2026 Federal Budget CGT changes

The valuation imperative

Why the 30 June 2027 market value matters for business owners, trustees and their tax advisers

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peloton CORPORATE VALUATIONS + ADVISORY

Valuations + Advisory

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Executive summary

From 1 July 2027, the 50% CGT discount for individuals and trusts is replaced by cost base indexation and a 30% minimum tax on capital gains. Assets held at 30 June 2027 are deemed to be sold and reacquired at market value, unless the owner relies on a prescribed apportionment formula.

- **The law is enacted.** The Treasury Laws Amendment (Tax Reform No. 1) Bill 2026 passed both Houses on 25 June 2026.
- **30 June 2027 is the dividing line.** Market value at that date separates gains taxed under the old discount regime from gains taxed under the new regime.
- **Private businesses are exposed.** Most value sits in goodwill and other intangibles with no observable market price. The apportionment formula fails for assets with a nil or nominal cost base, such as self-generated goodwill.
- **Trusts face a second deadline.** A 30% minimum tax on discretionary trusts starts on 1 July 2028. A three-year rollover window lets trusts restructure into companies or fixed trusts.
- **Capacity is the constraint.** Demand for defensible business and equity valuations will concentrate around 30 June 2027. Specialist valuation capacity in Australia is small relative to that demand.

1 July 2027

50% CGT discount replaced by cost base indexation and a 30% minimum tax on gains

30 June 2027

Deemed disposal and reacquisition at market value sets the new cost base

1 July 2028

30% minimum tax on discretionary trust taxable income starts

3 years

Rollover window, 1 July 2027 to 30 June 2030, for trusts restructuring into companies or fixed trusts

Three options for affected owners

Do nothing and effectively surrender the existing cost base; rely on the yet to be finalised ATO safe harbour; or obtain a valuation that complies with the ATO Market Valuation Guidelines.

Tax advisers should sequence clients. Trust to company restructures come first. Owners expecting a sale within 12 to 24 months come next. Everyone else should assemble a secure "time capsule" of 30 June 2027 evidence.

The 2026 Federal Budget CGT measures

The 2026-27 Federal Budget was delivered on 12 May 2026. Its CGT measures are now largely law, with technical detail still being legislated.

Measure	Start date	Status (as at October 2026)
50% CGT discount replaced by CPI indexation of the cost base for individuals and trusts (assets held 12 months or more)	**1 July 2027**	Enacted (Tax Reform No. 1, passed 25 June 2026)
30% minimum tax on post-1 July 2027 capital gains	**1 July 2027**	Enacted
Deemed disposal and reacquisition of assets held at 30 June 2027, at market value or under an apportionment method	**30 June / 1 July 2027**	Enacted; apportionment determination released as an exposure draft
Pre-CGT assets (acquired before 20 September 1985) brought into the CGT regime at 1 July 2027 market value	**1 July 2027**	Enacted
Small business 50% active asset reduction: turnover threshold raised from $2m to $10m	**1 July 2027**	Enacted (Senate amendment)
Tranche 2: apportionment, part-year residents, trusts, new dwellings	**1 July 2027**	Tax Reform No. 3 exposure draft; consultation closed 21 August 2026
30% minimum tax on discretionary trust taxable income	**1 July 2028**	Exposure draft; consultation closed 18 September 2026
Temporary income tax and CGT rollover for discretionary trusts restructuring into companies or fixed trusts	**1 July 2027 to 30 June 2030**	Exposure draft; stamp duty not covered

Two clarifications matter for client communications



Small business CGT concessions are retained

The measure removes the general 50% discount, not the small business concessions (K&L Gates).



Gains accrued to 30 June 2027 keep the 50% discount

Only growth after that date is taxed under indexation and the minimum tax (PwC).

Why a CGT cost base valuation is required

The market value at 30 June 2027 sets the new cost base. Every dollar of growth allocated to the period before that date keeps the 50% discount. Every dollar allocated after it attracts indexation only and may attract the 30% minimum tax.

The legislative choice

Owners may use market value or a prescribed apportionment method. The choice is not required until the tax return for the year of actual disposal (PwC). The choice between the safe harbour and a valuation can therefore be deferred. The "do nothing" option cannot be reversed later without evidence.

EVERY OWNER OF AN AFFECTED ASSET HAS THREE OPTIONS

Do nothing

WHAT IT INVOLVES

No valuation and no contemporaneous evidence at 30 June 2027.

CONSEQUENCE

The owner effectively surrenders the benefit of the existing cost base and the discounted pre-reform gain. Growth accrued before 1 July 2027 may be taxed under the new regime, and nil cost base assets cannot be apportioned at all.

Use the ATO safe harbour

WHAT IT INVOLVES

The prescribed apportionment method, still in exposure draft; ATO tools not yet released.

CONSEQUENCE

Low cost, but assumes steady growth and uses only the first element of the cost base, so it may misallocate gain.

Undertake a valuation

WHAT IT INVOLVES

A market valuation at 30 June 2027 prepared in accordance with the ATO Market valuation for tax purposes guidelines.

CONSEQUENCE

Highest evidential weight on ATO review. Preserves the full discounted gain to 30 June 2027.

Where the apportionment formula fails SMEs

The draft formula assumes steady compounding growth across the whole holding period. The Tax Institute notes that it uses only the first element of the cost base, and that for nil or nominal cost base assets:

"Step 2 requires division by nil and the method cannot be applied."

The Tax Institute, Tranche 2 submission, 21 August 2026

Self-generated goodwill, founder shares and units in a trading trust are typical examples. For private businesses, most value sits in goodwill and other intangibles that have no observable market price.

Retrospective valuations remain available

Because the choice of method is made only in the disposal year, a valuation can be prepared later. However, retrospective valuations rely on evidence that is harder to verify years later (PKF). Contemporaneous evidence is the safeguard.

Assets most likely to need a formal valuation

- Shares in private companies and units in unit trusts
- Interests in discretionary trusts that carry on a business
- Business goodwill, client lists, IP and other intangibles
- Pre-CGT assets, which take a 1 July 2027 market value cost base
- Assets whose growth has been uneven, particularly where most growth occurred before 1 July 2027 (IPA)

Trust to company restructures

The rollover defers income tax and CGT, but it does not remove the need for value evidence. A business and equity valuation will typically be needed to:

1. **Establish the 30 June 2027 market value of the trust's assets** which carries into the company.
2. **Set the share consideration** and the relative interests of beneficiaries in the new company.
3. **Support state stamp duty assessments** which the federal rollover does not cover (Pitcher Partners).
4. **Evidence arm's length dealings** for related party transfers and any later ATO review.

350,000

small businesses are estimated to use discretionary trusts

840,000

discretionary trusts nationally (ACM report, 3 September 2026)

Not all will restructure.

The Treasurer has also announced an alternative fixed distribution option for trusts that wish to avoid the minimum tax. Either path turns on a defensible 30 June 2027 value.

Prioritisation for tax advisers

Triage clients by how soon a valuation will be tested, not by client size.

01

First

Owners restructuring from a discretionary trust to a company or fixed trust

WHY

Rollover window opens 1 July 2027; trust minimum tax starts 1 July 2028. Share allocation and stamp duty depend on value.

VALUATION TIMING

Valuation at 30 June 2027, completed before the restructure is executed

02

Second

Owners expecting to sell their interest within 12 to 24 months

WHY

A sale crystallises the choice between market value and apportionment. The gain split must be defended immediately.

VALUATION TIMING

Valuation at 30 June 2027, completed before sale negotiations conclude

03

Third

Owners of pre-CGT assets which ATO characterises as 'high risk' in its review criteria

WHY

Cost base resets to market value. Apportionment may misallocate gain.

VALUATION TIMING

Valuation during FY28 where capacity allows

04

Fourth

All other owners with no expected transaction

WHY

No immediate tax event. The choice can be deferred to the disposal year.

VALUATION TIMING

Time capsule now; valuation when needed

The second group sits on the far side of the valuation "hump". Their demand will peak in FY28 and FY29, as transactions bring the 30 June 2027 value into a tax return. Tax advisers should segment their client base against these four groups before 31 December 2026.

The time capsule approach

Owners who cannot secure a valuation by early FY28 should capture and securely store the evidence a valuer would need as at 30 June 2027. The capsule is opened when a qualified valuer is available or when a transaction requires the CGT cost base to be determined.

"The most relevant and reliable information that is known, or could reasonably be foreseen, at the valuation date."

The ATO principle a valuation rests on (PKF, citing ATO guidance). Evidence captured contemporaneously is far more persuasive than evidence reconstructed later.

Capture

Assemble the evidence a valuer would need as at 30 June 2027: accounts, forecasts, contracts, client data and market context. Finalise once FY27 accounts are complete.

Store

Hold the evidence securely and intact, so that it can be relied on years later without reconstruction.

Open

When a qualified valuer is available, or when a sale, restructure or ATO review requires the CGT cost base to be determined.

The capsule does not replace a valuation. It preserves the option of a defensible retrospective valuation at lower cost and risk. For more information on how we can assist in creating time capsules for taxpayer clients, get in touch with one of our team members.

What the profession is saying

Professional bodies, firms and industry groups agree that valuation evidence at 30 June 2027 is central, and that ATO guidance on acceptable evidence is still outstanding.

The Tax Institute
TAX BODY

Apportionment cannot be applied to nil cost base assets; ATO guidance on valuation evidence needed well before 30 June 2027.

CA ANZ
ACCOUNTING BODY

Consultation rushed; taxpayers least able to afford a market valuation may be disadvantaged.

Institute of Public Accountants
ACCOUNTING BODY

Formal valuation preferable where growth was uneven; valuations may be retrospective.

ACCI
INDUSTRY BODY

Goodwill and client lists lack observable prices; keep contemporaneous records at 30 June 2027.

PwC
ACCOUNTING FIRM

Contemporaneous, independent, well-documented valuations are far more persuasive; existing valuations should not be adopted without review.

PKF
ACCOUNTING FIRM

Recommends a formal valuation for all businesses before 30 June 2027; expects high demand.

Pitcher Partners
ACCOUNTING FIRM

Restructure rollover covers income tax only; valuation protocols remain unclear.

BDO
ACCOUNTING FIRM

Trustees should engage early on valuation approaches, especially for unlisted assets.

HLB Mann Judd
ACCOUNTING FIRM

Poorly documented figures risk disputes, audits and penalties.

K&L Gates
LAW FIRM

Small business CGT concessions preserved; ATO to publish a valuation formula.

Baker McKenzie
LAW FIRM

Pre-CGT assets take a 1 July 2027 market value cost base; anti-avoidance risk in transitional restructures.

Holding Redlich
LAW FIRM

Value determined by professional valuation or ATO formula; stamp duty is the largest restructure impediment.

The ATO has not yet released reset-specific valuation guidance or apportionment tools. Its existing market valuation guidance continues to apply.

Peloton expertise

Peloton's team of valuation experts have undertaken hundreds of valuations for a wide range of complex tax matters.

Peloton founder Michael Churchill was instrumental in the promulgation of the ATO Market Valuation Guidelines across the Income Tax Assessment Acts, and in the development of the ATO's internal valuation risk assessment matrix.

1,000+ valuations

100 expert testimonies

A$100bn equity valued

Peloton Corporate can assist with business and equity valuations, valuation readiness reviews and time capsule design.

Next steps

1

Segment the client base

Tax advisers should map clients against the four priority groups before 31 December 2026.

2

Book valuation capacity now

Owners planning a trust to company restructure or a sale should secure a 30 June 2027 valuation date.

3

Start the time capsule

All other owners should begin assembling evidence before 30 June 2027 and finalise it once FY27 accounts are complete.

4

Talk to Peloton

Business and equity valuations, valuation readiness reviews and time capsule design for taxpayer clients.

Important notice. This explainer is general information only and is not tax, legal or financial advice. Parts of the regime remain in exposure draft and may change. Readers should obtain advice specific to their circumstances.

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