

Perspective from...



Igniting the great wealth transfer: What the 2026/2027 Federal Budget could mean for families

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The proposed changes in the Federal Budget to Capital Gains Tax (CGT), negative gearing and the taxation of discretionary trusts may accelerate conversations around Australia’s \$5.4 trillion intergenerational wealth transfer. For many families, this is a timely opportunity to step back and consider what the next 12–24 months may require.

This may include:

- Whether now is the right time to realise, liquidate, restructure, separate or transfer wealth
- How assets are held to support flexibility, succession and asset protection
- Reviewing estate and succession plans
- Ensuring the next generation is prepared for the responsibilities ahead.

Below are five key considerations arising from this year’s Federal Budget announcements.

The 2026/2027 Federal Budget: Five key considerations

Proposal	What this could mean for families
<p>1. All pre-CGT assets become taxable</p> <p>Assets acquired before 20 September 1985 (‘pre-CGT’), which were previously disregarded for CGT purposes, are proposed to become taxable from 1 July 2027, on any gain accrued after that date.</p> <p>Gains accrued on a pre-CGT asset up to 1 July 2027 should remain exempt.</p>	<p>With the narrowing of the pre-CGT exemption, 1 July 2027 might be the time for families to consider whether to realise gains, transfer ownership, or restructure holdings of these assets.</p> <p>This may be particularly relevant where the family is already considering objectives, such as diversification, liquidity, business exit or family succession.</p> <p>Importantly, decisions should align to the family’s Purpose of Wealth and long-term goals.</p> <p>Valuations will be important for pre-CGT assets held at 1 July 2027. Sufficient time should also be allowed if winding up a pre-CGT company or trust.</p>

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<p>2. Removal of the 50% CGT discount on all assets</p> <p>Gains accrued from 1 July 2027 will no longer be eligible for the 50% CGT discount.</p> <p>Instead, the gain will be calculated by indexing the asset’s cost base and then applying a minimum 30% tax rate on the net gain.</p> <p>Gains accrued before this date will remain eligible for the 50% CGT discount. Blended calculations may be required.</p> <p>Gains on new residential real estate will be eligible for a choice between the 50% CGT discount or indexation and the minimum tax.</p> <p>As an alternative to a formal valuation, an apportionment formula (and tools from the ATO) will be available to estimate an asset’s value on 1 July 2027.</p>	<p>Families may wish to obtain valuations as at 1 July 2027. This will be simpler for listed assets, yet more difficult for other assets, such as private companies, businesses, specialised real estate and artwork.</p> <p>Families wishing to liquidate assets in the next 12 months to crystallise the CGT discount, will face a trade-off between paying tax sooner, and the financial or non-financial benefit of reinvesting, diversifying, creating liquidity, gifting the funds, or holding assets in a different structure which better aligns to their needs or succession plans.</p> <p>For some, attractive options may continue to be contributing to superannuation (up to the \$3 million cap) or to a private ancillary fund.</p> <p>At this stage, it’s unclear how the 30% minimum tax payable on capital gains will impact carry forward capital or revenue losses.</p> <p>Other CGT concessions and rollovers are unaffected and remain available to families.</p>
<p>3. Changes to negative gearing</p> <p>From 1 July 2027, negative gearing will be limited to new residential premises.</p> <p>For existing residential properties acquired before 12 May 2026, negative gearing remains unchanged.</p> <p>For existing residential properties acquired after 12 May 2026, negative gearing deductions will be available up to 30 June 2027.</p> <p>After 1 July 2027, rental losses on existing residential properties will be quarantined and carried forward to be offset against future rental income or property capital gains.</p>	<p>Families with concentrated exposure to borrowings and residential property may experience reduced tax efficiency.</p> <p>In our experience, however, many families already hold diversified portfolios. The change may therefore mean a shift between asset classes and how they are financed.</p> <p>Investing via superannuation funds, build-to-rent developments and private investment supporting government housing are not impacted by these changes and remain eligible for negative gearing deductions.</p> <p>Negative gearing remains unchanged for shares and other asset classes.</p>

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<p>4. Minimum 30% tax on discretionary trust distributions</p> <p>From 1 July 2028, distributions of income by a discretionary trust are proposed to be subject to a 30% minimum tax payable by the trustee (unless a higher rate applies), which will give rise to a non-refundable tax credit for the beneficiary (except corporate beneficiaries).</p> <p>Complying superannuation funds, fixed trusts, deceased estates and farming income will be excluded from the rules.</p> <p>Expanded roll-over relief will be available up until 1 July 2030 for small businesses who wish to restructure out of discretionary trusts into another entity, such as a company. It is also proposed that the thresholds for determining a reportable large proprietary company be doubled.</p>	<p>This proposed change could significantly reshape how families hold assets and distribute income.</p> <p>It may also reduce the effectiveness of corporate beneficiaries and result in double taxation.</p> <p>Families may consider corporatising, simplifying existing structures, reviewing Division 7A arrangements and different combinations of entities to hold assets.</p> <p>As always, the right structure will depend on each family's circumstances, balancing tax outcomes with control, flexibility and asset protection.</p> <p>Less apparent – the treatment of refundable franking credits and recoupment of intra-group tax losses – will also need careful consideration.</p>
<p>5. Deceased estates and testamentary trusts</p> <p>While deceased estates are excluded from the 30% minimum tax, the exclusion for discretionary testamentary trusts is limited to income from the assets of discretionary testamentary trusts in existence on 12 May 2026.</p>	<p>Testamentary trusts currently play a vital role in many blended family estate plans, offering asset protection, flexibility and tax advantages.</p> <p>With some of the tax advantages associated with testamentary trusts narrowing under these proposals, families should review how these structures are used in their estate plans and confirm their continued suitability. Dynasty structures may also play a role here.</p>

Other proposed measures

The Budget also includes a range of additional proposed tax changes, including:

- Updates to the concessional FBT treatment of electric vehicles
- Enhanced targeting of the research and development tax incentive
- Making the instant asset write-off for small businesses permanent
- Introducing a \$1,000 instant personal tax deduction
- Bringing back the loss carry-back rules
- Confirming changes to the threshold for the lowest marginal tax rate (i.e. confirming the modest income tax cuts scheduled for 1 July 2026 and 1 July 2027 will go ahead).

All the proposals outlined above have not yet been enacted into law, and no draft legislation has been released at this time. We do not recommend taking any action based solely on this information. Please seek professional advice before making any decisions.

Concluding remarks

The impact of these proposed changes, if they become law, can be managed with the right planning and tailored advice. The key is to review how they will apply to each family's unique circumstances and identify holistic strategies that align with their long-term goals.

For over 100 years, Mutual Trust has guided families through significant legislative and economic changes. By drawing on our in-house, integrated expertise across Tax, Superannuation, Wealth and Family Office Advisory, we can model potential outcomes and support informed-decision making. Please contact your Relationship Manager for a meaningful conversation about how these changes may impact you.

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