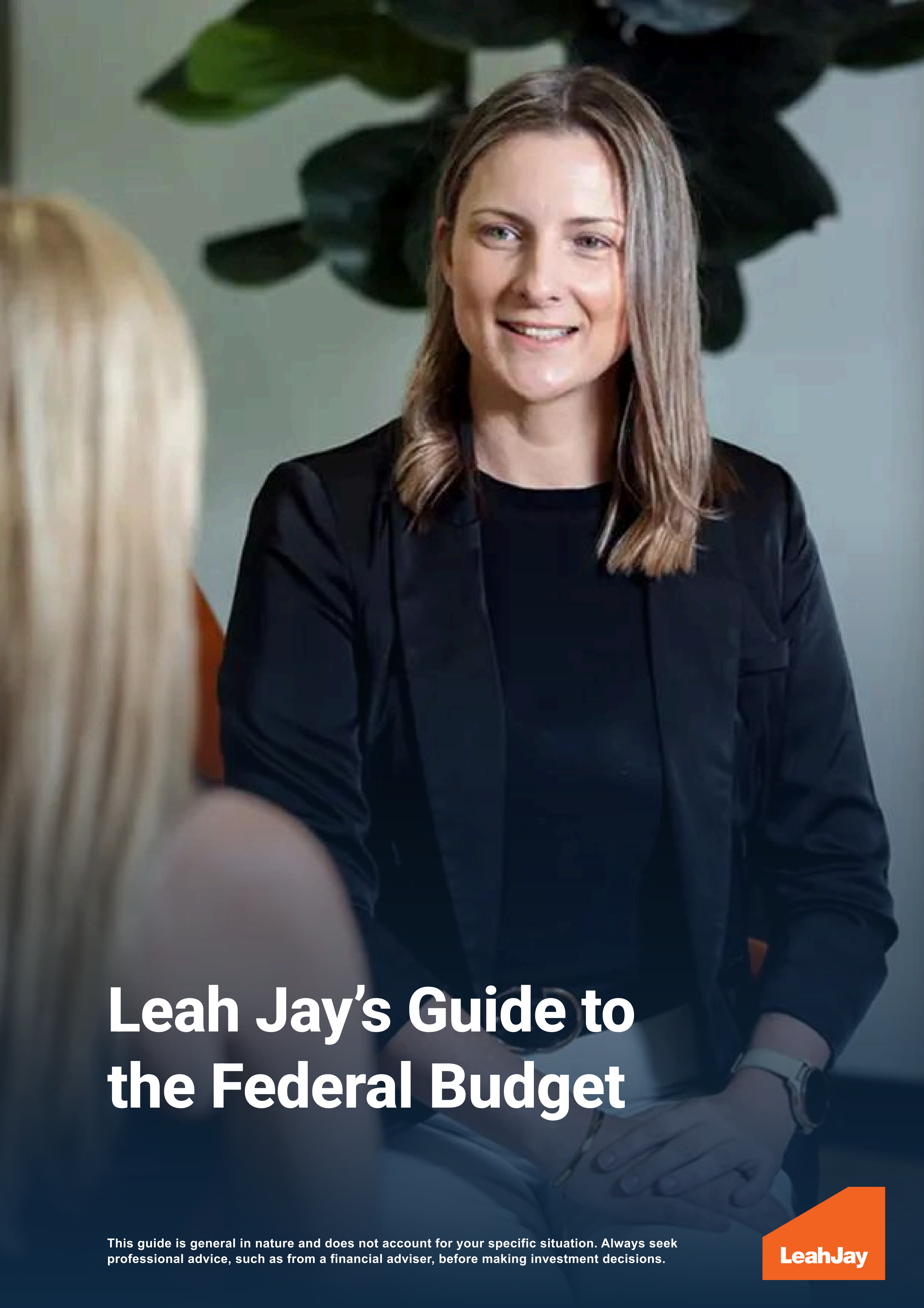


Leah Jay's Guide to the Federal Budget

This guide is general in nature and does not account for your specific situation. Always seek professional advice, such as from a financial adviser, before making investment decisions.

What the new CGT and negative gearing changes could mean for NSW property investors

The Federal Budget has put property investment back in the spotlight.

For landlords, the biggest announcements relate to capital gains tax, commonly known as CGT, and negative gearing.

These are significant changes, particularly for property investors who have built their strategy around long-term capital growth, tax treatment and holding property over time.

However, it is important to keep the changes in perspective.

For many NSW landlords, the Budget does not automatically mean you need to sell, stop investing or change your whole strategy overnight.

Instead, it is a prompt to understand what is changing, review your investment position, speak with your accountant or financial adviser and make sure your property is being managed with a clear long-term plan.

At Leah Jay, we generally believe property investment should be viewed through a long-term lens.

A strong investment property is not just about short-term tax outcomes. It is about owning the right asset, maintaining it properly, keeping it tenanted, reviewing rent consistently and allowing time for the property to grow in value.

This guide has been created to help NSW landlords understand the key Budget changes and what they may mean for a buy-and-hold property strategy.

This guide is general information only. It is not financial, legal or tax advice.

01 **What Changed in the Federal Budget?**

The Federal Budget announced major changes to how property investors may be treated under the tax system.

The two key changes for landlords are:

- Capital gains tax changes
- Negative gearing changes

These changes are designed to reduce some of the tax advantages available to property investors and place more focus on new housing supply.

For landlords, the practical questions are:

- What does this mean for my current investment property?
- What does this mean if I plan to sell in the future?
- What should I review now?
- What does this mean if I buy another property?
- What does this mean for a buy-and-hold strategy? gearing changes

02 **What Is Capital Gains Tax?**

Capital gains tax, or CGT, is the tax that may apply when you sell an asset for more than you paid for it.

For property investors, CGT may apply when you sell an investment property and make a capital gain.

A capital gain is generally the difference between your property's cost base and the sale price, after relevant adjustments.

Your cost base may include more than the original purchase price. It may include certain acquisition costs, improvement costs and other amounts, depending on your circumstances. This is why accurate records matter.

Example:

If you bought an investment property for $750,000 and later sold it for $950,000, you may have made a capital gain before costs and adjustments.

That gain may then be assessed under CGT rules.

The actual tax outcome depends on your personal situation, ownership structure, cost base, timing, deductions, other income and advice from your accountant.

Why this matters

CGT is often one of the biggest tax considerations for property investors, especially those who hold property for many years and experience long-term capital growth.

03 **What Is Changing With CGT?**

Under the announced Budget changes, the Government intends to replace the existing 50% CGT discount with a different system based on inflation.

At the moment, individuals who hold an investment asset for more than 12 months may generally be eligible for a 50% CGT discount.

Under the new approach, the 50% discount is set to be replaced with cost base indexation, which adjusts the cost base for inflation.

The Government has also announced a 30% minimum tax rate on capital gains.

The CGT reforms are set to apply from 1 July 2027 and only to gains that accrue after that date.

In simple terms:

The current 50% CGT discount is being replaced.

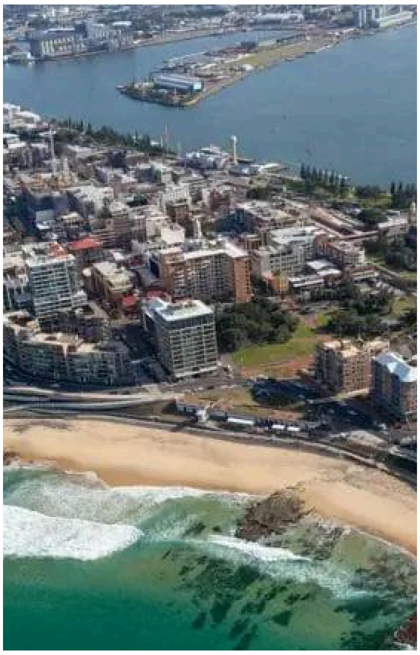
Inflation will be taken into account through cost base indexation.

A minimum 30% tax rate on capital gains is being introduced.

The changes are expected to apply from 1 July 2027.

The changes only apply to gains accruing after 1 July 2027.

Investors in new builds may be able to choose between the 50% CGT discount and the new arrangements.



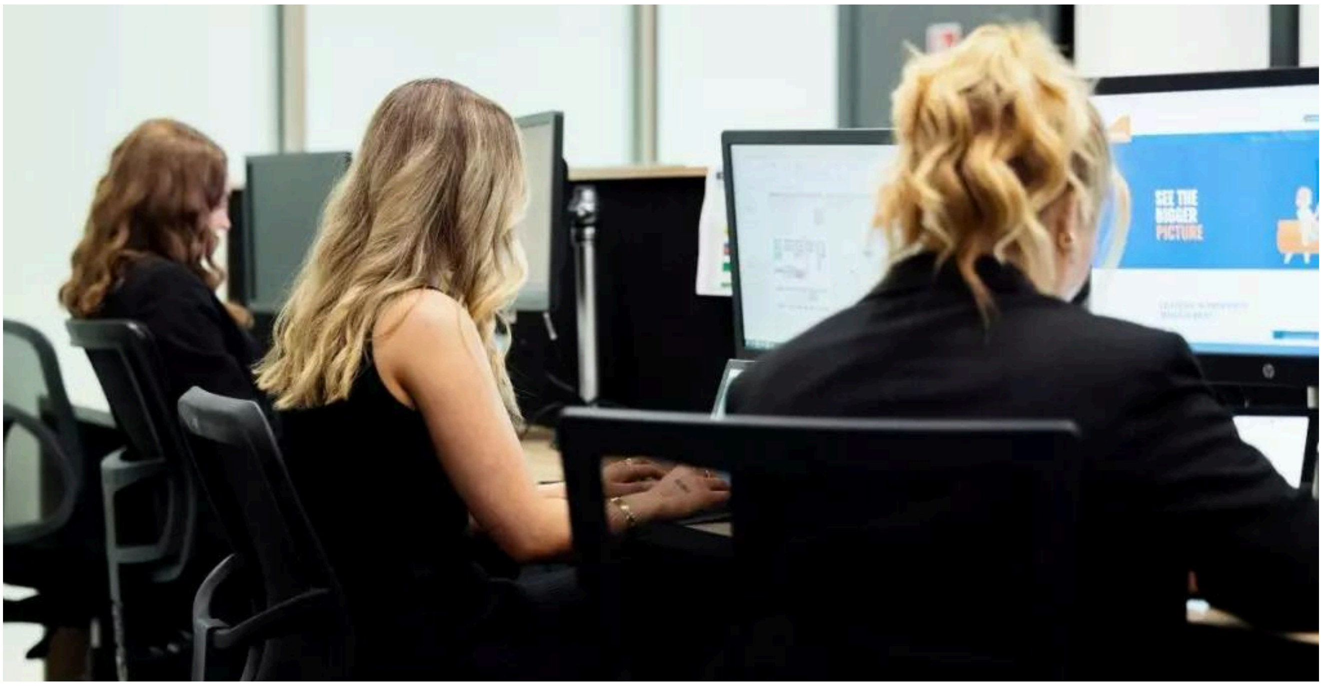
Why this matters

This may change the after-tax outcome when an investor sells a property in the future.

For some investors, the new system may result in more tax payable than under the current 50% discount. For others, the impact may depend on inflation, growth rate, income, ownership structure, holding period and timing.

The key point is simple:

Your exit strategy matters more now.



04 **What Does Cost Base Indexation Mean?**

Cost base indexation means the purchase cost of an asset is adjusted for inflation when calculating the capital gain.

Instead of automatically discounting the gain by 50%, the system adjusts the cost base to recognise that part of the gain may simply reflect inflation.

Example only:

You buy a property for $800,000.

Years later, you sell it for $1,100,000.

The nominal gain is $300,000.

Under an indexation model, your original cost base may be adjusted upward to reflect inflation over the holding period.

This means the taxable gain is based more on the “real” gain, rather than the full nominal gain.

However, the outcome will depend on the final rules, calculation method, dates, valuations and your personal tax position.

Why this matters

For buy-and-hold investors, the new CGT model makes record keeping and valuation timing more important.

You may need stronger records around:

- Purchase price
- Acquisition costs
- Capital improvements
- Renovation costs
- Ownership structure
- Property valuations
- Sale timing
- Loan records
- Depreciation schedules
- Tax statements
- Professional advice

If you are planning to hold property for the long term, do not wait until the year you sell to get your records organised.

05 **What Is Negative Gearing?**

Negative gearing occurs when the costs of owning an investment property are higher than the income the property produces.

For example, if loan interest, maintenance, rates, insurance and other deductible expenses exceed the rental income, the property may produce a tax loss.

Under current arrangements, many investors have been able to offset those losses against other income, such as salary and wages.

The Budget changes limit how this can work for future purchases.

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06 **What Is Changing With Negative Gearing?**

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Under current arrangements, many investors have been able to offset those losses against other income, such as salary and wages.

The Budget changes limit how this can work for future purchases.

In simple terms:

Existing investment properties held before Budget night are protected from the negative gearing changes.

Future purchases of new builds may still access negative gearing.

Future purchases of established residential properties will be treated differently.

Losses may need to be carried forward rather than offset against salary or wages.

The rules are expected to apply from 1 July 2027, with grandfathering based on Budget night ownership.

Why this matters

If you already own an investment property, the negative gearing impact may be limited depending on when you purchased it.

If you are planning to buy another property, the type of property you buy may matter more. New builds and established properties may be treated differently under the new framework.

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07 **What Does This Mean for Existing Landlords?**

For existing landlords, the most important point is not to panic.

The changes do not automatically mean your investment property has become a poor asset. They also do not mean every investor needs to sell.

For properties already held before Budget night, the negative gearing changes are expected to be grandfathered. The CGT changes are more relevant to future gains after 1 July 2027.

Existing landlords should focus on reviewing their position, not rushing decisions.

Existing landlords should review:

- Current rental income
- Current market rent
- Lease status
- Vacancy risk
- Maintenance needs
- Potential future sale timing
- Potential future sale timing
- Holding costs
- Loan structure
- Depreciation schedules
- Insurance
- Land tax exposure
- Property management performance

Why this matters

The Budget changes make it even more important to know whether your property is performing well.

A buy-and-hold strategy only works if the asset is worth holding. That means reviewing both the capital growth potential and the income performance of the property.

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08 **What Does This Mean for Future Property Purchases?**

For investors considering another purchase, the Budget changes may affect the decision-making process.

Future investors may need to think more carefully about whether they purchase an established property or a new build.

They may also need to review whether the investment still makes sense without the same negative gearing benefits that were previously available for established properties.

Future buyers may need to consider:

- New build versus established property
- Expected rental yield
- Expected capital growth
- Holding costs
- Cash flow without full negative gearing benefits
- Vacancy risk
- Local rental demand
- Land tax position
- Long-term exit strategy
- CGT treatment on future sale
- Advice from accountant, broker and financial adviser

09 **Does Buy-and-Hold Still Make Sense?**

For many investors, yes.

But the strategy needs to be considered properly.

A buy-and-hold strategy is not about chasing quick tax advantages. It is about buying a quality asset, holding it over time, managing it well and allowing long-term growth to do the heavy lifting.

The Budget changes may reduce some tax concessions, but they do not remove the core reasons many people invest in property.

A buy-and-hold strategy may still support:

- Long-term capital growth
- Rental income
- Portfolio growth
- Wealth building over time
- Leverage, where appropriate
- Potential retirement planning
- Diversification outside superannuation
- Intergenerational wealth planning

But it depends on:

- Holding costs
- The price paid
- Loan structure
- Rental yield
- Vacancy risk
- The quality of the asset
- The suburb and local demand
- Maintenance requirements
- Property management quality
- Your personal investment goals

Why this matters

The Budget changes reinforce an important truth:

Tax should not be the whole strategy.

A property that only works because of a tax concession may need to be reviewed carefully. A property with strong fundamentals, reliable rental demand and long-term growth potential may still be worth holding.

10 **Why Rental Performance Matters More Now**

If tax settings become less generous for some investors, rental performance becomes even more important.

Your investment property needs to work harder as an income-producing asset.

That means landlords should review whether their rent is aligned with the market and whether their property is being managed proactively.

Questions to ask:

- Is the current rent still aligned with the local market?
- When was the last rental appraisal completed?
- Has the property been under-rented?
- Is the tenant on a fixed-term or periodic lease?
- When can rent next be reviewed?
- Is the property competitive against similar rentals?
- Are there improvements that could support a stronger rental return?
- Is the property experiencing avoidable vacancy?
- Is the property manager reviewing rent proactively?

Why this matters

A $30, $50 or $80 per week rental gap can add up quickly over a year.

If holding costs increase and tax benefits are less available in future, landlords may need to be more disciplined about rental income, lease timing and property presentation.

Action item:

Request an updated rental appraisal and review your lease strategy.

11 Why Property Management Matters More Now

A strong buy-and-hold strategy depends on strong property management.

The Budget changes may increase the pressure on landlords to hold assets efficiently. That means fewer avoidable mistakes, fewer unnecessary vacancy periods and better visibility over property performance.

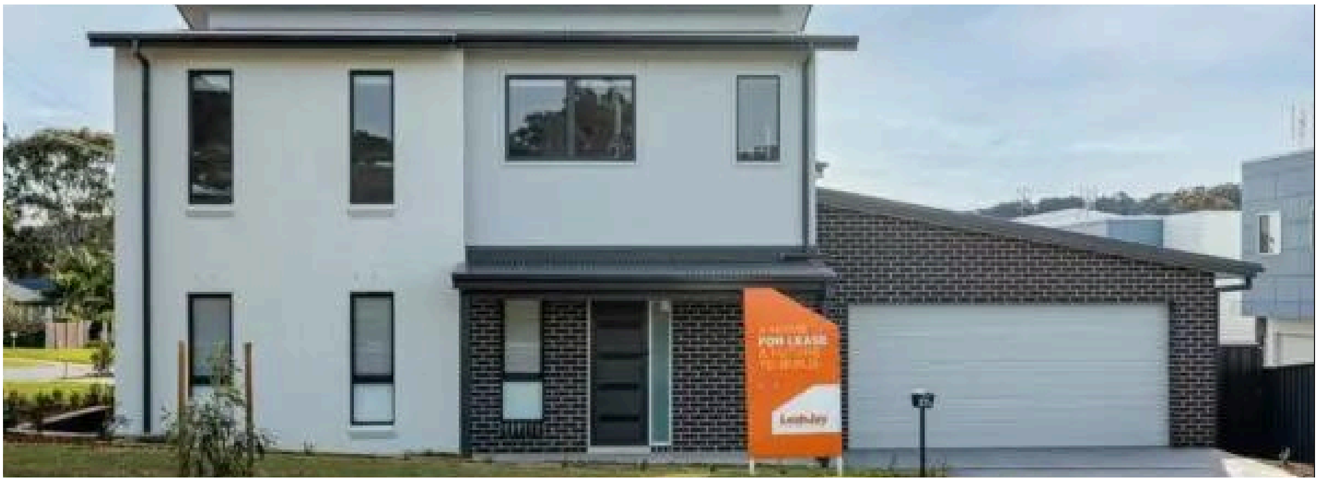
Good property management can help with:

- Reducing vacancy
- Reviewing rent
- Managing lease renewals
- Screening tenants
- Handling arrears
- Supporting long-term tenant retention
- Coordinating maintenance
- Protecting the property condition
- Managing compliance
- Providing EOFY documentation
- Advising on improvements
- Keeping records organised

Why this matters

When the tax environment changes, operational performance becomes more important.

A property manager should not simply collect rent. They should help you protect the asset, improve visibility and make better decisions over time.



12 **The Importance of Holding the Right Asset**

The Budget changes may lead some investors to reassess their portfolio.

That does not mean selling is always the right move. It means understanding whether each property still fits your strategy.

Questions to ask:

- Is there consistent tenant demand?
- Is this property in a strong rental market?
- Is the property likely to grow in value over time?
- Is the property expensive to maintain?
- Is the suburb benefiting from population growth, infrastructure or lifestyle demand?
- Does the rental yield support the holding costs?
- Is the property becoming harder to lease?
- Does the property still suit my long-term goals?
- Would improvements increase tenant appeal?
- Would selling trigger tax consequences I need to understand?

Why this matters

Buy-and-hold works best when the asset is worth holding.

A poor-quality asset may become more difficult to justify when tax concessions are reduced. A strong asset in a high-demand market may still have a clear role in a long-term investment strategy.

13 **Should Landlords Sell Before the CGT Changes?**

This is one of the biggest questions investors may ask.

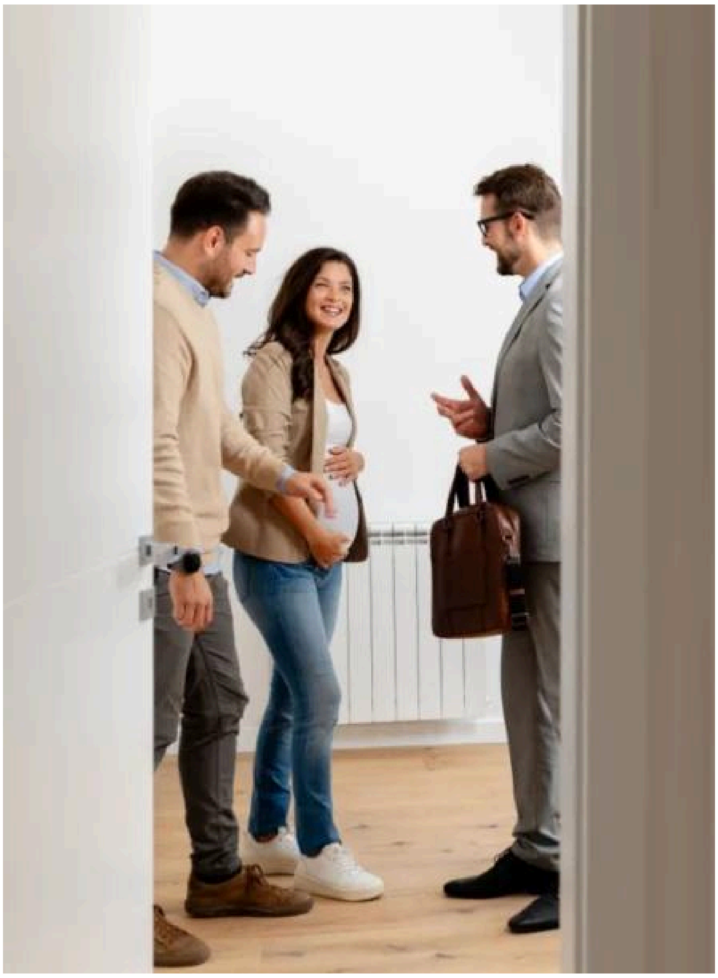
The answer depends entirely on your personal circumstances.

Selling an investment property can trigger tax consequences, transaction costs and future opportunity costs. It may also remove a long-term asset from your portfolio.

You should not sell purely because of a headline.

Before selling, consider:

- Your original investment strategy
- Your property's current value
- Your unrealised capital gain
- Your likely CGT position
- Alternative investment options
- Your personal income position
- Your personal income position
- Rental income
- Future growth potential
- Vacancy and maintenance risk
- Land tax exposure
- Selling costs
- Your personal income position



14 Should Landlords Buy Before the Changes?

Some investors may consider buying before the new rules fully apply.

Again, this needs professional advice.

Buying quickly just to preserve a tax outcome can be risky if the property itself is not right.

Questions to ask:

- Is the property a strong long-term asset?
- Have you spoken with your accountant and broker?
- Does the property still suit my long-term goals?
- How will the negative gearing rules apply?
- What is the expected rental yield?
- What are the likely holding costs?
- Can you afford the property without relying on tax deductions?
- What is the long-term capital growth outlook?
- What is the vacancy risk?
- Is there strong tenant demand?
- Does the property fit your portfolio?
- Is it established or new?

Why this matters

Tax should not make a bad property good.

A strong investment decision should still be based on location, demand, yield, growth potential, affordability and long-term strategy.

15 **What NSW Landlords Should Review Now**

If you own an investment property in NSW, now is a good time to complete a property investment review.

This does not need to be complicated. It should help you understand whether your property is performing well and whether your current strategy still makes sense.

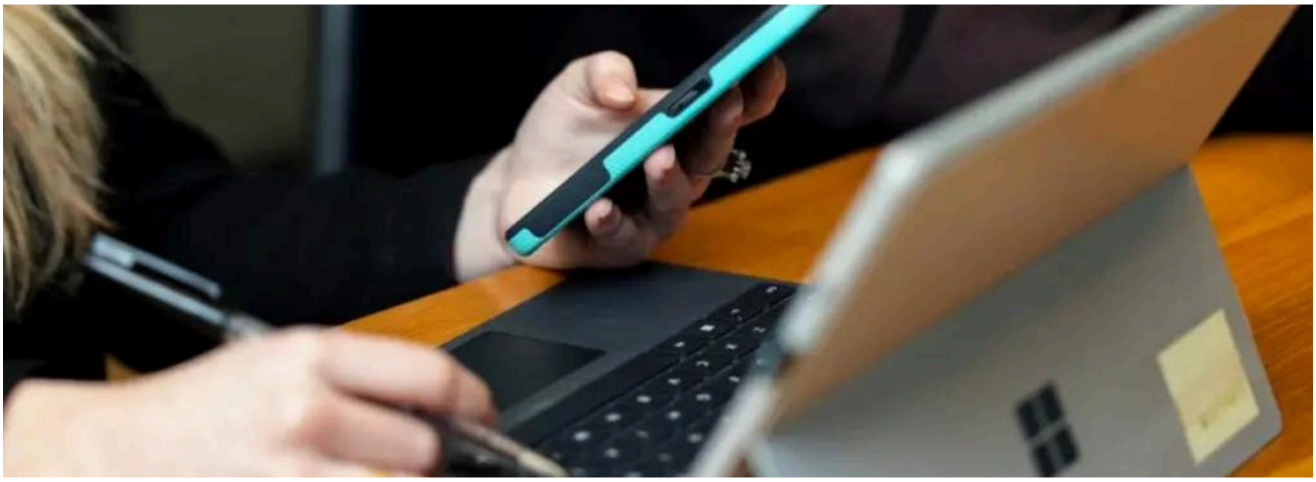
Review your:

- Rental income
- Rental appraisal
- Lease status
- Vacancy history
- Maintenance history
- Property manager performance
- Ownership structure
- Property condition
- Land tax position
- Depreciation schedule
- CGT records
- EOFY records
- Long-term plans
- Loan costs
- Insurance

Why this matters

Buy-and-hold works best when the asset is worth holding.

A poor-quality asset may become more difficult to justify when tax concessions are reduced. A strong asset in a high-demand market may still have a clear role in a long-term investment strategy.



16 **Your CGT Record-Keeping Checklist**

If CGT is going to become a larger consideration for long-term property investors, records matter.

Good records may help your accountant calculate your position more accurately in the future.

Keep records of:

- Original contract of sale
- Purchase price
- Stamp duty
- Legal and conveyancing costs
- Buyer’s agent fees, if applicable
- Building and pest reports
- Loan establishment costs
- Capital improvements
- Marketing costs
- Contract of sale when sold
- Renovations
- Major repairs
- Depreciation schedules
- Valuations
- Refinance documents
- Selling costs
- Agent fees
- Settlement statements
- Tax statements
- EOFY owner statements

Why this matters

If you hold a property for 10, 15 or 20 years, it can become difficult to reconstruct the full cost base later.

The better your records, the easier it may be for your accountant to assess your position.

Action item:

Request an updated rental appraisal and review your lease strategy.

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17 **Your Rental Performance Checklist**

A buy-and-hold strategy needs rental income.

Use this checklist to review how your property is performing as a rental asset.

Rental income

Current weekly rent: $__________

Estimated market rent: $__________

Last rental appraisal date: ____ / ____ / ______

Annual rental income: $__________

Vacancy days this year: __________

Arrears recorded: Yes / No

Lease status

Fixed-term lease / Periodic agreement

Lease expiry date: ____ / ____ / ______

Rent review date: ____ / ____ / ______

Tenant likely to renew: Yes / No / Unsure

Management review

Routine inspections completed: Yes / No

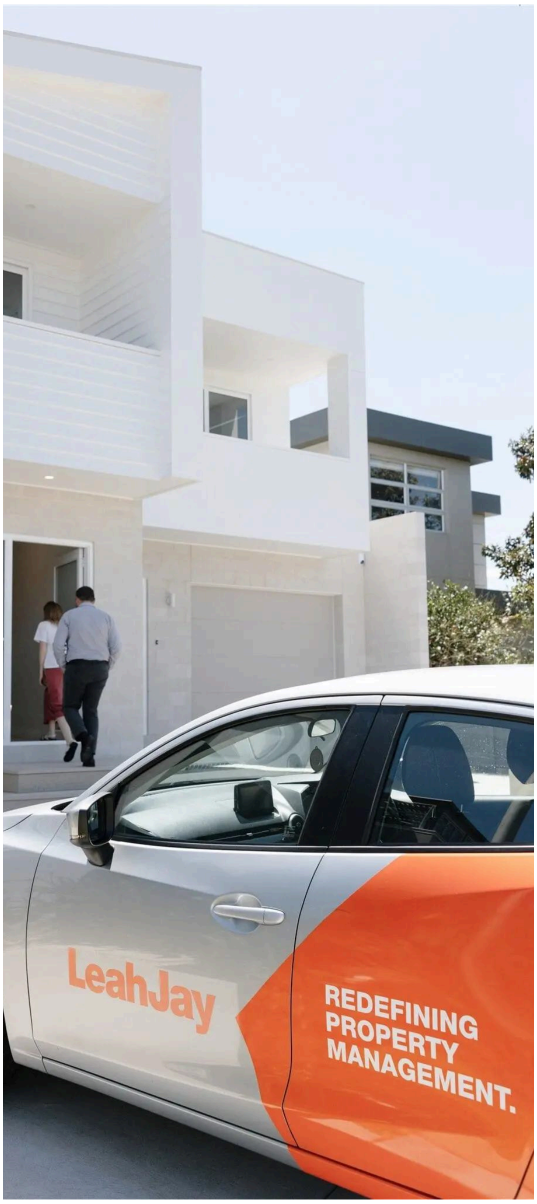
Maintenance up to date: Yes / No

EOFY owner statement received: Yes / No

Insurance reviewed: Yes / No

Property manager has provided rent review advice: Yes / No

Key action:



18 Questions to Ask Your Accountant

The Budget changes are tax-related, so your accountant should be part of the conversation.

Ask your accountant:

- How could the CGT changes affect my property?
- How will gains before and after 1 July 2027 be treated?
- Does my ownership structure still make sense?
- What records should I keep?
- How do the negative gearing changes affect me?
- Am I grandfathered under the existing negative gearing rules?
- Do I need a property valuation?
- Could land tax be relevant to my position?
- Should I review my depreciation schedule?
- How would the rules apply if I buy a new build?
- How would the rules apply if I buy another property?
- What should I prepare before EOFY?

Why this matters

Every investor's situation is different.

A general Budget update cannot tell you what to do. Your accountant can help you understand the tax implications based on your specific circumstances.

19 **Questions to Ask Your Property Manager**

Your property manager can help you understand the rental and operational side of your investment.

Questions to ask:

- Is my current rent aligned with the market?
- When should my rent next be reviewed?
- Is my property competitive against similar rentals?
- Is there strong tenant demand in my suburb?
- Are there improvements that could support better rent or tenant retention?
- Is my lease strategy appropriate?
- Has the tenant indicated whether they want to renew?
- Are there maintenance issues I should plan for?
- Have routine inspections identified any concerns?
- How many days was the property vacant this year?
- How quickly are comparable properties leasing?
- What should I be planning for over the next 6–12 months?

Why this matters

Your accountant can help with tax.

Your property manager can help with the performance of the asset.

You need both perspectives.

20 **What This Means for Leah Jay's Buy-and-Hold View**

The Federal Budget may change the tax environment, but it does not change the core principles of good property investment.

Before EOFY, consider asking your property manager:

- Disciplined decision-making
- Strong rental demand
- Proactive maintenance
- Clear records
- Professional advice
- The Budget changes may make short-term tax advantages less central.
- Quality assets
- Good tenants
- Regular rent reviews
- Long-term thinking
- That places more importance on holding properties that genuinely perform over time.

Why this matters

Buy-and-hold works best when the asset is worth holding.

A poor-quality asset may become more difficult to justify when tax concessions are reduced. A strong asset in a high-demand market may still have a clear role in a long-term investment strategy.

21 Common Mistakes to Avoid

After a major Budget announcement, it is easy to react quickly.

But property decisions should not be made out of panic.

Avoid:

- Selling purely because of headlines
- Ignoring maintenance
- Ignoring the quality of the asset
- Assuming all properties are affected the same way
- Forgetting to speak with your accountant
- Failing to review current rent
- Letting leases roll without strategy
- Buying quickly just to beat rule changes
- Not keeping proper CGT records
- Assuming tax benefits are the whole investment case
- Treating property management as just rent collection

Why this matters

Buy-and-hold works best when the asset is worth holding.

A poor-quality asset may become more difficult to justify when tax concessions are reduced. A strong asset in a high-demand market may still have a clear role in a long-term investment strategy.

22 **Landlord Budget Review Checklist**

Use this checklist to review your investment property after the Federal Budget.

Tax and advice

- Speak with accountant
- Review CGT position
- Review negative gearing position
- Check whether current property is grandfathered
- Ask whether a valuation is needed
- Review ownership structure
- Review land tax position
- Review depreciation schedule

Property performance

- Request current rental appraisal
- Review current rent
- Review lease expiry
- Review tenant history
- Review vacancy
- Review arrears
- Review maintenance
- Review routine inspection reports
- Review insurance

Strategy

- Confirm long-term hold plan
- Consider whether asset still fits portfolio
- Review future purchase plans
- Review new build versus established property options
- Review cash flow
- Review exit strategy
- Review property management performance

Key next step: ____

____

23 **Planning Your Next Move**

The Budget changes are important, but they should be viewed as part of a broader investment conversation.

For some landlords, the right move may be to keep holding and improve rental performance.

For others, it may be to review whether the property still suits their long-term goals.

Some investors may adjust future purchasing plans. Others may simply need better record keeping and clearer advice.

Your next move may be:

- Requesting a rental appraisal
- Speaking with your accountant
- Reviewing your lease strategy
- Completing maintenance
- Improving property presentation
- Reviewing insurance
- Are there maintenance issues I need to plan for?
- Updating records
- Getting a property valuation
- Reviewing whether to buy again
- Reviewing whether to hold or sell
- Getting a second opinion on property management
- Are there compliance matters I need to be aware of?

The key is to act with clarity, not panic.

24 How Leah Jay Can Help

If you own an investment property in Newcastle, Lake Macquarie, Maitland, the Hunter or broader NSW, Leah Jay can help you review the property management side of your investment.

While your accountant or financial adviser should guide you on tax and investment advice, our team can help you understand how your property is performing in the rental market.

Leah Jay can help with:

- Rental appraisals
- Property management reviews
- Rent review guidance
- Lease strategy
- Tenant retention
- Maintenance planning
- Routine inspection reporting
- EOFY owner statements
- Investment property management
- Long-term rental performance support

Ready to review your property?

If the Federal Budget has made you rethink your investment property, start with a practical review.

Understand your rent.

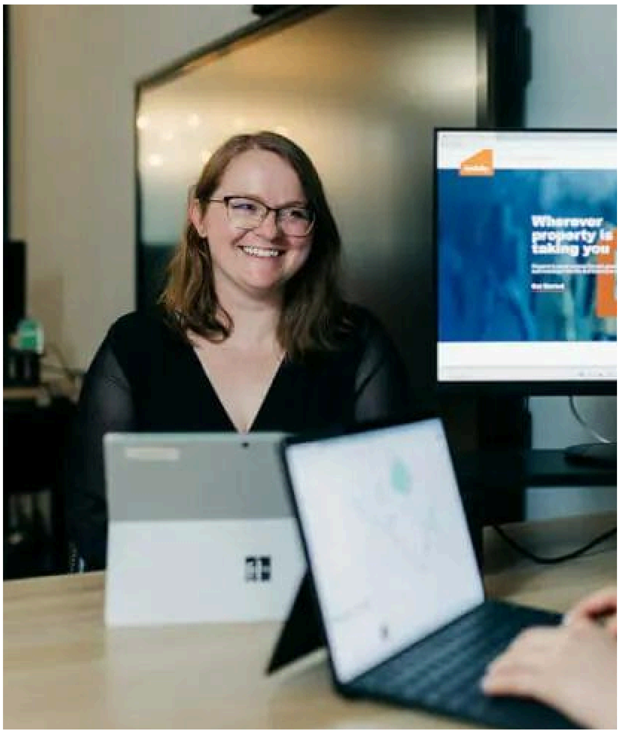
Understand your lease.

Understand your property condition.

Understand your management strategy.

Then speak to your accountant about the tax implications.

Book a Property Management Review



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Disclaimer

This guide has been prepared for general information only. It does not take into account your personal circumstances and should not be relied on as financial, legal, investment or tax advice.

The Federal Budget measures discussed in this guide are based on publicly available announcements and may be subject to legislation, implementation details and further guidance.

Before making decisions about buying, selling, holding, refinancing or restructuring an investment property, speak with your accountant, solicitor, financial adviser, broker or tax professional.

Leah Jay provides property management and rental appraisal services. For advice specific to your investment property, please contact our team.

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