



FACT SHEET

Budget 2026–27: Negative gearing changes

Main points

- Restrictions target purchases of established dwellings.
- New builds will keep existing concessional treatment.
- Negative gearing is not being “abolished”. The change is about where losses can be used.
- From 1 July 2027, for qualifying established residential investment property bought after the relevant cut off, rental losses are expected to be quarantined. That means losses generally can’t be used to reduce tax on salary/wages the way they can today.
- Instead, losses may generally be used against future rental income, or future capital gains from residential property, with unused losses carried forward.

Key dates:

Date	What it means
12 May 2026 – 7:30pm AEST	Federal Budget announcement (cut off time referenced for transition / grandfathering)
Before 7:30pm AEST on 12 May 2026	Existing holdings and pre cut off contracts are generally expected to remain under current arrangements
1 July 2027	New negative gearing framework commences

What is negative gearing?

Negative gearing is when a rental property makes a loss (after interest and expenses) and the investor uses that loss to reduce tax on other income.

Many investors currently use rental losses to offset salary and wages, business income and/or other taxable income.



What exactly has changed?

The Budget announced changes that restrict negative gearing for qualifying established residential investment property purchased after the relevant cut off.

Under the current system, investors are generally able to deduct rental property losses against salary and wages or other taxable income. Under the new framework commencing from 1 July 2027, investors purchasing qualifying established residential investment properties after the relevant commencement and transition dates will generally no longer be able to use rental losses in the same way.

The Budget papers state:

"Losses from eligible established residential investment properties will no longer be able to be offset against salary or wage income in the same way as the current system." – Budget Paper No. 2

The Budget papers also state:

"Those losses will instead generally only be deductible against future residential rental income or future capital gains from residential property." – Budget Paper No. 2

In simple terms, losses are expected to become quarantined. Rather than reducing tax on salary and wages today, losses may instead only be used later against future rental income or future residential property capital gains.

Unused losses are generally expected to be carried forward rather than lost.

The Budget papers also state:

"Any excess losses will be carried forward." – Budget Paper No. 2

The reforms mainly target existing residential housing stock including:

- existing houses
- existing apartments
- existing townhouses
- existing units

New residential builds are expected to continue receiving concessional treatment.

When do the changes start?

The key commencement date is 1 July 2027. The changes do not start immediately.



What is the cut off date and why does it matter?

The Budget announcement time referenced in the measures is 12 May 2026 at 7:30pm AEST.

The cut off matters because transition and grandfathering arrangements are expected to depend on whether:

- the property was already owned before Budget night
- the contract was signed before or after the cut off time

Contract date vs settlement date

Based on the Budget measures and post Budget guidance, contract dates appear to matter more than settlement dates.

This means two properties could settle on the same day, but potentially receive different tax treatment depending on when the contracts were signed.

Which properties are affected?

The reforms mainly apply to established (existing) residential dwellings.

This includes:

- existing houses
- existing apartments
- existing townhouses
- existing units

So basically previously occupied residential dwellings.

Which properties keep concessional treatment?

The Budget measures indicate newly built residential properties continue receiving concessional treatment.

This includes:

- newly constructed homes
- off the plan apartments and townhouses

The Budget papers state:

"Investors in newly built housing will continue receiving existing concessional treatment." —

Treasury post-Budget guidance

Translation: the policy is designed to push investor demand toward new supply rather than existing stock.



If an investor buys an established property after the reforms start, what happens to the rental loss?

For qualifying established dwellings, the loss generally cannot be used to reduce tax on salary/wages.

The loss may instead be used against future rental income or future residential property capital gains, with unused losses expected to be carried forward.

Does this affect existing investors?

Based on the Budget measures and post Budget guidance, investors who already owned residential investment property before Budget night are generally expected to remain under the current negative gearing framework.

The Budget papers state:

"Properties acquired prior to the Budget announcement will remain under existing arrangements." – Treasury post-Budget guidance

Contracts signed before 7:30pm AEST on 12 May 2026 are generally expected to remain under the existing system, even if settlement occurs later.

Basically, many existing investors are expected to keep current negative gearing treatment.

What about SMSFs and superannuation structures?

One of the emerging discussion points following the Budget announcement is how the proposed changes may apply across different ownership structures.

The Budget measures primarily focus on established residential investment property held by individual investors. Post Budget industry commentary and expert analysis have suggested that some superannuation structures, including self-managed super funds (SMSFs) and widely held superannuation funds, may potentially sit outside parts of the proposed negative gearing restrictions.

This is important because it highlights that the changes are more targeted than some early headlines suggested. Rather than “negative gearing ending”, the measures appear more focused on where and how losses can be used, and which property and ownership structures are affected.



If confirmed under final legislation, this may influence future investor behaviour including:

- greater enquiry around SMSF investment structures
- stronger focus on acquisition structures and ownership decisions
- ongoing investor demand through superannuation structures
- potential flow on effects to commercial property investment activity

Final treatment will depend on legislation and detailed Treasury and Australian Taxation Office guidance.

Does this affect the family home (owner occupier)?

No direct changes were announced to owner occupier homes.

These measures relate to residential investment property settings.

What does “losses carried forward” mean?

If a loss cannot be used this year, it is expected to be stored and potentially used later against:

- future rental income or profits
- future residential property capital gains

The Budget papers state:

“Unused losses may be carried forward and applied against future eligible income or gains.” – Treasury / explanatory guidance

This means losses are expected to be preserved rather than lost.

WORKED EXAMPLES

Example 1: Existing investor (grandfathered)

Scenario: An investor purchased an existing apartment in 2021 and signed the contract before Budget night. The property currently makes a \$10,000 rental loss each year and the investor plans to continue holding the property after 1 July 2027.

New rules: Because the property was purchased before the Budget announcement, it is generally expected to remain under the current negative gearing system through grandfathering arrangements. This means the investor is expected to continue offsetting the \$10,000 rental loss against salary and wage income under the existing rules.



Example 2: Established dwelling purchased after reforms commence

Scenario: An investor signs a contract on 15 August 2027 to purchase an existing house. In the first year, the property earns \$35,000 in rent and has \$50,000 in interest and expenses, creating a \$15,000 rental loss.

New rules: Under the new framework, the \$15,000 rental loss is generally no longer expected to reduce salary or wage income for tax purposes. Instead, the loss is expected to be carried forward and may later be used against future rental income or profits, or future capital gains from residential property.

Example 3: Carried forward losses used later

Scenario: An investor purchases an established residential investment property after 1 July 2027. In the first three years, the property records rental losses totalling \$30,000.

New rules: Part of the carried forward loss may potentially offset future rental profit, with the remaining balance potentially used later against future residential property capital gains.

Example 4: New build purchase

Scenario: An investor purchases an off the plan apartment after the reforms commence.

New rules: Because the property qualifies as a new residential build, it is expected to continue receiving concessional treatment.

Important reminder / disclaimer

This fact sheet is a high level summary of Federal Budget measures, official Government material and post Budget guidance only. The proposed changes remain subject to legislation, final implementation detail and future Australian Taxation Office guidance.

Information contained within this document has been prepared using a combination of Federal Budget documents, Treasury material and post Budget commentary available at the time of writing.

Everyone should seek independent accounting, financial, legal and taxation advice before making investment or taxation decisions.

Sources

Federal Budget and Government sources

- Federal Budget 2026–27, Budget Paper No. 2 – Tax Reform Measures
- Federal Budget 2026–27, Budget Paper No. 2 – Housing and Property Measures
- Federal Budget 2026–27 – Budget Overview
- Treasury portfolio material and post-Budget guidance
- Treasury explanatory and implementation material
- Australian Taxation Office guidance material (where applicable)