



“The Bottom Line”

**SIMMONDS LE-FEVRE**

Tax & Super Information that's Important to You

May 2026

# Budget musings:

## Changes to negative gearing, the CGT discount on the cards



Even before the current war in the Middle East, the Budget has clearly been under some pressure. Recent comments from various government sources suggest that changes to the tax rules around investment properties could be under serious consideration.

So, what sort of changes could we see on 12th May? And how might they affect you?

### About this newsletter

Welcome to your tax and super update from Simmonds Le-Fevre. This newsletter is aimed at keeping you on top of the issues you need to know about and changes as they happen. If you have any queries don't hesitate to contact us.

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While there has been a lot of focus on the 50% CGT discount, there is also a push to restrict negative gearing – ie, the ability to offset rental losses against other income, such as salary and wages. Most other countries don't permit this.

### The 50% discount

Arguments have been advanced that the 50% discount is too generous, especially for assets that have not been held for a long time, and there are calls for reducing the discount to 33 $\frac{1}{3}$  % or even 25%.

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## Budget musings ... cont

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Another idea is to have a staggered discount, depending on how long the asset has been held. There have also been calls to extend the existing 12 month holding period before a capital gain can qualify for the discount to, say, 18 months or 24 months.

### Negative gearing

On the negative gearing issue, reform ideas range from quarantining losses altogether and offsetting them against future rental profits or against the CGT gain that arises when the property is sold to limiting negative gearing to two properties per taxpayer or to some dollar amount.

### All assets or just residential property?

While many people view housing as special, the government may consider whether to apply any changes to assets more broadly, including commercial property, shares and the like.

### Date of effect

If any changes made only apply to assets acquired by a taxpayer after the Budget date, then any significant revenue gains would be a long way off.

But Australians generally don't like retrospective tax changes and the way these things have generally been handled is to make any adverse tax changes operate prospectively. After all, people have invested under the rules which existed at the time.

Applying any changes to the CGT discount or negative gearing to existing assets would be a courageous decision (in a "Yes Minister" sense), and one that the Opposition parties would relish.

### WHAT SHOULD YOU DO NOW?

**Anyone who owns an investment property or is considering buying or selling one should probably sit back and wait for the Budget to land. There may be nothing of any consequence in it after all, but if there is you're welcome to come and speak to us about how you are affected and what your options are.**

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