Supervision GROUP

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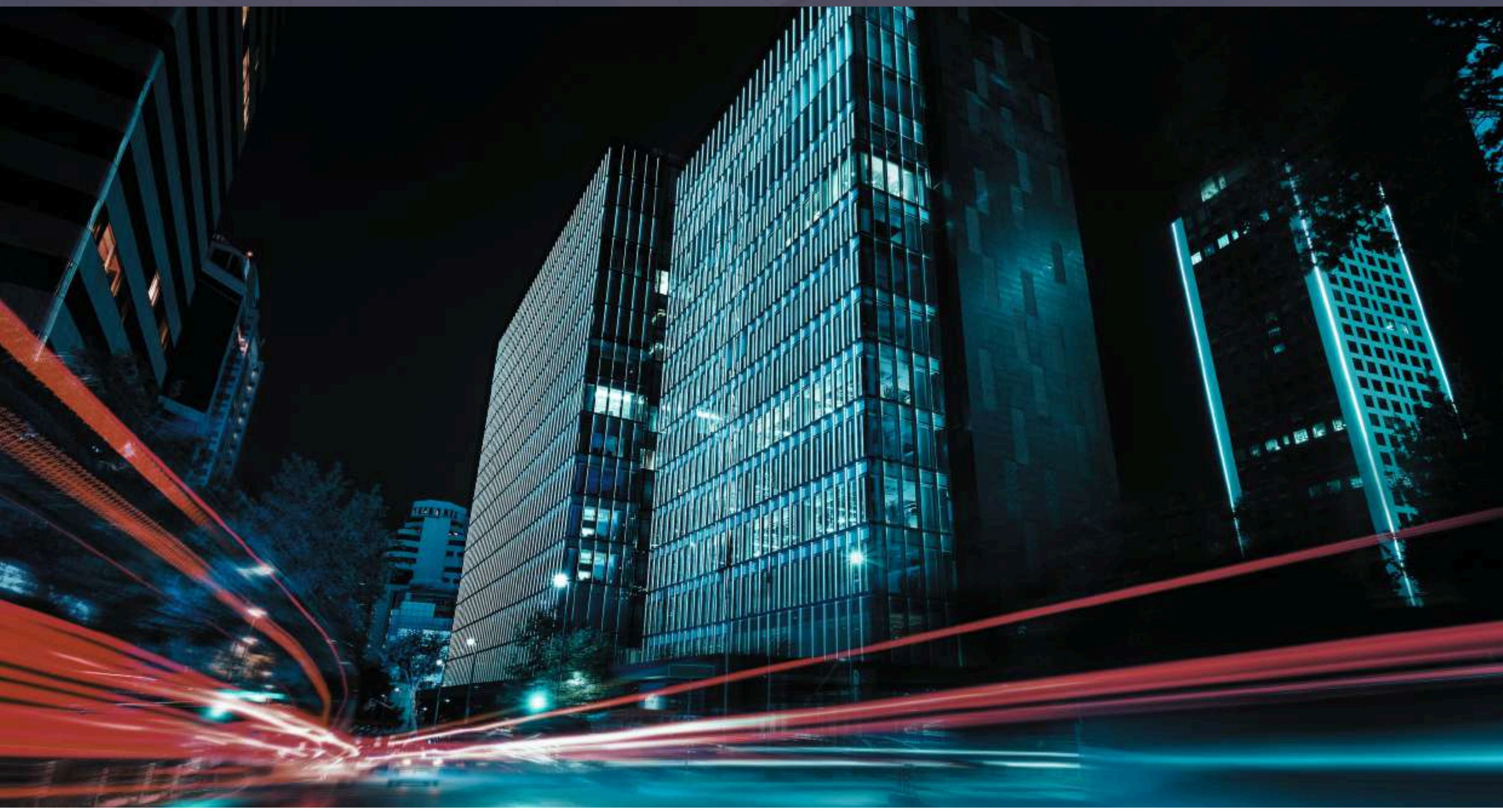
THE TRUSTEE

The publication that keeps you informed and in control.



INSIDE THIS EDITION:

GET STARTED >>

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WELCOME TO THE LATEST EDITION OF

The Trustee

SUPER FUTURE

At Supervision Group, we remain genuinely excited about the future.

While there is no doubt that the current environment is experiencing a high level of disruption—through regulatory change, market conditions, and evolving policy settings—we see this as a period that reinforces the importance of structure, clarity, and informed decision-making.

Our focus remains unchanged: supporting our clients to confidently manage and grow their Self-Managed Super Funds (SMSFs).

A key part of this commitment is ongoing education. Superannuation continues to evolve, and recent Government announcements—particularly around taxation and borrowing—highlight just how important it is to stay informed.

Notably, the Government has now confirmed that future borrowing within SMSFs to acquire residential property (via Limited Recourse Borrowing Arrangements) will be restricted. Importantly, existing arrangements remain unaffected, but this change signals a clear shift in how policymakers view leverage and property investment within the super system.

Against this backdrop, it is critical to remember that opportunity still exists within superannuation, and in many cases, is underutilised.

We encourage all clients to consider:

- Contribution strategies – Many individuals have the capacity to contribute more into super, particularly with careful planning around caps and timing.
- Commencing pensions – Reaching retirement, or age 65, provides the ability to transition into pension phase and access more tax-effective income streams.
- Re-contribution strategies – These can assist in improving the long-term tax position of your super benefits.
- Downsizer contributions – For those considering a change in residence, this remains a valuable opportunity to enhance your superannuation position.

Each of these strategies should be considered in the context of your overall financial position, but they reinforce the flexibility that remains within the system—even as rules change.

We would also like to take this opportunity to sincerely thank you for your continued trust in Supervision Group. Managing an SMSF is a long-term journey, and we value the role we play in supporting you at each stage.

Finally, our team has commenced planning for the 2026 tax return process. As always, early preparation is key, and we will be in contact with further details in the coming months.

If you would like to review your position or discuss any of these developments, please don't hesitate to reach out.

We look forward to working with you throughout the year ahead.

CHRISTOPHER HOMER
Director

FEATURE ARTICLE

FEDERAL BUDGET 2026 – A STRUCTURAL SHIFT IN INVESTMENT TAXATION

NAVIGATING A NEW LANDSCAPE

Investment in Transition

The recent Federal Budget represents one of the most significant shifts in Australia's investment and taxation landscape in decades.

While the underlying philosophy is broadly understandable—and in many respects supported—the practical implications for investors are substantial, and in some cases, remain uncertain.

For clients, this is not simply a policy update. It is a structural change in how investment decisions will need to be assessed going forward.

READ MORE

THE DIRECTION OF TRAVEL

At its core, the Government has signalled a clear intent to reshape the way taxation applies to investment.

Three themes underpin the changes:

- Wage and salary income should not continue to carry a disproportionate share of the tax burden
- Investment income should be taxed more consistently across different structures
- Capital should be directed toward more productive areas of the economy, rather than inflating existing assets

These are not controversial ideas in isolation. Most Australians would broadly support:

- fairer treatment of earned income
- reduced reliance on complex structuring to minimise tax
- improved access to housing for future generations

However, the significance of this budget lies in how these ideas have been implemented.

WHAT HAS CHANGED

1. A Move Toward Greater Tax Consistency

The Government is clearly moving toward greater neutrality in how investment income is taxed.

This includes:

- reductions in capital gains concessions
- limitations on traditional deductibility benefits (such as negative gearing for certain investments)
- measures that reduce the effectiveness of income distribution through structures such as trusts

What this means:

The ability to achieve materially different tax outcomes through:

- asset selection, or
- entity structuring

is being reduced.

Importantly, this does not mean all assets are now treated identically—but the range of outcomes is narrowing.

2. Property Policy Is Being Reframed

A key feature of the changes is the distinction between:

- existing residential property, and
- new housing supply

While support for established property investment has been scaled back, new residential construction continues to receive relatively favourable treatment.

What this means:

The policy is less about discouraging property entirely, and more about: redirecting capital toward increasing housing supply.

3. Reduced Reliance on Tax-Driven Investing

Historically, many Australian investment strategies were influenced by:

- negative gearing
- capital gains tax discounts
- discretionary trust arrangements

These mechanisms have not disappeared entirely, but their effectiveness has been **materially reduced.**

What this means:

Investment decisions will increasingly need to be based on:

- underlying returns
- cash flow
- risk

rather than tax efficiency alone.

LEARN MORE

MARKET RESPONSE SO FAR

As expected with any structural change, the immediate impact has been uncertainty and recalibration.

In combination with elevated interest rates, we are observing:

- softer conditions in segments of the East Coast property market
- reduced transaction activity as investors reassess positions
- a general pause in decision-making while the implications are worked through

This is consistent with broader commentary that large fiscal changes can alter investor behaviour and confidence, particularly when they interact with inflation and interest rate settings. [switzer.com.au], [podcasts.apple.com]

WHAT THIS MEANS FOR INVESTORS

This budget does not eliminate opportunity—but it does change the framework in which opportunity is assessed.

Tax is becoming a less reliable driver of investment outcomes.

VIEW MORE

At the same time:

Changes to tax settings can increase perceived risk, and in the short term, may reduce investment activity rather than immediately redirect it.

This dynamic has been highlighted in broader economic commentary, where concerns have been raised about policy settings working against market confidence or failing to address underlying structural issues such as supply and productivity.

KEY IMPLICATIONS TO CONSIDER

1. Narrowing of After-Tax Differences

As tax outcomes become more consistent across investments:

- performance differences will increasingly reflect:
- underlying asset quality
- income generation
- growth potential

Implication:

Investment choices must be justified on economic fundamentals, not tax positioning.

OUR PERSPECTIVE

WE VIEW THE BUDGET AS PHILOSOPHICALLY COHERENT, BUT WITH UNCERTAIN OUTCOMES.

It clearly aims to:

- improve tax equity
- reduce distortions in investment behaviour
- encourage more productive use of capital

However, like many large policy shifts, it assumes that:
changes in incentives will lead to predictable changes in behaviour.
Experience suggests this is not always the case.
Without:

- sufficient supply-side responses
- strong alternative investment opportunities
- sustained investor confidence

there is a risk that:

- capital slows rather than reallocates
- activity declines before new patterns emerge

This aligns with broader concerns raised by commentators that fiscal policy changes alone may not fully address structural challenges such as housing affordability or productivity growth.

What We Are Doing for Clients
In response, we are working with clients to:

- reassess investment strategies under revised after-tax assumptions
- review existing structures for continued relevance
- evaluate property exposure in light of the shift toward new supply
- ensure portfolios remain resilient in a more neutral tax environment

FINAL THOUGHT

This is not simply a budget cycle—it is a change in how investment outcomes are generated in Australia.

The direction is clear:
less reliance on tax advantages, and greater reliance on underlying economic performance.

While the philosophy behind the changes is broadly understandable, the real test will be whether the intended outcomes are achieved in practice.
In the meantime, **clarity of strategy and disciplined decision making will be critical.**

If you would like to discuss how these changes impact your specific position, we encourage you to get in touch.

END

HOLD THE PRESS:

SMSF Borrowing Hammered – LRBA Ban Lands

In a surprise move that's sending shockwaves through the SMSF and property sectors, the Federal Government has agreed to ban new Limited Recourse Borrowing Arrangements (LRBAs) for residential property. [smsmagazine.com.au]

The change, announced 23 June 2026, is part of a last-minute deal with the Greens to secure passage of broader tax reforms through the Senate.

What's changed – fast

- New LRBAs for residential property: BANNED
- Existing arrangements: SAFE (fully grandfathered)
- Deals already in progress: 45-day transition window
- Commercial property LRBAs: UNCHANGED (still allowed)

Why it happened

The move targets what policymakers see as a loophole in the system – particularly as new tax changes increased the appeal of investing through super.

Concerns have been building for years, with multiple reviews warning about:

- Risk concentration
- Poor diversification outcomes
- Aggressive property spruiking into SMSFs

Reality check

Despite the noise, LRBAs were never dominant:

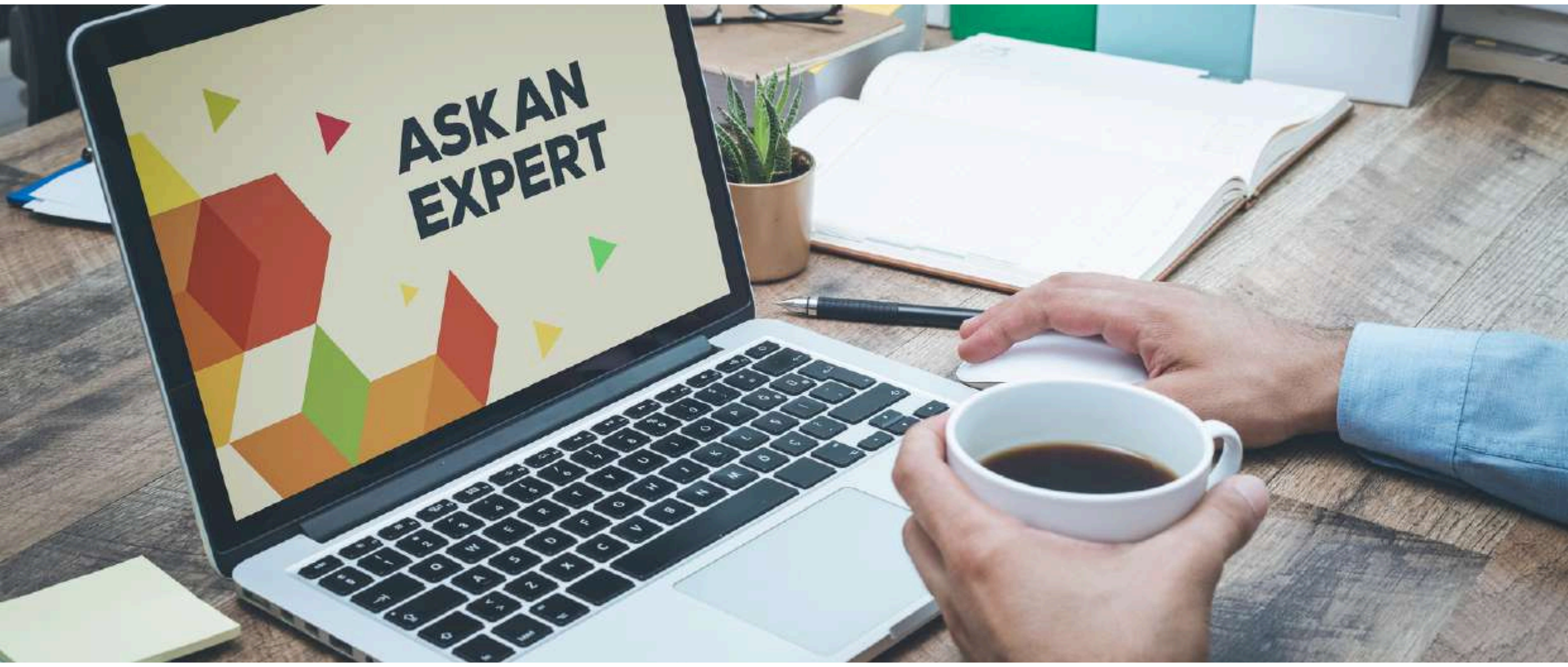
- <1% of total residential property borrowing
- <0.5% of new lending annually

But politically – and strategically – this is a signal shift:

- Less leverage inside super
- Stronger focus on "retirement-first" investing

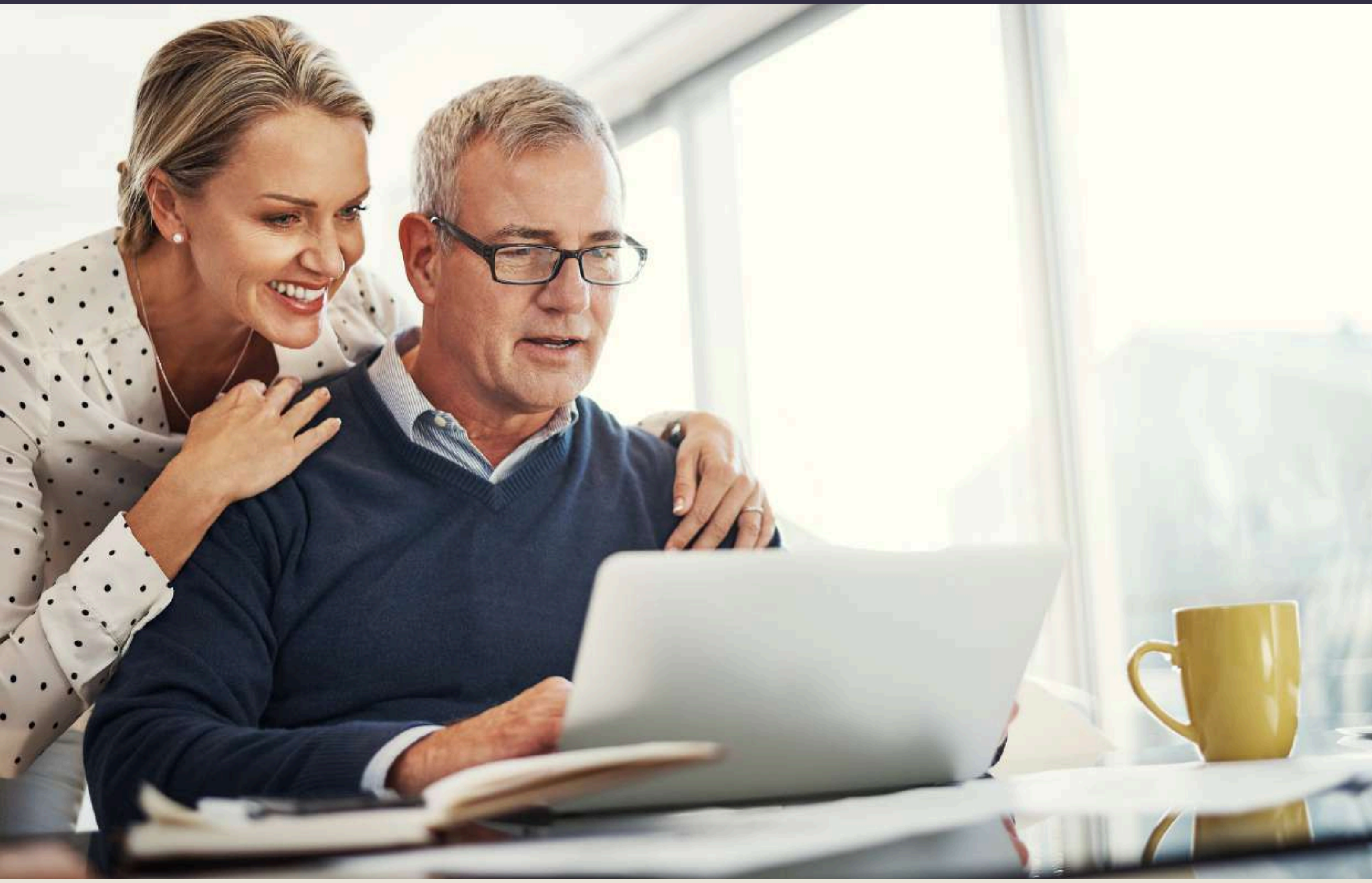
The bottom line

This is not a tweak – it's a line in the sand.



We can help you prepare your SMSF for the new rules and ensure everything is set up for a smooth transition.

BOOK A MEETING



The Power of Pensions
Retirement Strategy

Pensions within an SMSF are one of the most important tools available when transitioning from accumulation to retirement.

At their simplest, pensions provide a structured way to draw an income from your superannuation to fund your lifestyle. While they are not the only way to access super, they are the most effective structure when it comes to tax.

Used properly, they change the way your fund is taxed — and over time, that difference can be significant.

How It Works

In simple terms, starting a pension involves a few key steps:

- You meet a condition of release — typically retirement after age 60, or reaching age 65
- You formally commence a pension at a chosen date
- Your member balance is calculated at that point in time
- The appropriate documentation is prepared to establish the pension

From that point forward, a portion (or all) of your super moves from accumulation phase into pension phase.

That distinction matters.

The Tax Advantage

While your super remains in accumulation phase, earnings within the fund are generally taxed at up to 15%, with capital gains effectively reduced to 10% where assets are held longer than 12 months.

Once a pension is in place, the income supporting that pension can become exempt from tax — what is commonly referred to as Exempt Current Pension Income (ECPI).

I*n practical terms, this means:*

- Investment income may be tax-free
- Realised capital gains may also be tax-free
- The overall tax position of the fund improves, sometimes dramatically

For members drawing pensions, payments received after age 60 are generally tax-free in their own hands as well.

It's one of the few areas in the financial system where, with the right structure in place, both the fund and the individual can operate in a largely tax-free environment.

Capital Gains — A Quiet Advantage

Capital gains tax is often overlooked, but over a long retirement, it can make a meaningful difference.

In accumulation phase, gains are discounted but still taxed. In pension phase, where ECPI applies, those same gains may be entirely exempt.

This becomes particularly important for long-held assets — such as property or concentrated equity positions — where the unrealised gains can be significant.

Starting a pension at the right time, and with the right structure, can allow those gains to be realised in a far more tax-effective way.

The Obligations
With these benefits come responsibilities.

A pension is not simply a label applied to your balance — it is a regulatory structure with ongoing requirements.

The most important of these is the minimum annual withdrawal.

Each year, you must withdraw at least a prescribed percentage of your pension balance, based on your age. These minimums ensure that superannuation remains aligned with its purpose — to provide retirement income, not simply to accumulate wealth indefinitely.

Failing to meet the minimum requirements can result in the pension being treated as if it never existed for that year, which may affect the fund's tax position.

Like many aspects of SMSFs, the rules are manageable — but they do require attention.

A Measured Approach
After many years working with SMSFs, we've seen how powerful pensions can be when implemented thoughtfully.
We've also seen how easily their benefits can be diluted through poor timing, incomplete documentation, or a lack of ongoing management.

Our approach is not to rush into structures, but to ensure they are aligned with your broader position — your assets, your income needs, your risk tolerance, and the stage of life you are in.

Pensions are not just about accessing super. They are about transitioning well. And when done properly, they provide something that becomes more valuable over time — tax efficiency, consistency of income, and confidence in the years ahead.

Ready to Review Your Pension Strategy?

Whether you're approaching retirement or want to maximise the tax benefits within your SMSF, our team can help you understand your options and ensure your pension strategy is structured to support your long-term financial goals.

LET'S CHAT!

Tax Planning – Using Concessional Contributions to Offset Personal Tax

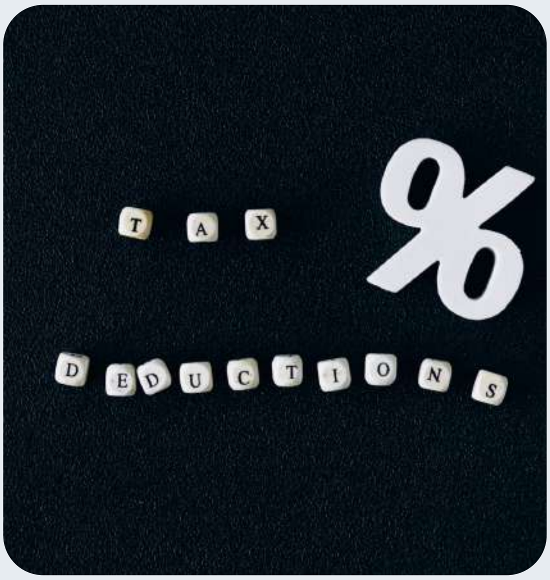
If you meet the eligibility criteria to claim a tax deduction for personal super contributions, there can be significant tax savings available while also boosting your retirement savings.

Eligibility

Individuals under age 75 can generally make personal super contributions. However, if you are aged between 67 and 74 and wish to claim a tax deduction for those contributions, you must satisfy the work test or qualify for the work test exemption. The work test requires you to be gainfully employed for at least 40 hours within a consecutive 30-day period during the financial year.

What Contributions Qualify?

A personal concessional contribution is a contribution you make directly to your super fund using your own money and then claim as a tax deduction in your personal tax return. These contributions count towards your concessional contributions cap, which is $30,000 for the 2025-26 financial year, including any employer Super Guarantee contributions and salary sacrifice amounts.



In some circumstances, unused concessional contribution caps from previous years may also be available through the carry-forward contribution rules.

How the Deduction Works

- Transfer funds from your personal bank account into your super fund.
- Lodge a "Notice of Intent to Claim a Tax Deduction" with your super fund.
- Receive confirmation from the fund that the notice has been accepted.
- Claim the deduction in your personal income tax return.

The contribution is generally taxed at 15% within the super fund. For many taxpayers, this is substantially lower than their marginal tax rate, creating an immediate tax saving.

Example
Sarah earns $120,000 per year and has a marginal tax rate of 32% plus Medicare Levy.
Before 30 June, she contributes $10,000 to her super fund and submits a Notice of Intent to Claim a Tax Deduction.

As a result:
- Sarah receives a $10,000 tax deduction.
- The contribution reduces her taxable income from $120,000 to $110,000.
- She saves approximately $3,400 in personal tax.
- The contribution is taxed at 15% within super, resulting in $1,500 contributions tax.
- The net tax benefit is approximately $1,900, while also increasing her retirement savings.

Key Considerations

- Ensure you do not exceed your concessional contributions cap.
- Employer contributions and salary sacrifice contributions count towards the same cap.
- The contribution must be received by your super fund before 30 June to be deductible for that financial year.
- The Notice of Intent to Claim a Tax Deduction must be lodged and acknowledged by the fund before lodging your tax return or withdrawing/rolling over the relevant benefit.

For many individuals, particularly those on higher marginal tax rates, personal concessional contributions can be one of the most effective tax planning strategies available while simultaneously building long-term retirement wealth.

JUST THE FACTS WITH SHISH

Hi Everyone,

As part of my role, I review SMSF financial statements, tax returns, and compliance matters across our client funds each year. Keeping up with the latest superannuation rules and contribution limits is essential, so I've put together a quick snapshot of the key figures for the 2027 Financial Year.

At Supervision, we're committed to making your SMSF compliance and tax obligations as simple and seamless as possible, so you can focus on building your long-term investment strategy.

FY2027 Superannuation Snapshot: Key Rates, Contribution Limits & Thresholds

- We are now in the 2027 FY (Financial Year).
- Capital Gains Tax (any asset type) in Super = 15% (33% Discount- if held for 12 months or more = 10%), 0% in 100% pension phase.
- 2027 Concessional Contribution Limit = $32,500 + Unused (if eligible)
- 2027 Non-Concessional Contribution Limit = $130,000 Annual or $390,000 (Bring Forward – if eligible)
- The amount you can transfer into Pension Phase to start your first pension 2027 FY = $2.1 Mill (This is called the Transfer Balance Cap)
- Unused Concessional Contributions is available until your member balance reaches $500K.

- Division 293 Tax Threshold = $250,000
- How Div 293 tax is calculated
- Jan's Division 293 income is $240,000 and Division 293 super contributions are $15,000. This is a total of $255,000.
- Division 293 taxable contributions are the lesser of Division 293 super contributions ($15,000) or the amount above the $250,000 threshold ($5,000).
- Jan's Division 293 tax payable is 15% of $5,000. So the Division 293 tax payable is $750.

EDITORIAL
CHANGE, PERSPECTIVE AND EXPERIENCE

WHEN THE RULES CHANGE, FOCUS ON WHAT YOU CAN CONTROL

If you've been reading our updates over time, you may have noticed something about how we approach change.

We are rarely overly positive, and rarely overly negative. That's intentional.

After 20 years working in Self-Managed Superannuation, we've learned that reacting emotionally to policy shifts rarely serves anyone well. What matters is understanding what has changed, what it means in practice, and how to move forward constructively.

This year has certainly tested that philosophy.

We've seen some of the most significant changes to SMSFs in quite some time. Division 296 introduces a new layer of taxation on super balances, and the proposed changes around Limited Recourse Borrowing Arrangements have effectively closed the door on property investment for new SMSF entrants. These are not small adjustments — they reshape how many people will think about structuring their retirement savings.

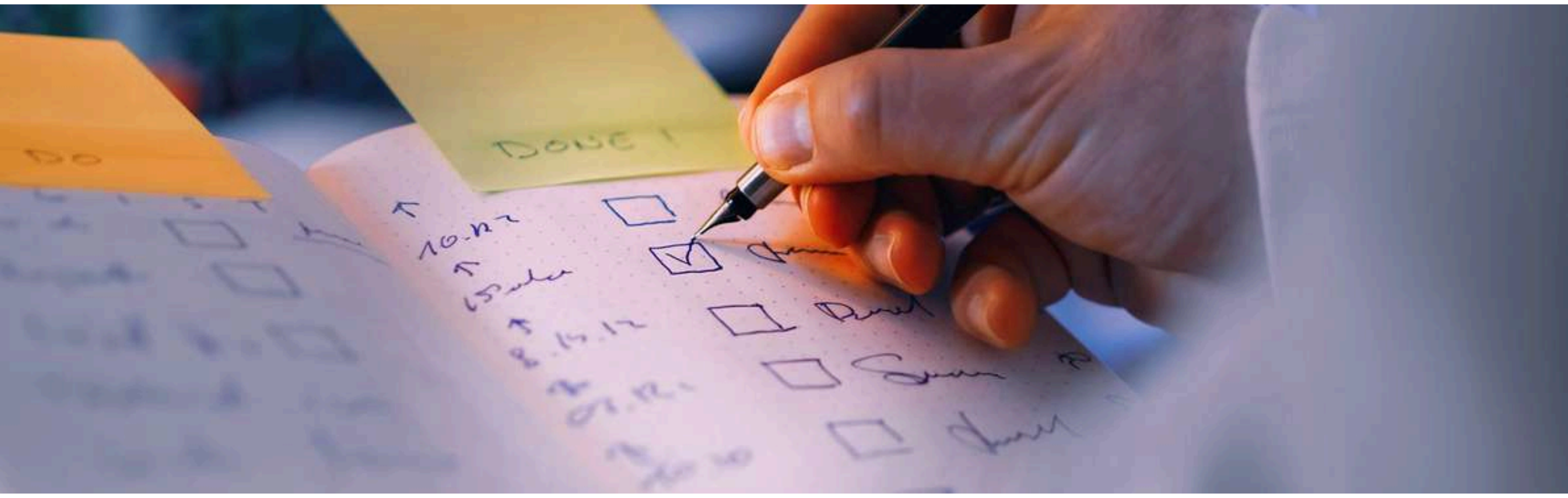
It would be easy to feel frustrated. And at times, we do.

But experience has taught us that frustration is only useful if it's brief. The faster we can understand the new landscape, the faster we can help our clients adapt to it.

The broader conversation you'll see in the media tends to push people toward strong opinions — either outrage or optimism. That's how attention is captured. The more polarising the message, the more it spreads. Before long, individuals emerge as spokespeople on either side, and the discussion becomes less about outcomes and more about positions.

Our view is simpler.

FOCUS ON WHAT YOU CAN CONTROL.



Your outcomes will always be influenced more by your own understanding, discipline and decision-making than by any single policy change. That means continuing to invest in your own education, being realistic about what you do and don't know, and surrounding yourself with people who can fill the gaps.

When this approach is taken, external changes still matter — but they matter less. Decisions feel clearer, and progress becomes more consistent.

As service providers, we operate under the same conditions. The rules change. The environment shifts. At times, new requirements add complexity without clear benefit — and we feel that just as our clients do in their own businesses.

Our response, however, remains consistent.
We invest in ourselves.
We strengthen our relationships.
We continue learning, refining and recalibrating.

Because while we cannot control the decisions made by others, we can control how prepared we are to respond to them.

AND OVER TIME, THAT PREPARATION BUILDS SOMETHING VALUABLE — RESILIENCE.

Not just in a technical sense, but personally and professionally. It allows us to remain steady when conditions around us are not.

That steadiness is ultimately what we aim to provide to our clients.
Not noise. Not reaction.

But clarity, perspective, and a measured path forward.

While we can't control every change, we can control how prepared we are to respond. That's where confidence, resilience, and long-term success are built.

Supervision GROUP

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