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FEDERAL BUDGET 2026

Why I Believe This Changes Property Investing in Australia Forever

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BACKGROUND

For years, I've been warning clients that Federal and State governments would continue to "fiddle" with the laws and taxation of residential property investment.

Not because the housing affordability issue is caused by investors, but because housing has become unaffordable and a greater share of the population are increasingly renters. As it turns out, votes matter in politics…

The reality is migration is too high and we aren't building the homes or social infrastructure fast enough to support this growing population.

Yet rather than addressing the structural supply issues fast enough, this government is targeting property investors. It seems anyone with aspiration now has a target on their back.

Last week's Federal Budget is one of the most significant turning points for property investors and business owners in decades.

If legislated in its current form, the proposed changes to capital gains tax, negative gearing and trust taxation will fundamentally reshape how Australians invest in property, structure businesses and build wealth.

And in my view, many people still don't fully understand how significant these changes could be.

THE BIG PICTURE – WHAT WAS PROPOSED?

Capital Gains Tax (CGT)

- No change for assets sold prior to 1 July 2027
- Existing 50% CGT discount remains available for assets held more than 12 months until that date
- From 1 July 2027, a move back toward an indexation-based approach with an effective minimum 30% tax rate
- Assets owned prior to 1 July 2027 will likely require a valuation at that date to determine pre- and post-change gains
- New residential builds will continue receiving concessional 50% CGT discount treatment or indexation, whichever is more favourable.

Negative Gearing

- Existing residential investment properties remain grandfathered
- Existing residential properties purchased from now onwards can still access negative gearing until 1 July 2027
- After that, negative gearing on established residential property is proposed to cease
- New residential property remains eligible
- Commercial property and shares are unaffected

Family/Discretionary Trusts

This is the sleeper issue that many business owners and investors are only now starting to understand.

The proposed introduction of a 30% minimum tax rate for discretionary trusts has massive implications for:

- Family businesses
- Property investors
- Asset protection structures
- Intergenerational wealth planning

This will absolutely become an accountant's field day over the next few years.

IF YOU OWN PROPERTY IN A FAMILY TRUST – PAY ATTENTION

A huge number of Australians own investment property or operate businesses through family trusts.

Historically, trusts have been attractive because they provided:

- Flexibility of income distribution
- Asset protection
- Estate planning advantages
- Tax planning opportunities

If these proposed changes are legislated, the economics of holding assets inside discretionary trusts could substantially change.

For many investors and business owners, there are likely only three broad options:

1. Do nothing and accept the more punitive taxation
2. Sell the asset
3. Transfer the asset into another structure

The challenge is that restructuring is rarely simple.

There may be:

- Stamp duty implications
- Capital gains tax consequences
- Finance restructuring requirements
- Asset protection considerations
- Land tax implications
- And the list goes on

Personally, I will make future investments purchases via companies rather than family trusts.

I will review our own business structure at Blambles Finance Group given it trades through a family discretionary trust and likely restructure it across to a company.

Fortunately, there are small business concessions available which makes this “top-hatting” strategy a great one for small businesses. In fact, we’ve arranged finance for these business restructures for a number of clients enabling them to, payout non-deductible debt, establish a deductible debt facility in the business, clear Div 7a loans, re-set the cost base of the business to minimise future capital gains tax and tax effectively contribute additional money into super.

Meanwhile, for existing trust-owned properties, the costs versus benefits of restructuring will need careful consideration on a case-by-case basis.

This is not an area for DIY advice or social media opinions.

You need good accountants, good finance advice and a clear strategy.

MY INVESTMENT PHILOSOPHY HASN'T CHANGED

Despite the proposed tax changes, my underlying investment philosophy remains exactly the same as it did prior to Tuesday's budget.

I strongly believe in buying assets with strong cash flow.

That's why I continue to like commercial property.

WHY COMMERCIAL PROPERTY WILL ATTRACT MORE INVESTORS

Traditional residential investing in Australia has often relied on the “buy, hold and hope” strategy:

- Buy an asset with weak cash flow
- Run it at a loss
- Offset the loss through negative gearing
- Hope long-term capital growth makes the strategy worthwhile

There is no question this strategy has worked well historically for many Australians.

But it has always relied heavily on tax policy and capital growth assumptions.

Commercial property is different.

Commercial property typically offers:

- Stronger cash flow
- Higher yields
- Longer leases
- Tenant contribution toward outgoings
- Better debt servicing capacity

This is one of the major reasons I help clients buy commercial property through Evolve Property Solutions.

But there’s a major warning here.

The commercial property market is already expensive.

And I believe these proposed changes will drive even more investors toward commercial assets, particularly in the sub-$2 million price range.

That creates risk.

A lot of newer investors are about to discover the single biggest risk in commercial property: VACANCY.

Residential investors are often used to relatively stable tenant demand.

Commercial property can be very different.

One vacancy can wipe out years of positive cash flow if investors don’t buy the right property, with the right fundamentals, at the right price.

I suspect many inexperienced investors will get caught over the next few years chasing yield without properly understanding risk.

NEW RESIDENTIAL PROPERTY – PROCEED CAREFULLY

The Federal Budget clearly attempts to direct investor demand toward new housing supply.

That means:

- Increased investor demand for new builds
- Increased demand for developers
- More pressure on construction costs
- More competition for trades

But there's a catch.

When you buy a new property, it stops being "new" the day after settlement. This is where many investors will get trapped.

Developers and project marketers will heavily promote:

- Tax advantages
- Depreciation benefits
- Negative gearing
- CGT concessions

But the resale market can become extremely difficult.

The next buyer may prefer the brand-new apartment next door with fresh incentives rather than your now second-hand property.

Many investors may receive tax benefits while simultaneously suffering poor capital performance.

That's a dangerous combination.

And it comes back to the number one rule of investment. What is your exit strategy?

ACTIVE RESIDENTIAL DEVELOPMENT STILL MAKES SENSE

For entry-level investors, I still like:

- Subdivision sites
- Splitter blocks
- Duplex opportunities
- Small-scale value-add projects

Why?

Because a well-structured development can create profit through execution rather than relying purely on market growth.

With the right site, clear feasibility and defined exit strategy, investors can manufacture equity and reduce reliance on speculative capital growth.

That's a very different proposition from simply buying negatively geared residential property and hoping values rise.

OWNING YOUR OWN HOME STILL MAKES SENSE

Despite all the noise, owning your own home remains one of the best long-term wealth creation strategies in Australia.

Why?

Because the family home remains capital gains tax exempt.

The key is not just buying a home.

The key is implementing a strategy to aggressively reduce non-deductible owner-occupied debt over time.

That remains critically important.

PROPERTY IN SUPER HAS BECOME MORE ATTRACTIVE

Relative to owning property personally, holding property within superannuation structures has become increasingly attractive.

The concessional tax environment within super is difficult to ignore.

For the right client, with the right structure and long-term planning, this will likely become an increasingly important part of wealth creation strategies moving forward.

Of course, super strategies must be approached carefully given the complexity of:

- Contribution caps
- Borrowing structures
- Liquidity requirements
- Compliance obligations

But comparatively, the tax environment is now even more compelling.

WHAT I'M HEARING FROM THE MARKET

Last week I hosted a boardroom discussion with a group of Brisbane business leaders regarding the Federal Budget and the likely impacts on property markets.

A few common themes emerged:

1. New residential property will likely see increased demand

Particularly from investors seeking tax concessions. This comes with heightened risk when looking at the exit strategy.

2. Construction capacity remains a major issue

Where are all the tradies coming from?

Australia and in particular Brisbane is already battling:

- Labour shortages
- Major infrastructure demand
- Olympic infrastructure pressure leading into the Brisbane 2032 Olympic Games
- Rising construction costs

Building more homes is easier said than done.

3. Commercial property demand will increase

This may make an already expensive market even more competitive and risky.

But it's a logical place for investors wanting leverage.

4. Existing investor-grade residential property may struggle

Owner-occupier stock should remain relatively resilient.

Investor-focused established housing may face weaker demand.

5. Accountants and advisers will be extremely busy

There will be substantial work around:

- Restructuring trusts
- Reviewing ownership structures
- Portfolio planning
- Tax modelling
- Succession planning

6. Developers are likely to benefit

Demand for new supply will support many developers and construction businesses.

THE IMMEDIATE BEHAVIOURAL CHANGES ARE HERE

The proposed taxation reform is already creating major shifts in investor behaviour well before the legislation even commences.

As part of this:

- Some investors will accelerate property sales before 1 July 2027 to maximise the current CGT discount
- Existing landlords with grandfathered negative gearing may hold assets longer
- Investors are already pivoting from residential investment to commercial property investment
- Demand for new residential investor developments will increase
- Trust restructures will surge and should consider acting sooner
- Many buyers will temporarily adopt a “wait and see” approach until there is more certainty in the market

I’ve already spoken with several clients who were ready to act but are now pausing major decisions pending further clarity. Personally, I believe this is a mistake, particularly if looking to buy commercial property.

FINAL THOUGHTS

Whether the proposed reforms ultimately pass in full, in part, or are amended, one thing is clear:

The Australian property investment landscape is changing.

The days of blindly accumulating negatively geared residential property without careful strategic planning are likely coming to an end.

Moving forward, structure, tax strategy, cash flow and asset selection will matter more than ever.

This environment will create opportunities.

But it will also create significant risks for those who fail to adapt.

If you own property, operate through a trust, or are considering buying, selling or restructuring, now is the time to get advice upfront rather than reacting later.

Our teams at Blambles Finance Group and Evolve Property Solutions can help review your current position and develop a tailored Property Portfolio Plan taking these proposed changes into account.

Contact us now to find out more:

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