt. However, from that date onwards, any further increase in value of those same assets will no longer be fully excluded from the CGT regime.

Instead, gains will need to be apportioned, with only the post-1 July 2027 growth brought within the CGT framework and calculated under the new indexation methodology. This effectively creates a "valuation reset" point, whereby historic gains remain exempt, while future gains become subject to tax.

Importantly, this change will apply broadly across taxpayers, including companies. As a result, pre-CGT assets held within corporate structures will also lose their full exemption status in respect of future gains.

This represents a significant policy shift, as pre-CGT assets have historically been entirely outside the capital gains tax regime. Accordingly, personalised advice and forward planning will be critical for impacted taxpayers.

Q: Are there any exemptions?

Danielle:

The measures do not change the status of assets that are already exempt from CGT under existing law. For example:

- **Main residence exemption** (subject to current rules and limitations)
- **Personal use assets** (subject to thresholds)
- **Certain collectibles** within existing CGT provisions

These continue to be dealt with under the ordinary CGT framework and are not specifically targeted by the tax reform.

Q: What is not changing under these legislative changes?

Danielle:

Several important concessions remain:

- As outlined above, the main residence exemption continues to operate as a full exemption from CGT for eligible individuals. This means that, provided the relevant conditions are satisfied (including the property being the taxpayer's main residence and not used to produce assessable income), any capital gain realised on disposal will not be subject to tax.
- Whilst Small business CGT concessions remain available, the government will be increasing the turnover threshold from $2m to $10m for the 50% active asset reduction

test from 1 July 2027. For many family groups and privately owned businesses, these concessions remain critical in structuring exits, facilitating succession planning, and managing overall tax outcomes.
- The 60 percent CGT discount for qualifying affordable housing is retained. This concession continues to apply where investors provide rental housing through registered community housing providers and meet minimum holding period and tenancy requirements

Q: Will I pay more or less CGT under the new system?

Richard:
It depends, but in most cases the outcome is likely to be higher tax payable compared to the current system.

- How long you hold the asset
- The level of inflation over that period

If inflation is high, indexation may significantly reduce the taxable gain. If the asset has delivered strong real growth, the taxable gain could be higher than under the current discount system.

Q: Should tax now drive investment decisions?

Richard:
Tax should never be the sole driver of investment decisions. Your goals, time horizon and risk tolerance still come first.

That said, the CGT changes are a timely reminder to step back and review your overall strategy. It is important that your investment approach, the structures you use and your financial goals are all working in concert with each other.

This is a good opportunity to reassess how your portfolio is positioned, including your mix of growth and income assets, and whether those assets are held in the most appropriate structure for your long-term objectives.

Q: What is the key takeaway for individuals concerned about CGT?

Richard:
The CGT changes do not come into play until 1 July 2027, therefore, there is time to pause, review and plan.

With the future uncertain, it can be difficult to determine the best course of action. There are, however, a number of practical options available, and the most important next step is to speak

with your financial adviser and accountant to understand how these changes may apply to your personal circumstances.

Focus on your long-term objectives and ensure your investment strategy, the structures you are using and your financial goals are all working together. In an environment with fewer tax concessions, it is especially important to take a considered approach and avoid making reactive decisions without advice.

Final thoughts

The CGT reforms, alongside changes to negative gearing and the taxation of trusts, represent one of the most significant shifts in the taxation of investments in decades.

If you believe your investments may be affected, consider seeking advice from your financial adviser before making any decisions, particularly when buying or selling assets such as property.

This is an opportunity to pause and review your existing structures, investments and long-term plans, and ensure they remain fit for purpose in a changing tax environment. While it is natural to focus on the immediate impacts, a financial adviser can help you understand the broader picture and support more confident, considered decisions.

Read more about the key Federal Budget 2026–27 announcements made here: https://www.perpetual.com.au/insights/federal-budget-2026/

If you would like to understand how these changes may affect your personal circumstances, speak with your adviser about the next steps.

Meet your team





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