



BEAUMONT
P R O P E R T Y

2026-2027 FEDERAL BUDGET

Commercial and Industrial Property Insights

A practical overview of the proposed reforms impacting investors, business owners and commercial property structures.

While much of the Budget discussion has focused on residential property, several of the proposed reforms carry important implications for commercial and industrial property owners.

KEY TAKEAWAYS



Commercial property remains exempt from the proposed negative gearing restrictions.



Discretionary trust structures face increased tax pressure from 2028.



SMSF structures remain comparatively attractive under the proposed framework.

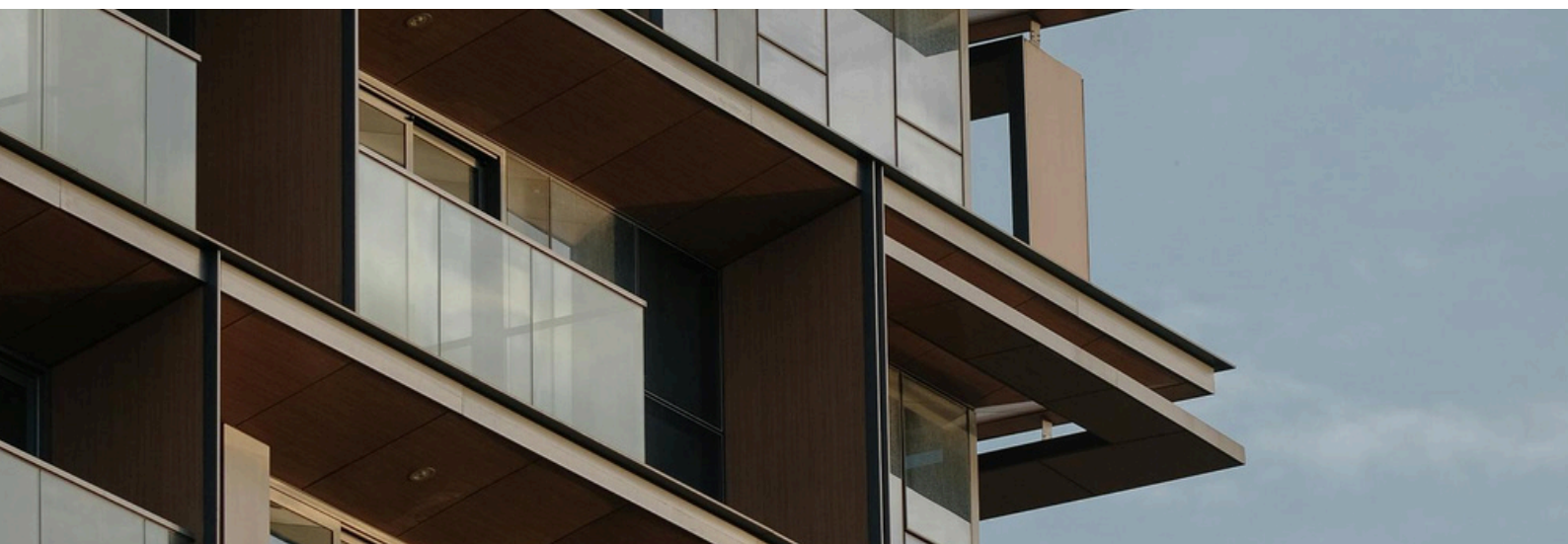


Capital gains tax rules are expected to change from 1 July 2027.



Existing assets may require formal valuations ahead of the transition.

The interaction between ownership structures, CGT reform and trust taxation will likely become one of the key strategic considerations for commercial property investors over the next several years.





WHAT IS CHANGING AND WHAT ISN'T

UNCHANGED

- Commercial property excluded from negative gearing restrictions
- Existing deductibility of commercial property expenses
- SMSF concessional treatment remains in place
- Small business CGT concessions retained
- Commercial property remains outside residential investor reforms

CHANGING

- 50% CGT discount proposed to be replaced from 1 July 2027
- New indexation-based CGT framework
- Minimum 30% tax proposed for discretionary trust distributions
- Pre-CGT asset exemption effectively ends from 1 July 2027
- Transitional restructuring window for trusts introduced

For many investors, the biggest impact may not come from property-specific changes, but from how assets are owned and structured moving forward.

COMMERCIAL PROPERTY EXEMPTION

Despite the broader discussion around property tax reform, the proposed negative gearing restrictions are aimed specifically at established residential property and do not extend to commercial or industrial assets.

Owners of commercial property can continue to claim eligible deductions against other income under the existing framework.



Offices and Commercial Suites



Retail Premises



Industrial Warehouses and Factories



Mixed-Use Commercial Assets

The Government's stated focus is increasing residential housing supply, rather than restricting investment activity across the wider commercial property sector.

What This Could Mean

- Existing commercial property tax treatment remains unchanged
- Commercial assets may attract increased investor attention
- Some investors may shift capital away from residential property
- Demand for stable income-producing assets could strengthen

The exclusion of commercial property from the negative gearing reforms is widely viewed as a deliberate distinction between residential housing policy and broader investment activity.

CAPITAL GAINS TAX CHANGES FROM 1 JULY 2027

The proposed changes to capital gains tax are likely to be one of the most significant Budget measures affecting commercial property owners, particularly those holding long-term assets.

Under the current system, individuals and trusts generally receive a 50% capital gains tax discount on assets held longer than 12 months.

From 1 July 2027, the proposed framework replaces that discount with an inflation-based indexation model.

Under the proposed changes:

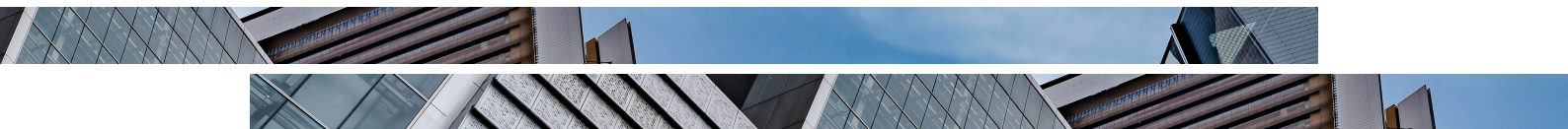
- Asset cost bases will be indexed using CPI
- Tax will apply to gains above inflation
- A minimum 30% tax rate will apply to capital gains from that date

WHY THIS MATTERS FOR COMMERCIAL PROPERTY

Commercial and industrial assets are often:

- Held over extended periods
- Purchased at lower historical values
- Subject to significant long-term capital growth

As a result, the proposed reforms may have a greater impact on commercial property investors than many initial headlines suggested.



For owners considering a future sale, modelling the difference between selling before or after 1 July 2027 may become an important planning consideration.

TRANSITIONAL RULES WILL MATTER

For assets purchased before 1 July 2027, the proposed reforms include transitional provisions that effectively split future capital gains into two separate periods.

Under the proposed framework:

- Capital growth accrued before 1 July 2027 will generally retain access to the existing CGT discount rules
- Growth occurring after 1 July 2027 will fall under the new indexation-based regime

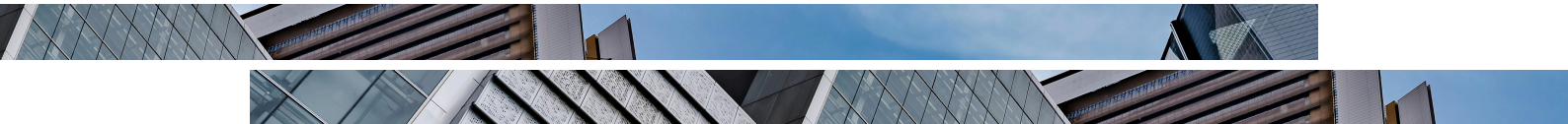
This means the value of a property at 1 July 2027 may become a critical reference point for future tax calculations.

WHY VALUATIONS BECOME IMPORTANT

Formal valuations may play an important role in:

- Establishing transitional cost bases
- Supporting future CGT calculations
- Preserving pre-reform capital growth
- Reducing future disputes or uncertainty

For owners of significant commercial or industrial assets, obtaining updated valuations before the transition date may become an important planning step.



The interaction between historical growth, inflation and future disposal timing is likely to create very different outcomes across different property types and ownership structures.

PRE-CGT ASSETS LOSE FULL EXEMPTION

Commercial and industrial properties acquired before 20 September 1985 have historically been fully exempt from capital gains tax. That position is proposed to change from 1 July 2027.

From 1 July 2027:

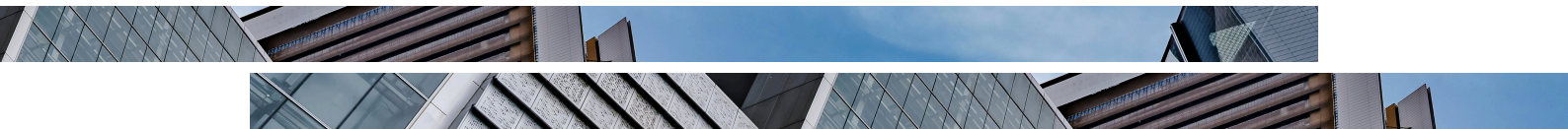
- The market value of the asset at that date becomes the new cost base
- Capital growth before that date remains exempt
- Future growth after that date becomes taxable under the new CGT rules

This effectively resets the tax treatment of long-held pre-CGT commercial assets, while preserving historical gains.

WHY THIS MATTERS

This change is particularly relevant for:

- Family businesses holding legacy commercial sites
- Long-term industrial land holdings
- Farming families with commercial or mixed-use assets
- Estates holding pre-CGT property structures



While historic gains remain protected, future growth will now be brought into the tax system from 1 July 2027 onward, making valuation and timing considerations more important than ever.

DISCRETIONARY TRUSTS FACE STRUCTURAL CHANGE

One of the more significant structural changes in the Budget relates to how discretionary trusts will be taxed from 1 July 2028.

From this date, a minimum 30% tax rate is proposed to apply to income distributed from discretionary trusts.

In practical terms, this affects how income flowing from commercial property holdings is taxed at the beneficiary level.

Key implications include:

- Reduced effectiveness of income distribution strategies
- Lower tax benefit from distributing to lower-rate beneficiaries
- Increased baseline tax on trust distributions


In principle, this would also seem to capture discretionary testamentary trusts. However, strong opposition to a so-called “death tax” may result in an exclusion for such trusts.

BUCKET COMPANY ARRANGEMENTS

Many structures currently rely on distributing trust income to a corporate beneficiary to manage tax outcomes.

Under the proposed framework:

- Corporate beneficiaries may not receive credits for trust-level tax paid
- This may reduce or eliminate the effectiveness of “bucket company” strategies
- Some structures may experience additional layers of taxation



For commercial property owners using discretionary trusts, the structure itself becomes as important as the asset it holds.

COMPANY STRUCTURES VS SMSFs

While several reforms increase pressure on discretionary trust structures, company ownership and SMSFs remain important comparison points for commercial property investors.

COMPANIES

Companies continue to be taxed on the full nominal capital gain, without access to indexation or historical CGT discounts.

However:

- The relative tax gap between company and individual ownership narrows under the new CGT system
- Company structures may become more competitive in certain scenarios
- Retained earnings treatment remains a key advantage for some investors

VS

SMSFs

Self managed super funds continue to operate under existing concessional tax settings.

Key benefits remain:

- 15% tax on rental income
- Effective lower CGT outcomes for long held assets
- No impact from negative gearing changes

Why This Matters

As the broader tax environment shifts, SMSFs may become comparatively more attractive for eligible commercial property holdings, particularly where assets are held for retirement planning purposes.

While no structure is universally optimal, the relative advantages between entities are shifting and may require review for long held property portfolios.

BUSINESS TAX MEASURES THAT MAY SUPPORT PROPERTY OWNERS

Alongside the property specific reforms, the Budget includes several measures aimed at supporting small and medium businesses, including many owner occupiers of commercial property.

Instant Asset Write Off

The \$20,000 instant asset write off is proposed to become permanent for eligible businesses under \$10 million turnover.

This may support investment in:

- Office and warehouse fit outs
- Equipment and technology upgrades
- Smaller capital improvements

Loss Carry Back

Companies may be able to carry current year tax losses back against previously paid tax, creating potential cash refunds in loss years.

Compliance Threshold Changes

Higher thresholds for large proprietary companies may reduce audit and reporting obligations for some private groups.

WHY THIS MATTERS

For owner occupiers, these measures improve cash flow flexibility and provide greater certainty around investment planning within commercial premises.

While not property specific, these measures may improve the operating environment for businesses occupying commercial and industrial assets.

KEY DATES

The timing of these reforms is just as important as the changes themselves. Several measures phase in over multiple years, creating distinct planning windows for property owners.

1 July 2026

Instant asset write off becomes permanent for eligible businesses.

1 July 2027

- CGT discount replaced with indexation system
- Transitional CGT treatment begins for existing assets
- Pre-CGT exemption effectively ends
- Trust restructuring rollover relief window opens

1 July 2028

30% minimum tax on discretionary trust distributions commences.

1 July 2030

Trust restructuring rollover relief period ends.

WHY THIS MATTERS

These staggered start dates create a limited window for planning decisions, particularly around asset sales, valuations and ownership restructuring.

For many investors, the period between now and 1 July 2027 is likely to be the most important decision window under these reforms.

WHERE OWNERS SHOULD FOCUS NOW

While much of the Budget is forward looking, there are practical steps commercial property owners can take now to prepare for the changes ahead.

Near Term

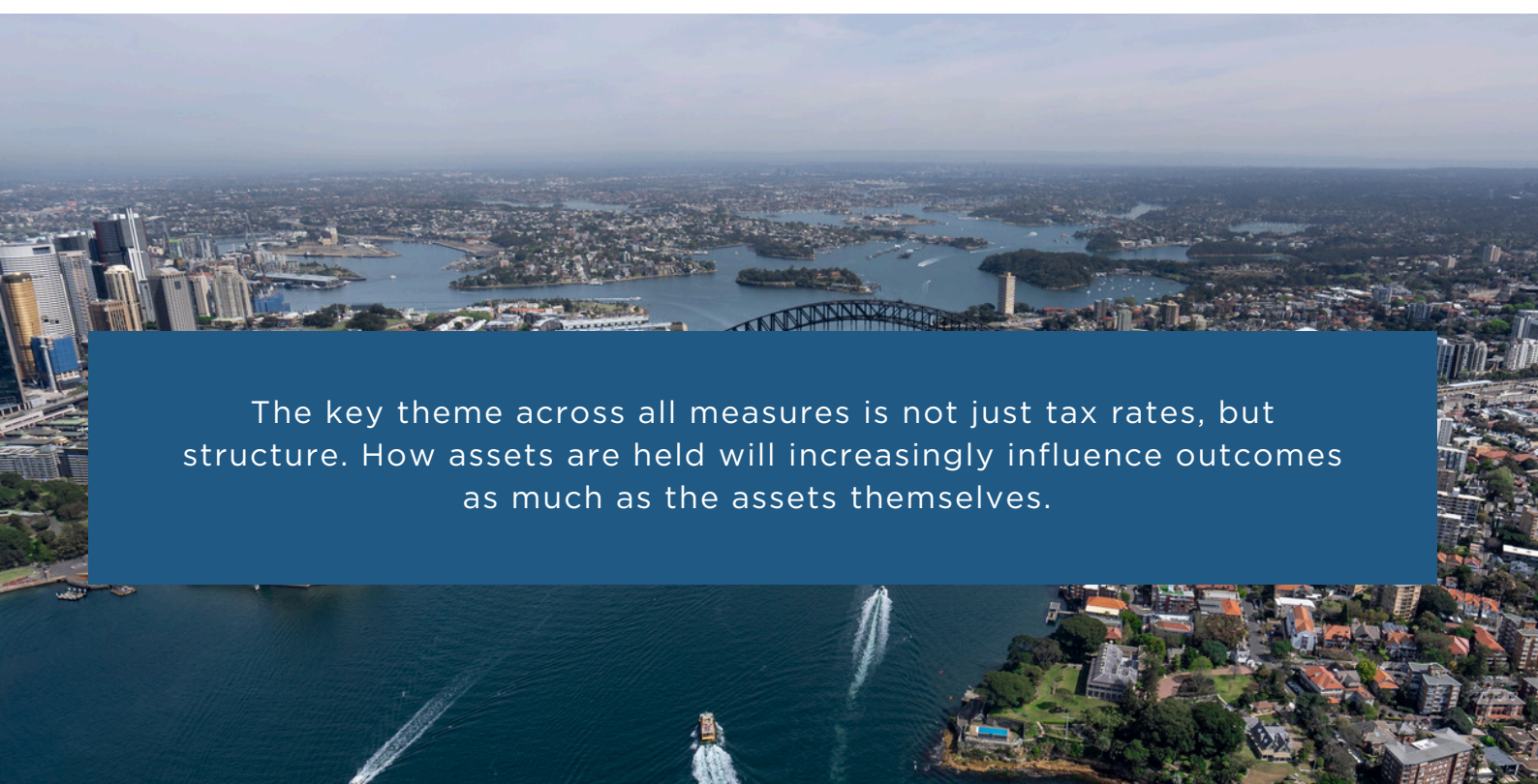
- Review current property holdings and ownership structures
- Identify assets that may be impacted by CGT or trust changes
- Consider whether any planned disposals should be reviewed in light of the 2027 transition

Medium Term

- Obtain formal valuations for significant commercial and industrial properties
- Particularly important for long held assets and any pre-CGT holdings
- Begin modelling outcomes under both current and proposed CGT rules

Structural Review

- Assess discretionary trust arrangements and distribution strategies
- Review any reliance on bucket company structures
- Consider whether the 2027 to 2030 rollover window may be relevant



The key theme across all measures is not just tax rates, but structure. How assets are held will increasingly influence outcomes as much as the assets themselves.

NEXT STEPS

These changes are still in proposed form and will be subject to the release of draft legislation and parliamentary approval. The Prime Minister has announced that changes will be released in tranches, which could mean some aspects of the reform (e.g. taxation of trusts) could be deferred.

However, the direction of reform is clear enough that early planning may be beneficial for many commercial property owners.

Given the interaction between capital gains tax changes, trust taxation and ownership structures, the impact will vary significantly depending on individual circumstances.

For some owners, the changes will be minor. For others, particularly those with long held assets or complex structures, the implications may be more material.

If you would like to understand how these proposed changes may affect your commercial or industrial property portfolio, please contact your accountant or our team to discuss your specific position.



This presentation contains general information only and does not constitute tax, financial or legal advice. The measures discussed are based on announcements made in the 2026–27 Federal Budget and may change as legislation is introduced, amended and finalised. The information presented reflects our interpretation of the announcements and publicly available information as at 22 May 2026. Readers should seek professional advice before making any financial or business decisions based on this information.

WANT TO KNOW HOW BEAUMONT PROPERTY CAN HELP YOU?

BEAUMONT P R O P E R T Y

Our team is available to discuss how proposed changes may affect your property holdings, structures, and long-term goals.

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