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AUSTRALIAN TAX ADVISER

Issue 2610 | June 2026

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Section 1 – Professional Developments

CGT CHANGES FORESHADOWED

Members have shown a keen interest in the government's proposed changes to the capital gains tax regime.Despite widespread commentary from politicians and commentators alike, questions remain about how these changes will work in practice.In this piece, we will attempt to provide some clarity (remembering that the legislation is already set to change based on the feedback from various interested parties).

There used to be a saying among tax professionals in relation to tax legislators: "to count sheep, you simply count the legs and divide by four."Many a true word spoken in jest, because as the number of potential carve-outs increases, so too will be the complexity of the legislation to support them.

Late last month, the Government introduced the Treasury Laws Amendment (Tax Reform No 1) Bill 2026 into the House of Reps together with an accompanying, Income Tax Rates Amendment (Tax Reform No 1) Bill 2026.

¶10.1 Summary

Schedule 1 of the Bill contains the following significant changes for Australian resident individuals and trusts, including:

- replacing the 50% CGT discount with cost base indexation for gains made on or after 1 July 2027.Predictably, there are several transitional rules, but new residential dwellings will remain unaffected and there will also be several concessions for "affordable housing";
- introducing a 30% minimum tax for certain capital gains, but exempting income support recipients to ensure that these individuals will not be adversely affected;
- ensuring that the new arrangements will apply to any capital gain arising on or after 1 July 2027. There will be transitional arrangements for CGT assets (again excluding new builds and affordable housing, which will be eligible for specific concessions in relation to existing arrangements – these will continue to apply to assets bought and sold before 1 July 2027;
- bringing pre-CGT assets (i.e. assets held before 1985) into the CGT base in respect of gains accruing after 1 July 2027. Only gains that relate to pre-CGT assets (that accrue before 1 July 2027) will continue to be exempt;
- providing transitional arrangements for affected CGT assets (i.e. those purchased between 1985 and 1999) ensuring that the 50% CGT discount or indexation could still apply.Under these amendments, individuals and trusts will be limited to the 50% CGT discount on gains accruing