ANDRESEN McCARTHY PARTNERS

LEADING THE WAY

Quarter 2 | 2026

INSIDE:

Changes to the Capital Gains Tax Discount - What It Means for Your Assets

One of the most significant measures in the 2026/2027 Budget is the replacement of the 50% CGT discount with cost base indexation for capital gains arising on or after 1 July 2027, combined with a new 30% minimum tax on net capital gains. This applies to all CGT assets - including shares, investment properties, and business assets - held by individuals, trusts, and partnerships.

It is worth noting that this is not an entirely new concept. Indexation was the method used for CGT in Australia from 1985 through to 1999, when the Howard Government replaced it with the 50% discount. In effect, we are returning to the pre-1999 approach.

The Good News: Transitional Rules

The 50% CGT discount will continue to apply to all gains arising before 1 July 2027.

If you sell an asset before that date, the existing rules apply in full - regardless of when you bought it.

For assets held beyond 1 July 2027, the new indexation method will apply to gains arising from that date. The post-1 July 2027 portion of the gain is reduced by indexing your original cost base for CPI (the rate at which prices rise over time).

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Changes to the Capital Gains Tax Discount - What It Means for Your Assets *cont.*

There is also a specific concession for new residential properties: investors in new builds can choose between the 50% CGT discount or cost base indexation with the minimum tax, whichever produces the better outcome. Income support and Age Pension recipients will be exempt from the minimum tax.

What Does This Mean in Practice?

Here is an example. Suppose you purchased an asset 11 years ago for $500,000. It is worth approximately $1,000,000 today and you plan to sell it in 2037 for $2,000,000. The total gain of $1,500,000 is split between the period before and after 1 July 2027.

For the pre-2027 portion (approximately $786,000), the 50% discount applies - leaving approximately $393,000 taxable.

For the post-2027 portion (approximately $714,000), indexation reduces the taxable gain to approximately $476,000. Total taxable gain: approximately $869,000, producing tax of approximately $408,000 at the 47% combined rate. Under the current rules, the tax would have been approximately $353,000 - an additional cost of roughly $56,000 on this one asset.

Changes to the Taxation of Trust Distributions - An Announcement, Not Yet a Law

The 2026-27 Budget announces the introduction of a 30% minimum tax on discretionary trusts from 1 July 2028. While the headline is straightforward, the detail behind this announcement is complex.

What Has Been Announced

From 1 July 2028, trustees of discretionary trusts will be required to pay a minimum tax of 30% on the taxable income of the trust. Beneficiaries - other than corporate beneficiaries - will receive non-refundable credits for the tax paid by the trustee, similar in concept to franking credits on company dividends.

What This Means in Practice

The practical effect is a significant increase in the tax cost of distributing trust income to beneficiaries who pay tax at a combined rate below 30%.

To illustrate: a family member with no other income who receives a $20,000 trust distribution would currently pay approximately $288 in tax. Under the new rules, the trust pays $6,000 in minimum tax on that income. The beneficiary receives a non-refundable credit of $6,000 against their $288 tax liability - with $5,712 permanently lost.

The breakeven point - where a beneficiary's total tax liability equals the 30% minimum - falls at approximately

$131,600 of income. Every beneficiary earning below that level results in some portion of the trust's tax being unrecoverable.

What We Do Not Yet Know

The Budget announcement raises far more questions than it answers, and the answers will only come with the legislation - which does not yet exist.

The announcement lists a number of exclusions - including primary production income, income relating to vulnerable minors, amounts subject to non-resident withholding tax, and income from assets of discretionary testamentary trusts existing at the time of announcement. Each of these exclusions will require legislative definition. Fixed trusts, widely held trusts, complying superannuation funds, special disability trusts, deceased estates, and charitable trusts are not subject to the measure.

The Rollover Relief Window

The Budget confirms expanded rollover relief for three years from 1 July 2027, to support businesses and others wishing to restructure out of discretionary trusts into another entity type. This provides a meaningful window to act before the minimum tax takes effect.

However the restructure decision cannot be made until the legislation clarifies the full scope of the measure. We expect draft legislation during the second half of 2026 and will update you as the position becomes clearer.

Note: This article is based solely on the Budget announcement of 12 May 2026. No legislation has been released. All details are subject to change and no planning decisions should be made on the basis of this announcement alone.

Changes to Negative Gearing - What Property Investors Need to Know

Negative gearing has been a cornerstone of Australian property investment strategy for decades. The 2026-27 Budget confirms changes that will affect investors who own or are planning to acquire investment properties - though the impact will vary significantly depending on your current position.

What Is Negative Gearing?

Negative gearing occurs when the costs of owning an investment property - including loan interest, property management fees, maintenance, council rates, and depreciation - exceed the rental income it generates. Under the current rules, that net loss can be deducted against your other income, including salary or wages, reducing your overall tax bill.

What Has Changed

Existing investment properties are fully protected. If you already own a negatively geared investment property, your ability to offset those losses against your other income will continue unchanged for as long as you hold that property. However, for established residential properties acquired after 7:30pm AEST on 12 May 2026, the rules change from 1 July 2027.

Losses from established residential properties purchased after that point will only be deductible against rental income or capital gains from residential properties.

Excess losses will be carried forward and offset against residential property income in future years - they cannot be used to reduce your salary or wage income.

An exception applies for newly constructed properties. Where you purchase a new build - one that adds to Australia's housing supply rather than simply changing ownership of existing stock - negative gearing deductions remain fully available. Properties in widely held trusts, superannuation funds, build-to-rent developments, and investors supporting government housing programs are also exempt.

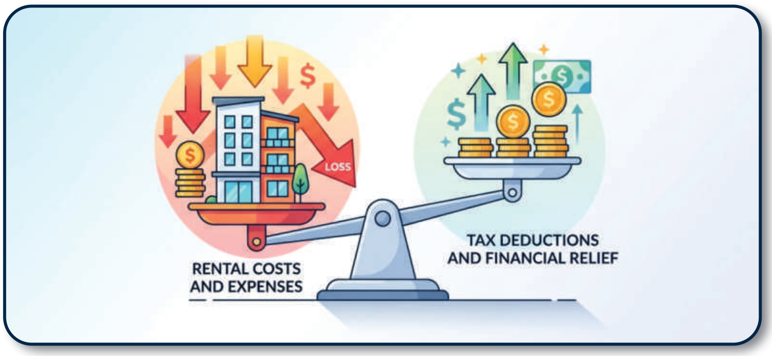
Who Is Affected

If you own existing investment properties and have no plans to acquire more, the practical impact is limited. Your current arrangements are fully protected. The change becomes relevant when you consider your next acquisition.
Any established residential property purchased after 7:30pm on 12 May 2026 will be subject to the new quarantining rules from 1 July 2027. Contracts entered into before that time - including those not yet settled - are covered by the grandfathering provisions.

The Combined Effect

For a high-income investor who has been using rental losses to reduce their taxable income, the loss of that deduction against salary income represents a real increase in annual after-tax cost. It is also important to note that the negative gearing changes interact directly with the CGT changes confirmed in the same Budget. The combined effect of both changes means the overall economics of acquiring a new established investment property have shifted materially.

Note: Full details of this measure, including the precise definition of qualifying new builds, are subject to the release of draft legislation. We will provide a further update once this is available.



Compliance Update

Upcoming AML/CTF Changes from 1 July 2026

From 1 July 2026, Australia's Anti-Money Laundering and Counter-Terrorism Financing requirements will extend to certain professional services, including some accounting, company, trust and transaction-related services.

These changes are designed to help prevent businesses, companies, trusts and transactions from being misused for money laundering, terrorism financing and other serious financial crime.

Depending on the services you require, we may need to request additional information or complete verification checks before assisting with certain matters. This may include verifying identity, authority and ownership details before we can proceed.

These checks form part of our compliance obligations and are being introduced across many professional service industries. They do not mean that anything is wrong or that you are under suspicion.

AMCP is currently updating our internal procedures and implementing new secure software to make the verification and due diligence process as smooth and practical as possible for our clients.

If your matter requires additional verification, we will let you know what is needed and guide you through the process. If you have any questions about these upcoming changes, please contact our office and we will be happy to assist.

Around the Office

Pickleball Afternoon

At the end of April, the AMCP team headed to Swing & Serve for our quarterly team building event, taking on an afternoon of pickleball competition, laughs, and plenty of team spirit.

We had a fantastic turnout across the business, with members from the Private Wealth, Finance and Accounting teams all joining in on the action. While some participants took the competition very seriously in the pursuit of pickleball glory, others embraced the lighter side of the afternoon, complete with some memorable Pat Cash inspired outfits.

The event was a great opportunity for the wider team to connect outside of the office and enjoy some friendly competition together. As Alex reflected following the event, "It was great to get away from the office and spend time with work friends in such a fun and social environment. The team atmosphere throughout the afternoon was fantastic, and the post-match pizzas were definitely well earned."


David & Peta

Finally congratulations to Michael Gigliotti and Lindsay Roberts , who took out the overall round robin competition title for the afternoon.


Lindsay & Michael

Australia's Biggest Morning Tea

In May, the AMCP team came together at our office to support the Australia's Biggest Morning Tea, raising over $690 for the Cancer Council.

The morning was filled with delicious catering, plenty of conversation, and a fantastic team atmosphere. While the spread was enjoyed by all, the homemade Cinnamon Scroll Cookies quickly became a crowd favourite amongst the team.

We are always grateful for opportunities to support causes that have such a meaningful impact within the community. Unfortunately, cancer is something that touches far too many people and their families. With 1 in 3 cancers preventable through healthy lifestyle changes and early detection, events such as these play an important role in raising both funds and awareness.

A big thank you to everyone who donated and helped make the morning such a success.

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We are here to help

Make use of us! This guide is merely a starting point, designed to help you identify areas that might have a significant impact on your personal and business planning.

We are always pleased to discuss matters with you and advise in any way we can.