

The Budget introduced major CGT reforms from 1 July 2027, replacing the 50% CGT discount with cost base indexation and a 30% minimum tax on capital gains, while largely exempting super funds and widely held trusts. It also expanded venture capital tax incentives.

CGT reform

The broader reform to the capital gains tax rules will be a significant change to how the funds management industry. The key changes relate to the operation of the CGT discount and an introduction of a minimum tax on gains:

- From 1 July 2027:
 - the 50 percent CGT discount will be replaced by cost base indexation for assets held for more than 12 months
 - A 30 percent minimum tax will apply on net capital gains except for investors who receive income support payments such as the pension.
- These changes will apply to all CGT assets, including pre-1985 CGT assets
- The 50 percent discount and pre-CGT asset exemption will continue to apply to gains arising before 1 July 2027
- Investors in new residential property will be able to choose either the 50 percent CGT discount or cost base indexation and the minimum tax.

These changes will not impact investments made by companies SMSFs and large superannuation funds.

Other tax changes

The Funds management industry will be excluded from most of the other tax reform changes announced including:

- Exemptions from the negative-gearing changes for superannuation funds, widely held trusts and build-to-rent projects
- Exemptions from the minimum tax on trusts for fixed and widely held trusts.

Expanding venture capital tax incentives

Changes to the eligibility rules for Early Stage Venture Capital Limited Partnerships (ESVCLP) and Venture Capital Limited Partnerships (VCLP):

- Increased asset investment threshold for:
 - VCLP up to \$480m and
 - ESVCLP \$80m for early-stage venture capital limited partnerships (ESVCLP).
- An increase in the ESVCLP tax-exempt value cap to \$420m.

ASIC Funding for MIS supervision

- \$17.8m of additional funding to strengthen governance requirements, supervision and enforcement in relation to managed investment schemes (MIS) in response to recent MIS failures.

We score it: **2/5**



Could have been worse



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