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Why the Federal Budget's CGT changes could make the age pension more valuable than ever

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Tax changes often have unexpected consequences and the proposals to overhaul Australia's capital gains tax (CGT) system announced in this year's Federal Budget are no exception. One surprising implication is that for eligible retirees, the age pension may now be more valuable than many people realise.

While the details of the proposed CGT changes are currently being debated, the Budget announcement suggests capital gains on investments will be taxed at a minimum rate of 30%, increasing potential tax liabilities.

The rules are expected to apply to assets from 1 July 2027, meaning individuals may face higher taxes on their investment returns over time.

The little-known exemption for pensioners

Under the proposed changes, individuals who receive a means-tested support payment (such as the Age Pension) in the financial year of the realised capital gain may be exempt from the new minimum tax CGT rules. This exemption can apply even if the retiree is eligible to receive only a partial payment.

Around 2.7 million Australians receive at least some level of income from the Age Pension¹. But some retirees who are eligible for the benefits choose not to apply, viewing it as unnecessary or a “status” issue if they are able to self-fund their retirement.

The CGT changes may overturn this view. Receiving even \$1 of age pension could potentially mean a significant reduction in overall tax on investments – particularly for retirees with a lower taxable income.

A common example of an emerging missed opportunity

Consider this common hypothetical example, fast forwarding to 2029 to show how the changed CGT treatment would play out.

Adam is single and turns 75 in August 2029. He owns his home, which is valued at \$800,000. His household contents and car are worth \$40,000. He has \$420,000 in a bank account and share investments worth \$250,000, which he purchased at a cost base of \$160,000 and which were worth \$220,000 on 1 July 2027.

Adam is conscious that his assets are near the assets test limit for the Age Pension. He did not bother to apply for Age Pension as he may need to inform Services Australia (Centrelink) if his shares increase in value and put him above limit.

¹ [Income support for older Australians - Australian Institute of Health and Welfare](#)



Let's say that Adam intends to sell his shares to fund a move into aged care while he prepares his home for sale.

Since he does not receive the Age Pension, the share sale would trigger CGT and the capital gains from the share sales would be subject to the minimum 30% tax.

In this case, Adam would pay a total of \$8,543 in tax on the sale of his shares (see calculations in the table below).

Should he receive a part Aged Pension in the financial year of the share sale, there would be no minimum 30% minimum tax, but more favourable marginal tax rates applied to the overall capital gains. This would result in a total tax bill of \$6,143 – which is a \$2,400 tax saving compared to what he needs to pay without the Age Pension.

The table below outlines the calculations.

Without Pension			
Pre-1/7/27		Post 1/7/27	
Gross Gain	\$60,000	Gross Gain	\$30,000
50% Discount	\$30,000	Index Factor	1.047
Net Gain	\$30,000	Net Gain	\$19,660
Tax @ MTR	\$2,252	Tax @ 30% + ML	\$6,291
Total Tax Paid	\$8,543		
With Pension			
Pre-1/7/27		Post 1/7/27	
Gross Gain	\$60,000	Gross Gain	\$30,000
50% Discount	\$30,000	Index Factor	1.047
Net Gain	\$30,000	Net Gain	\$19,660
Tax @ MTR	\$2,252	Tax @ MTR	\$3,891
Total Tax Paid	\$6,143		

Although the income Adam is entitled to through the Age Pension may be small, the tax advantage of applying makes a significant difference to the amount he ends up with after the sale of his shares.

Age Pension recipients can also unlock benefits such as the Pensioner Concession Card, which entitles them to lower cost health care, and the Energy Supplement to assist with specific household bills.

Action items

Applying for the Age Pension does take some effort, but the proposed changes to the CGT rules add to the existing benefits. Even a small entitlement can have significant value. Professional financial advisers can also help with these processes, so retirees do not have to tackle the task alone.



For people who expect to realise capital gains on their investments in the coming years, now presents a good window of opportunity to reassess Age Pension eligibility and plan ahead as there are potential strategies that an individual may consider. In addition, there will be an increased need for individuals to maintain detailed records. This includes accurate cost-base information for assets – at their purchase date, as their value stood on 1 July 2027, and any adjustments arising from Dividend Reinvestment Plans.

The added complexity and considerations created by the proposed changes to CGT treatment – as well as the current uncertainty around the final rules – means working with an accountant and financial adviser who can give guidance on the implications in each situation will be more valuable than ever.

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