

CGT changes and what they mean for you

3AW Interview

Melbourne Partner Daniel Burt joined 3AW this week to provide insights into the Federal Budget 2026–27.

Ross Stevenson Um, we need a capital gains tax explainer. I've been paying appropriate attention. Um, but it seems to be gaining some traction as a lot of people seem to be unhappy about it. Uh, Daniel Burt, Tax Partner at Pitcher Partners. Can you explain capital gains tax like we're twelve?

Daniel Burt Good morning Ross. Good morning Russell. Yeah. Um great to be here again. Um yeah. Happy to give you the one on one on capital gains tax. So, largely capital gains tax is taxing the growth in value of an asset from the cost that you originally pay to acquire that asset all the way through to what you receive when you sell the asset, when you've sold it in the future. So, it's taxing the economic gain from when you bought it to when you've disposed of it. Now, since 1999, our taxpayers have had a 50% capital gains tax discount. So, where you've held that asset for more than 12 months, half of that capital gain is automatically disregarded, and you pay tax on half of that capital gain. And, so, that's where the budget announcements from last week have had a substantial change for what has been in place for the last 26 years.

Ross Stevenson Right. So that's any, any asset owned by any Australian that appreciates in value. The tax is doubled.

Daniel Burt Well, that's correct. The new regime is bringing in indexation to replace this 50% discount, but indexation the way that the proposal for indexation is to work is that what you have paid to acquire your asset that will then be indexed annually based on inflation, does it? So there's going to be material differences between the application of the CGT 50% discount, which is applied for the last 26 years compared to the outcome under indexation.

Ross Stevenson Okay. So how does it work? If Barbara buys a hairdressing business, works it very successfully, grows it in value, pays income tax on all the income she earns as a hairdresser. If she then sells that business at a profit, is that subject to capital gains tax?

Daniel Burt That is correct, yes. So in that situation, Barbara may be up for up to 47% tax on the gain that she has made 47%, yeah. So that is the top marginal tax rate for individuals. So under the previous rule, uh Barbara would have been up for 23.5% tax rate, which is the top rate of 47%, less than 50%. So that's where the uproar has been since budget night that private businesses in particular, who may have found a business, you know, many, many years ago who have put blood, sweat and tears into their business. And when they do sell, they may be for up to 47%.

Russel Howcroft So, Daniel, let's go to the young. Yeah. Well, precisely. Let's go to the younger generation. There appears to be an argument, well, that younger people are in fact using the stock market in order to try and find a way to get to that house deposit. So again, any gains made there are going to be taxed in a different way now.

Daniel Burt That's correct. Russell. Yes. So whilst going into the budget, the government's focus was on intergenerational equity as well as, you know, housing affordability. These proposed changes apply to all capital assets, whether they be property shares in a private business or any other investment. So young people in particular who are looking to save for a house by having a share portfolio, um, they will be impacted by these rules.

Russel Howcroft MM.

Ross Stevenson So they bought the shares to try to buy their first home.

Russel Howcroft Yeah.



Daniel Burt That's, that's right. So they, they may have been banking on it, you know, up to a 23.5% tax rate when they sold their shares to fund their deposit. Um, going forward after 1 July 2027. Um they may be up, they will be up for a significantly higher tax rate, which will be subject to, you know, inflation.

Ross Stevenson Do you think people who do you think people are sufficiently aware of this Daniel.

Daniel Burt I think people were expecting changes to capital gains tax for for property. That was certainly the government's focus going into the budget. Um, but the proposed measures applying to all assets, I think it's caught some people by surprise, but particularly private businesses who put years of blood, sweat and tears into growing their business. And if they sell. And we all hope that all small businesses who are the backbone of the economy can can sell their business for a profit. If the government is taking 47 cents in the dollar. That's where the uproar has been over, particularly in the last couple of days.

Ross Stevenson Okay. So if Mum and Dad have worked really hard and they have an investment property which they leave to their children in their will. Well, that's why it's effectively a death tax.

Daniel Burt Ah, yes, the death tax that has been made that's made the news the last couple of days is focusing on testamentary trusts. And so testamentary trusts are a trust that is sort of created upon the passing of an individual. And so those trusts are also subject to these new trust measures where there's going to be a minimum 30% tax imposed on all income. So um there's been some talk about death tax, but it is going to be a tax on the income derived from those estates, not on the capital, the value of the assets themselves.

Ross Stevenson It's a good thing that governments spend that money so wisely to.

Russel Howcroft Said Kerry Packer.

Ross Stevenson Yeah. Daniel, thank you very much. Daniel Burt, Tax Partner at Pitcher Partners.