



“The Bottom Line” SIMMONDS LE-FEVRE

June 2026

BUDGET CHANGES TO NEGATIVE GEARING

What do they mean for you?



So, what do the Budget changes to negative gearing mean to you if you own a residential investment property?

About this newsletter

Welcome to the **Simmonds Le-Fevre** client information newsletter, your monthly tax and super update keeping you on top of the issues, news and changes you need to know. Should you require further information on any of the topics covered, please contact us via the details below.

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Well, the first thing to note is that the negative gearing changes are “grandfathered” ie. they do not apply to properties that are already owned at the time of the Budget (12 May 2026) – and such properties can be continued to be negatively geared as long as you own them.

Furthermore, if you buy a property between Budget day and 1 July 2027, you can still negatively gear it up to 1 July 2027. But for any property bought from 1 July 2027, you will not be able to negatively gear it.

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However, under the changes your denied negatively geared deductions will not be lost for ever.

They can be carried forward and offset against positive rental income from the property in future years.

In other words, the losses are “quarantined” (as per the Keating model from the 1980s) .

And to the extent this is offsetting is not possible, well the current law still allows those denied deductions to reduce any capital gain you make on sale of the property.

So, it is all not bad news.

Also, if you do buy a rental property between now and 1 July 2027, there are legitimate ways to maximise the deductions you can claim before the new rules against negative gearing apply.

However, it is important to emphasise two things:

Firstly, this proposed negative gearing restriction does not apply to any other investment assets that you may borrow money to buy (eg. commercial property, shares in a company or units in a unit trust).

Secondly, the negative gearing restrictions do not apply to SMSFs (and nor do the proposed changes to the CGT discount).

Suffice to say, the devil will be in the legislative detail after many months of consultations and submissions. And there is already clamouring for changes to be made to these proposals.

So, it is a good idea to come and speak with us about what may be best to do if you already own such a property and are looking to sell it or if you are considering buying an investment property in the future.