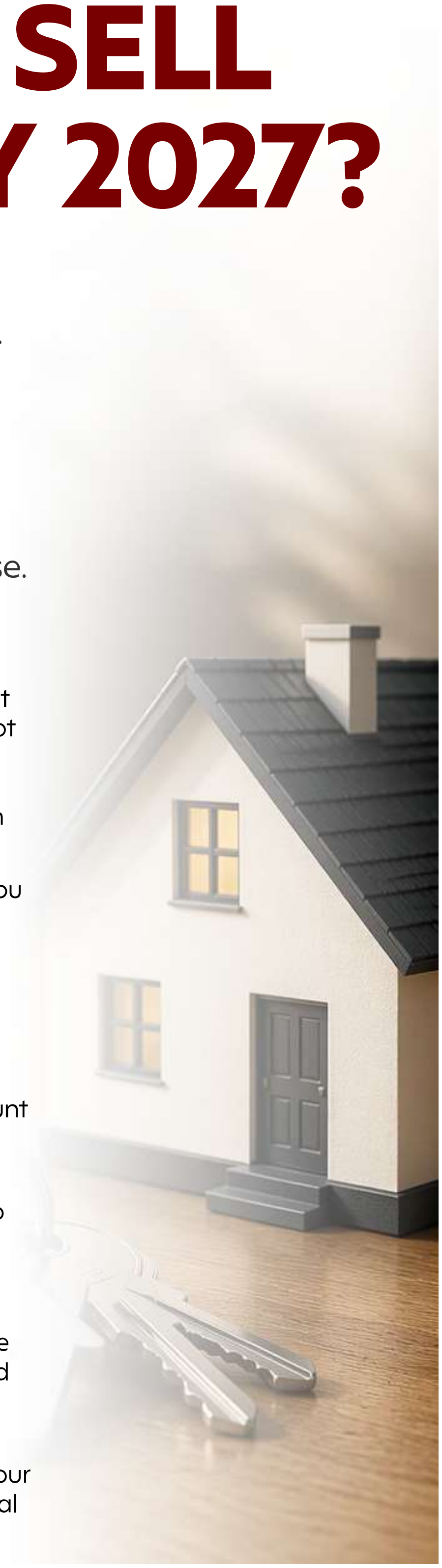
SHOULD YOU SELL BEFORE 1 JULY 2027?

From 1 July 2027, the way capital gains are taxed for individuals, trusts and partnerships is set to change. The 50% CGT discount will be replaced by cost base indexation and a new 30% minimum tax on real gains.

Many people assume they must sell before the deadline to keep the discount, but this is not the case.



Your gains so far are protected

The new legislation treats assets you hold on 30 June 2027 as sold at market value on that date and bought back the next day. You do not pay any tax then. Instead, the gain built up to 1 July 2027 is locked in and keeps the 50% discount whenever you actually sell. Only the growth after that date falls under the new indexation and minimum tax rules.

In short, holding past the deadline does not cost you the discount you have already earned. This is why a number of advisers describe rushing to sell purely to beat the deadline as one of the more expensive mistakes investors make during tax reform.

Reasons to be cautious

Some assets are not affected at all. New builds can still choose the discount, and qualifying affordable housing keeps its existing discount of up to 60%. The small business CGT concessions remain. Income support recipients are exempt from the 30% minimum tax.

Also note that super is unaffected, meaning super funds continue to receive the one-third CGT discount on capital gains.

The bottom line

For most people, there is no need to sell simply because the rules are changing. The gain you have made up to 1 July 2027 stays on the old rules. The decision to sell should rest on your own plans, your asset, your income and your timeframe, not on the calendar.

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