

**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**

<p>● <b>NEW RESIDENTIAL BUILDS</b>  <b>Unaffected</b></p> <p>Eligible new residential builds continue to access negative gearing and full depreciation under existing rules — no change.</p> <p><b>No end date</b></p>	<p>● <b>GRANDFATHERED CONTRACTS</b>  <b>Unaffected</b></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><b>Pre-12 May 2026</b></p>	<p>● <b>COMMERCIAL PROPERTY</b>  <b>Unaffected</b></p> <p>Commercial, industrial and other non-residential property is outside the scope of the reform — full negative gearing and depreciation continue.</p> <p><b>No end date</b></p>
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**ESTABLISHED RESIDENTIAL — NEW PURCHASES AFTER 12 MAY 2026**

<p>● <b>PURCHASED 12 MAY 2026 – 30 JUN 2027</b>  <b>Transitional window</b></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><b>Mid-period purchase</b></p>	<p>● <b>PURCHASED FROM 1 JUL 2027</b>  <b>Quarantined from day 1</b></p> <p>Losses can only offset <b>other residential property income, including capital gains</b>. Excess losses carry forward to future years.</p> <p><b>Post-1 July 2027 purchase</b></p>
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<p><b>DEPRECIATION CONTINUES EITHER WAY</b></p> <p>You still claim Division 40 (plant &amp; 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><b>LOSSES ARE DEFERRED, NOT LOST</b></p> <p>Excess losses are quarantined to <b>residential property income</b> — not just the same property — and <b>carry forward indefinitely</b> against future rental income or capital gains on any property sale.</p>	<p><b>ALSO, OUT OF SCOPE</b></p> <p><b>Super funds (including SMSFs) and widely held trusts</b> (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.

*General information only. This fact sheet summarises the announced reforms as at the issue date and does not constitute tax, financial or legal advice. Final legislation and rulings may differ. Please consult your accountant or financial adviser before acting on the information here.*

✓ 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.

## DOES THE REFORM APPLY TO MY PROPERTY?

Follow the residential decision flow below. **Commercial property** (and any property held in a super fund or widely held trust) is excluded from these changes entirely — see banner.

✓ **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

<b>Q1</b>	New build or old (established) property?	
	NEW BUILD →	✓ <b>Unaffected.</b> If eligible per Table p.1 — negative gearing & depreciation continue.
	OLD / ESTABLISHED ↓	Continue to Q2
<b>Q2</b>	Held via super fund (including SMSF) or widely held trust?	
	YES →	✓ <b>Unaffected.</b> 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 →	✓ <b>Grandfathered</b> . Existing rules apply indefinitely.
	NO ↓	Continue to Q4

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

**Unaffected / Business as usual** — current rules continue (indefinitely for grandfathered/new/excluded; until 30 June 2027 for transitional purchases).

**Quarantined** — losses only offset other residential property income (rent or capital gains); excess carries forward.