

WHAT THE CHANGES MEAN FOR PROPERTY INVESTORS

Negative gearing reform — at a glance

The announced reforms **only target negative gearing on established residential property** and only from **1 July 2027**.

New residential builds, commercial property, and any property under contract before **7:30 PM AEST on 12 May 2026** are **completely unaffected**. Depreciation itself continues to be claimable in every case.

UNAFFECTED — NO CHANGE TO EXISTING TREATMENT

<ul style="list-style-type: none"> ● NEW RESIDENTIAL BUILDS <p>Unaffected</p> <p>Eligible new residential builds continue to access negative gearing and full depreciation under existing rules — no change.</p> <p>No end date</p>	<ul style="list-style-type: none"> ● GRANDFATHERED CONTRACTS <p>Unaffected</p> <p>Any property under contract (entered, even if not yet settled) before 7:30 PM AEST, 12 May 2026 keeps current rules indefinitely — until sold.</p> <p>Pre-12 May 2026</p>	<ul style="list-style-type: none"> ● COMMERCIAL PROPERTY <p>Unaffected</p> <p>Commercial, industrial and other non-residential property is outside the scope of the reform — full negative gearing and depreciation continue.</p> <p>No end date</p>
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ESTABLISHED RESIDENTIAL — NEW PURCHASES AFTER 12 MAY 2026

<ul style="list-style-type: none"> ● PURCHASED 12 MAY 2026 – 30 JUN 2027 <p>Transitional window</p> <p>Negative gearing applies under current rules during this period. From 1 July 2027, losses on this property become quarantined which offset other residential property income, including capital gains.</p> <p>Mid-period purchase</p>	<ul style="list-style-type: none"> ● PURCHASED FROM 1 JUL 2027 <p>Quarantined from day 1</p> <p>Losses can only offset other residential property income, including capital gains. Excess losses carry forward to future years.</p> <p>Post-1 July 2027 purchase</p>
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<p>DEPRECIATION CONTINUES EITHER WAY</p> <p>You still claim Division 40 (plant & equipment) and Division 43 (capital works) on every eligible asset. Section 40-27 limits on second-hand plant in established residential property are unchanged.</p>	<p>LOSSES ARE DEFERRED, NOT LOST</p> <p>Excess losses are quarantined to residential property income — not just the same property — and carry forward indefinitely against future rental income or capital gains on any property sale.</p>	<p>ALSO, OUT OF SCOPE</p> <p>Super funds (including SMSFs) and widely held trusts (e.g. most managed investment trusts) are excluded from the negative gearing changes entirely.</p>
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What counts as an eligible new build? Eligible = construction on vacant land, or demolition replaced by a *greater number* of dwellings. Knock-down rebuilds and renovations that don't increase supply are out.

✓ Eligible new build	✗ Not an eligible new build
A newly constructed apartment bought off-the-plan.	An established property that has recently been extended to add additional bedrooms.
A duplex constructed through a knock-down rebuild replacing a single, free-standing house.	A free-standing house constructed through a knock-down rebuild replacing an older, smaller free-standing house.
Any residential construction on previously vacant land.	A granny flat built adjacent to an established property that is not eligible for negative gearing.
A newly built property which is occupied for less than 12 months before being first sold to an investor.	A newly built property which is occupied for more than 12 months before being sold to a subsequent investor.

✓ **Path A · Commercial / non-residential property** → **Completely unaffected.** Full negative gearing & depreciation continue — reform targets residential housing only.

PATH B · RESIDENTIAL — HOUSES, UNITS, APARTMENTS, TOWNHOUSES, DUPLEXES, GRANNY FLATS

Q1	New build or old (established) property?	
	NEW BUILD →	✓ Unaffected. If eligible per Table p.1 — negative gearing & depreciation continue.
	OLD / ESTABLISHED ↓	Continue to Q2

Q2	Held via super fund (including SMSF) or widely held trust?	
	YES →	✓ Unaffected. Excluded from the reform — current rules continue.
	NO ↓ (individual, partnership, company, family trust)	Continue to Q3

Q3	Contract entered before 7:30 PM AEST, 12 May 2026? (settled or not)	
	YES →	✓ Grandfathered. Existing rules apply indefinitely.
	NO ↓ (individual, partnership, company, family trust)	Continue to Q4

Q4	When does the rental loss arise?	
	≤ 30 JUN 2027 →	✓ Unaffected / Business as usual. Offsets any income.
	≥ 1 JUL 2027 →	⚠ Quarantined. Offsets other residential property income only (rent or capital gains); excess carries forward.

<p>Unaffected / Business as usual — current rules continue (indefinitely for grandfathered/new/excluded; until 30 June 2027 for transitional purchases).</p>	<p>Quarantined — losses only offset other residential property income (rent or capital gains); excess carries forward.</p>
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