

The new 30% minimum tax on capital gains: what it means for self-funded retirees



The Government has legislated major changes to capital gains tax (CGT). From 1 July 2027, the 50% CGT discount for individuals, trusts and partnerships will be replaced. In its place comes cost base indexation and a new 30% minimum tax rate on capital gains.

How the 30% minimum tax works

Under the current rules, you pay tax on only half your capital gain on assets held for more than 12 months, with that half taxed at your marginal rate.

The new rules work differently. The 50% discount is removed but your cost base is lifted for inflation. So you only pay tax on the real gain. Then a floor applies to the rate of tax. Even if your marginal rate is below 30%, your real capital gain is taxed at a minimum of 30%.

The measure applies to assets held for at least 12 months. It also brings pre-1985 assets into the net for gains accruing after 1 July 2027. Your family home stays exempt. Super funds are not affected and keep their existing discount.

Why it matters for self-funded retirees

The minimum tax is aimed at people who sell assets in low-income years. Retirement is the obvious example.

Many self-funded retirees have little taxable income. They often plan to sell shares or property in retirement, when their marginal rate is low. The new rules take much of the value out of that plan. A retiree with a marginal rate of 16% would still pay 30% on a real gain. That is close to double the tax on the same sale today.

Age pensioners are exempt

There is an important carve-out. The Treasurer has confirmed that recipients of certain government payments, including the Age Pension and JobSeeker, will be exempt from the 30% minimum tax. Pensioners would keep being taxed at their marginal rate.

A word of caution on the pension

The Age Pension is means tested. To qualify you must pass both an income test and an assets test. You must also meet the age and residency rules.

If the pension is part of your plan, a few points help. Know the assets test thresholds and where you sit against them. Remember your home does not count as an asset. Watch the gifting rules, as you cannot simply give assets away to qualify. And think carefully about the timing of any large sale.

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