AUSTRALIAN CUSTODIAL SERVICES ASSOCIATION

Submission to the Treasury

Proposed Capital Gains Tax Changes

Custodian System Readiness, Implementation Lead Time and Regulatory Timeline

August 2026

[redacted]
Acting Assistant Secretary
Individual, Indirect and Superannuation Division
Australian Treasury
CANBERRA ACT 2600

Email: [redacted]

1 Introduction and Purpose

This submission is made by the Australian Custodial Services Association (ACSA) on behalf of its member custodians and transfer agents (unit registrars). It addresses the proposed Capital Gains Tax (CGT) changes announced in the 2026–27 Federal Budget and the critical need for sufficient implementation lead time before any proposed operational commencement date of 1 July 2027.

ACSA members provide custody and related services to a substantial proportion of Australia's managed investment scheme and superannuation assets. Custodians and transfer agents play a central role in the calculation of capital gains and losses on equities and other assets held by unit trusts, including Managed Investment Trusts (MITs) and Attribution Managed Investment Trusts (AMITs). These calculations are an essential input into fund payment determinations, non-resident withholding tax obligations under Schedule 1 to the *Taxation Administration Act 1953*, and year-end investor reporting (including AMMA statements and AIIR filings).

The core message of this submission is twofold. First, the commencement date of 1 July 2027 for the CGT changes is also an **operational commencement date** for MIT, AMIT and custodian withholding and distribution calculations. Systems must be capable of applying the new CGT methodologies from the first disposal and withholding tax from the first fund payment occurring on or after the commencement date. Custodians and transfer agents are not able to delay system implementation changes until the end of the 30 June 2028 income tax year.

Second, and of equal importance, the current regulatory timeline does not support a controlled 1 July 2027 operational start. As at 5 August 2026, only the foundation CGT rules have been enacted in Treasury Laws Amendment (Tax Reform No. 1) Bill 2026 and an exposure draft of the Tranche 2 measures had been released for consultation, which excludes important details such as the treatment of complex CGT events like rollover relief, to be revealed in a future tranche. Treasury consultations on the detailed rules and regulations required to give effect to the CGT changes have not commenced. Until all tranches of the legislation and regulations are available for consultation, and until the Australian Taxation Office (ATO) is in a position to issue practical guidance, ACSA members cannot properly define scope, finalise detailed requirements, or commence the system change projects that would be required. The gap between the present state of regulatory development and a 1 July 2027 go-live is incompatible with the lead times that large-scale CGT engine changes demand.

2 Key Submission Points

ACSA's key points are as follows:

1. Custodians and transfer agents need to update, test and deploy CGT calculation, distribution calculation and unit registry systems **before** the operational commencement date because the withholding tax obligation starts immediately after that date, and is not confined to year-end tax reporting. It arises in connection with fund payments made during the income year. The first fund payment after commencement must be calculated by reference to the fund's expected taxable income or determined member components, so the systems supporting those calculations must already be able to produce compliant capital gain and capital loss outcomes under the new rules from day one.
2. A 1 July 2027 operational commencement is not achievable under the current regulatory timetable. As at 5 August 2026, consultations on the unreleased detailed rules and regulations that will give effect to the CGT changes have not commenced. Industry cannot begin meaningful scope definition, requirements gathering, design or build until the legislative and regulatory framework is sufficiently settled and ATO guidance is available. Expecting production readiness by 1 July 2027 in these circumstances would compress design, build, testing and assurance into an unworkable window and would force a high-risk remediation model rather than controlled implementation.
3. Treasury should therefore either

   (a) ensure that legislation, regulations and ATO guidance are finalised with sufficient lead time before any 1 July 2027 start, or
   (b) adjust the operational commencement date (and any associated transitional arrangements) to reflect the time industry realistically requires once the rules are known.

4. If Treasury determines that a 1 July 2027 commencement date must be retained, ACSA submits that a transitional approach should be considered for institutionally administered investment arrangements whereby existing CGT calculation methodologies continue to apply to disposals occurring during FY2028 and the new indexation methodology applies prospectively from FY2029. This would preserve commencement of the reforms for direct investors while substantially reducing implementation risk for institutional investment vehicles.
5. ACSA has identified a number of opportunities to simplify implementation without materially detracting from the underlying policy intent of the reforms. These include clarifying that capital gains continue to be calculated at the trust level with investors applying their own tax treatment based on information disclosed by the trust and limiting the requirement to preserve residential and non-residential character through indirect trust investment chains.

3 Regulatory Timeline, Industry Project Lead Time and Industry Cost

The practical ability of custodians, fund administrators and transfer agents to implement and jointly test the proposed CGT changes depends critically on when the rules are known with sufficient certainty. System change projects of this nature cannot commence in earnest on the basis of high-level policy announcements alone.

3.1 Current position as at 5 August 2026

As at 5 August 2026, Treasury consultations on the detailed rules and regulations dealing with the CGT changes have not commenced. Complete legislation and regulations are not yet available for industry comment. ATO practical guidance on interpretation, transitional treatment, reporting and system implications generally is not issued until the legislative framework is sufficiently advanced. In the absence of these materials, ACSA members cannot:

- define the detailed scope of required system changes;
- finalise functional and technical requirements;
- engage vendors and internal development teams on a firm design basis;
- commence build, configuration or data model changes with confidence that they will align with the final rules; or
- plan and resource the testing, assurance and control-framework work that ATO third-party data governance[1] expectations require.

Any work undertaken before the regulatory settings are clear risks significant rework once legislation, regulations and ATO guidance are released. Industry experience with previous major tax system changes confirms that premature build against incomplete rules is a major source of cost, delay and residual control risk.

3.2 Typical lead time for CGT calculation system changes

Once the legislative and regulatory framework is sufficiently settled and ATO guidance is available, a realistic end-to-end project timeline for custodian CGT engine changes typically includes the following phases:

1. Scope definition and detailed requirements (including analysis of transitional rules, loss ordering, parcel tracking, corporate action impacts and fund payment interfaces), which takes several months;
2. Detailed design, vendor engagement and data model changes;
3. Build and configuration of calculation engines, upstream feeds and downstream reporting interfaces;
4. Scenario testing, portfolio replication, user acceptance testing and vendor validation;
5. Joint user acceptance testing between custodians, transfer agents, fund managers and administrators;
6. Operational readiness, change control, reconciliation design and control assurance; and
7. Deployment and a period of controlled parallel or shadow running before full production reliance.

8. Update of governance materials, including procedures, tax policies and GS007 controls reports,

9. Optionally engage independent tax advisors to perform an assurance review over the completeness and accuracy of changes.

These activities cannot be meaningfully compressed into the period remaining before 1 July 2027 if consultations have not even commenced by early August 2026. Even an optimistic assumption that draft regulations are released shortly, consultation is completed, legislation is passed, and ATO guidance is issued within a few months would leave industry with a critically short window for design, build, test and assurance, well short of the lead time required for changes of this complexity and scale.

[1] ATO Governance over third-party data guide

3.3 Consequences of a compressed or misaligned timetable

If operational commencement is fixed at 1 July 2027 without corresponding acceleration and finalisation of the regulatory package and ATO guidance, the predictable consequences include:

- Industry forced to process live disposals and fund payments from 1 July 2027 under the old CGT rules (eg. applying a 50% discount to capital gains rather than an indexation allowance);
- Lost tax revenue collections resulting from misstated withholding tax on fund payments to foreign residents by withholding MITs from 1 July 2027.
- High risk of misstatement of income tax returns, AMMA statements and AIIR for the year-ending 30 June 2028 resulting from large-scale adjustment or remediation of CGT calculations;
- Delays in the issuance of AMMA and tax statements to investors with financial consequences for taxpayers reliant on prompt tax refunds after year-end.
- Increased risk of errors in tax calculations unrelated to the specific CGT changes (such as tax returns for carved-out superannuation funds) resulting from compressed or production-pressure change control, with reduced opportunity for regression testing and assurance across complex, inter-related tax platforms;
- Need for increased future government funding of ATO integrity programs resulting from the downgrading of ATO justified trust assurance ratings for funds that can no longer demonstrate the level of progressive, controlled processing and third-party data governance that the ATO expects and requires.

ACSA therefore urges Treasury to treat the finalisation of regulations and the availability of ATO guidance as critical path items that must precede, by a realistic margin, any operational commencement date. The 1 July 2027 date should not be regarded as fixed independently of the regulatory timetable.

3.4 Estimated Industry Cost of CGT Implementation

ACSA's preliminary assessment across its member organisations indicates that the proposed CGT changes will cost the Australian custodial and fund administration industry in excess of **$30 million** to implement.

This estimate reflects the aggregated cost of system design, build and configuration across CGT calculation engines, upstream data feeds, distribution calculation systems, unit registry platforms and downstream reporting interfaces, together with the cost of scenario testing, joint user acceptance testing, vendor engagement, operational readiness and control assurance activities.

It does not include the indirect costs of parallel running, increased exception management, retrospective remediation or the ongoing cost of maintaining expanded reporting fields and data classification requirements once the new rules are in effect.

This figure underscores that the proposed changes represent a major infrastructure investment for the industry, not a routine system update, and that the investment can only be made efficiently and with appropriate quality controls if the legislative, regulatory and ATO guidance framework is finalised with sufficient lead time before the operational commencement date. A compressed or misaligned regulatory timetable would not reduce this cost, it would increase it, by forcing rework, accelerating delivery under production pressure and shifting effort from controlled implementation to post-commencement remediation.

4 Why the Year-End Reporting Date is Not the Implementation Date

The suggestion that industry may have until 30 June 2028 because investor reporting is not issued until after year end is understandable, but it does not fully reflect where the implementation complexity arises. The principal challenge is not the production of year-end reports. It is the application of the new CGT rules to **transaction processing from the commencement of the income year on 1 July 2027**.

From the first day of the relevant income year, disposal transactions require the application of new CGT methodologies, transitional calculations, loss ordering rules and parcel-level tracking. If CGT calculation engines, upstream data feeds, operational processes and control frameworks are not ready from that date, industry participants will need to use existing systems that calculate CGT under the old rules (eg. apply 50% discount instead of indexation allowance) until the updated systems have been fully built and tested. This will result in a misstatement of withholding tax payable on fund payments to foreign residents by withholding MITs.

CGT outcomes are determined at the time the relevant CGT event happens (for most disposals, CGT event A1 occurs on contract date[2]). Taxpayers must also keep records sufficient to enable capital gains and losses to be properly calculated[3]. Given this requirement and the significant volume of transactions processed daily across the industry, systems need to process asset purchases, disposals and complex corporate events (such as takeovers, mergers and demergers) to determine and report the CGT position of funds on a progressive basis during the year.

This is the key distinction that industry is seeking to clarify:

> **The year-end investor statement is not the primary implementation challenge. It is the upstream calculation of CGT on asset disposals that need to be performed, validated and controlled from 1 July 2027, the first day of the income year in which the new rules apply.**

The concern with focusing on the year-end reporting date is that it may imply the following sequence:

- CGT transactions occur during the income year;
- AMMA statements and tax reporting occur after 30 June of that year;
- Therefore industry has until the year-end reporting date.

This logic only holds if the underlying calculations can safely be deferred until after year end, which is not the case for the custodial services industry due to the significant volume of trading activity that occurs during the year.

This is also relevant to the stated ATO Governance over Third-Party Data expectations. Industry participants are seeking to demonstrate robust governance over third-party tax data through straight-through processing, documented change control, reconciliations, data analytics, assurance testing and risk minimisation. A compressed implementation timetable, made worse by delayed finalisation of regulations and guidance, would make it extremely difficult to evidence those outcomes because the focus would necessarily shift from controlled implementation to remediation, exception management and retrospective correction.

[2] ITAA 1997 s104-10; timing in s109-5
[3] ITAA 1997 Div 121, including s 121-20

5 Detailed Supporting Arguments

5.1 CGT calculation capability is required from day one of the income year

Each disposal from the commencement date may create information that is difficult to recreate accurately at a later date. For each disposal, the CGT calculation process may need to determine:

- legacy discount calculations;
- indexation;
- transitional pre-commencement and post-commencement calculations;
- different treatment for superannuation and non-superannuation investors;
- the minimum-tax rate overlay;
- residential and non-residential classifications; and
- revised loss ordering method.

These are transaction processing activities that practically need to occur when transactions are processed and controlled, not only when the AMMA statement or other investor reporting is produced.

5.2 Corporate actions may compound the implementation risk

There are particular concerns around demergers, restructures and other corporate actions affecting assets held across the transition date. These events do not sit outside the transaction lifecycle; they can change cost bases, split parcels, create replacement securities and alter the tax attributes that later disposals depend on.

If transition information is not captured correctly from commencement, subsequent processing may embed incorrect assumptions because cost bases change, parcels split, new securities arise, and later disposal outcomes depend on the correct ordering and treatment of earlier events. We note that draft legislation defining the CGT treatment of complex corporate events, such as rollovers, has not yet been published and is expected to be included in future tranches, adding further to implementation timeline pressures.

5.3 Testing, assurance and third-party data governance require sufficient lead time

The first production year in which the new rules are applied to live transaction activity will require detailed design, scenario testing, portfolio replication, user acceptance testing, vendor validation, operational readiness, change control, reconciliation design and control assurance before the rules are applied in production.

The proposed CGT changes are far-reaching and will affect systems across the transaction lifecycle, from transaction processing and tax calculation through to fund distributions and downstream reporting. Coordinated joint testing between different stakeholders in the supply chain, such as data transfers between custodians, transfer agents and fund managers is required. Those activities are central to the control environment that the ATO's third-party data governance guidance is seeking to promote.

If calculation functionality is delivered late, or if the rules themselves are finalised late, testing windows shrink, change control is compressed or performed under production pressure, and reconciliation, assurance and exception management may become the first full-scale validation of the design. This would materially increase operational risk and reduce the opportunity for industry to provide the level of evidence and risk mitigation that government, regulators, clients and investors would reasonably expect.

5.4 Reporting field proliferation requires final specifications

The proposed CGT changes are expected to increase the number of capital gain and loss components that must be calculated, classified and reported across AMMA statements, AIIR filings and other downstream reporting. This may include separate treatment of pre-commencement and post-commencement amounts, indexed and discounted gains, deferred and non-deferred amounts, residential and non-residential amounts, losses and other existing classifications.

The final number and design of these reporting fields will depend on the detailed legislation, regulations, ATO forms and reporting specifications. Until those requirements are settled, custodians, transfer agents and fund administrators cannot finalise data models, reporting interfaces, validation rules or end-to-end testing. These reporting specifications are therefore critical implementation inputs and require sufficient lead time before operational commencement.

6 Distribution Cycle Dependencies and Off-Cycle Distributions

Managed funds, including AMITs, are flow-through vehicles constitutionally mandated to distribute or attribute net taxable income to unitholders on monthly, quarterly, semi-annual, or annual cycles. Because capital gains and losses are progressive components of a fund's ongoing net income rather than simple year-end calculations, the updated CGT rules must be fully operational from Day One of the relevant income year.

Furthermore, funds frequently execute ad-hoc "special distributions" outside standard cycles to facilitate corporate actions, fund mergers, wind-ups, or significant asset disposals. Because these events are unpredictable and can occur immediately after the transition date, the entire CGT calculation suite must be fully operational from commencement to prevent severe compliance breaches.

7 MIT and AMIT Fund Payment Obligations

For MITs and AMITs, determination of the fund payment requires the trustee first to estimate the taxable income of the fund (net income or the total of determined member components), including capital gains, after offset of capital losses and allocation of expenses against those gains. The trustee must then identify and remove excluded components such as non-taxable Australian property (NTAP) capital gains and add-back NTAP capital losses that have been applied against TAP capital gains. The MIT and AMIT fund payment calculation cannot be performed on a compliant basis if the underlying CGT engine cannot calculate indexed capital gains from 1 July 2027 until systems are updated.

The withholding regime is designed to collect tax efficiently as payments are made. If custodians and funds cannot calculate the new CGT outcomes by the commencement date, they face a practical risk of calculating fund payments on an incorrect basis for distributions made on or after that date. That would create downstream risk of under-withholding or over-withholding, incorrect remittances to the ATO, investor reporting errors, reconciliation issues at year end and potential non-compliance with Schedule 1[4] obligations.

[4] Schedule 1 to the *Taxation Administration Act 1953* (TAA)

8 Transitional year request

As outlined throughout this submission, ACSA members do not consider it feasible to design, build, test and deploy the required CGT calculation, reporting, registry and withholding tax functionality by 1 July 2027 under the current regulatory timetable. The implementation challenges described above are not limited to year-end reporting and arise from transaction processing, data model changes, trust reporting, vendor dependencies, testing and assurance requirements that must be operational from commencement.

If the commencement date remains 1 July 2027, Treasury should consider a transitional implementation approach for institutionally administered investment arrangements, including MITs, AMITs, CCIVs, APRA-regulated superannuation funds, IDPS arrangements and their associated custodial structures. Individual investors, discretionary trusts and other taxpayers investing directly in assets would continue to transition to the new regime from 1 July 2027.

Under this approach:

- the legislation would continue to commence from 1 July 2027;
- existing CGT discount methodology would continue to apply to disposals occurring between 1 July 2027 and 30 June 2028 for the affected institutional investment vehicles; and
- the new indexation would apply prospectively to disposals occurring from 1 July 2028.

Importantly, this is not a deferral of the commencement date. Rather, it provides a controlled transition period for the sectors of the industry facing the most significant systems and operational complexity, while the reforms continue to apply to direct investors from 1 July 2027.

This approach would substantially reduce the implementation challenges identified in this submission. Existing CGT engines could continue to calculate capital gains and losses using established methodologies during FY2028, removing the immediate need for new indexation functionality, transitional market value calculations, changes to parcel processing logic and remediation of transaction histories affected by corporate actions.

The policy intent of the revised loss ordering rules could also largely be preserved during the transition year. Unlike capital gain calculations, loss ordering is applied to annual tax attributes rather than transaction-level parcel selections. To the extent required, revised loss ordering outcomes could be determined off-line using aggregated capital gain and capital loss information as part of the annual tax reporting process while permanent systems functionality is being implemented. This would allow the policy intent of the revised loss ordering regime to continue to be reflected in investor outcomes without requiring immediate redevelopment of transaction processing systems from commencement.

8.1 Revenue impact

The impact on government revenue may be more limited than initially assumed. Under the legislation, gains accrued up to 30 June 2027 continue to benefit from discount treatment. Accordingly, the relevant revenue impact is not the difference between discounting and indexation on the entire economic gain realised on disposal. Rather, it is **limited to gains accruing between 1 July 2027 and the date of disposal during FY2028** for those institutionally administered investment arrangements subject to the transitional approach. The overwhelming majority of the economic gain on long-held assets would continue to be treated in the same manner as contemplated by the legislation.

Illustratively, assuming long-term market growth of approximately 8 per cent per annum and inflation of approximately 3.5 per cent per annum, the difference between the taxable gain produced under the existing discount methodology and the proposed indexation methodology would be approximately 0.5 per cent of the market value of affected assets held at 30 June 2027 and disposed of during FY2028.

Illustrative Example

Assume:	
Asset acquired many years ago	$ 500,000
Market value at 30 June 2027	$ 5,000,000
Disposal value in 30 June 2028 (8% growth)	$ 5,400,000
Inflation/indexation = 3.5%	3.50%
Deferred gain	$ 4,500,000
Non-deferred gain - gross	$ 400,000
Discount method	
Cost	$ 5,000,000
Disposal proceeds	$ 5,400,000
Gain x 50%	$ 400,000
less discounting 50%	$ 200,000
Indexation method	
Indexed cost base @ 3.5%	$ 5,175,000
Disposal proceeds	$ 5,400,000
Indexed gain	$ 225,000
Difference	$ 25,000
Tax @ 30%	$ 7,500

Despite the asset having an overall unrealised gain of $4.9 million, the difference between the two approaches for the transition year has a tax revenue impact of only $7500.

This example demonstrates that the relevant revenue impact is not the difference between discounting and indexation on the entire economic gain realised on disposal. Rather, it is limited to the difference in treatment of gains accruing between 1 July 2027 and the date of disposal during the transition year. For long-held assets, this difference may represent only a small fraction of the total capital gain realised.

Put another way, under an 8 per cent growth and 3.5 per cent inflation scenario, the difference between applying discounting and indexation for a single transitional year is approximately **0.5 per cent of asset value of disposals for the year.**

Discounting: Capital gain (market growth) 8.0% less 50% discount = Taxable gain of 4.0%
Indexation: Capital gain (market growth) 8.0% less indexation 3.5% = Taxable gain 4.5%
Difference in taxable gain: 4.5% − 4.0% = 0.5%

While actual outcomes would depend on investment returns, inflation and disposal patterns, this suggests that the revenue impact may be significantly smaller than a simple comparison of discounting and indexation across the full economic gain realised on disposal.

ACSA therefore submits that Treasury should consider whether a limited transitional approach of this nature would provide a more proportionate balance between implementation risk and revenue protection. The proposal preserves the commencement date, preserves the application of the reforms to direct investors from 1 July 2027, substantially preserves the policy intent of the reforms and provides industry with a realistic pathway to implement the permanent solution in a controlled and well-governed manner.

9 Other Implementation Complexities

9.1 Investor-Level Calculation Model

Treasury officials have indicated that the intended policy outcome of the reform is that a trust continues to calculate its own taxable income and capital gain outcomes, while providing investors with sufficient information to calculate their own tax position under the applicable rules.

ACSA supports this approach. Existing trust taxation regimes operate on the basis that trusts calculate and attribute taxable income at the trust level, while different classes of investors apply their own tax treatment to the amounts attributed. ACSA understands that the proposed CGT reforms are intended to preserve this principle.

From an implementation perspective, this distinction is important. The complexity of the reforms is materially greater if trusts are required to calculate separate capital gain outcomes for different categories of investors. By contrast, if trusts continue to calculate capital gains once at the trust level and provide sufficient information for investors to determine their own tax outcomes, many of the more significant systems, reporting and data management challenges can be reduced.

9.2 Residential and Non-residential

The legislation introduces the concept of residential and non-residential capital gain and loss classifications for the purposes of the revised loss ordering rules. This distinction is not otherwise used as a general classification across the tax law and appears to have a limited purpose within the CGT calculation.

Funds and their service providers already identify and process numerous component types that affect withholding or investor tax outcomes, including TAP and NTAP, NCMI and excluded NCMI, clean building MIT income, Build-to-Rent income and affordable housing capital gains. The residential and non-residential classification is different. It does not itself determine the withholding treatment, investor tax rate or availability of a concession, but is required to apply the revised loss ordering rules.

Notwithstanding this limited purpose, implementation will require new data fields and calculation logic across the transaction lifecycle. Systems will need to classify gains and losses, retain and transfer those classifications between custodians, fund administrators and transfer agents, apply them in the prescribed loss ordering sequence and reconcile the resulting amounts through fund calculations and downstream reporting. This adds significant complexity to systems and controls for a classification that has no broader operational application outside the loss ordering rules.

ACSA notes that MITs and AMITs do not generally hold residential property directly. To the extent residential capital gains arise, they will often be derived indirectly through distributions from underlying trusts and investment vehicles. Requiring the residential or non-residential character of gains and losses to be maintained through multiple layers of trust attribution would create significant systems complexity, increase data transfer requirements and expand reporting obligations across the administration chain.

Moreover, the distinction may result in additional investor reporting complexity without a corresponding investor outcome. The current ACSA Tax Data Standard recommends 21 CGT disclosures in the AMMA statement. Analysis suggests that the proposed reforms could increase this to nearly 70 components. The requirement to separately identify residential and non-residential amounts through indirect trust investments would contribute to this proliferation of reporting components despite having limited practical relevance for many investors. Removing the residential / non-residential reporting for indirect investments would reduce CGT AMMA statement disclosures to under 50.

10 Recommendations

ACSA recommends that Treasury:

1. Recognise that the commencement date for the CGT changes is also an operational commencement date for MIT, AMIT and custodian withholding and distribution calculations. Systems must be ready from day one of the relevant income year, not merely by the time of year-end investor reporting.
2. Treat the finalisation of legislation, regulations and ATO practical guidance as critical path items. As at 5 August 2026, consultations on the regulations have not commenced. Industry cannot properly define scope, finalise requirements or commence system projects until those materials are available. The operational commencement date must be set with realistic lead time after the rules are known.
3. Support implementation timelines that enable industry to meet the ATO's expectations for robust governance over third-party tax data, including controlled change management, reconciliations, assurance testing and progressive, well-governed processing of tax attributes.
4. Accelerate the regulatory timetable so that final legislation, regulations and ATO guidance are available with sufficient lead time before 1 July 2027.
5. Adjust the operational commencement date (and any transitional arrangements) to reflect the time industry requires once the rules are settled. A 1 July 2027 start is not achievable under the current state of regulatory development.
6. If Treasury retains a 1 July 2027 commencement date for institutionally administered investment arrangements, implement a transitional approach under which existing CGT calculation methodologies, including discount treatment continue to apply to disposals occurring between 1 July 2027 and 30 June 2028. New indexation would apply prospectively to disposals occurring from 1 July 2028. Direct investors would continue to transition to the new regime from 1 July 2027.
7. Treasury should expressly confirm that MITs, AMITs and other trust vehicles continue to calculate taxable income and capital gains at the trust level, with investors applying their own tax treatment based on information disclosed by the trust. Trustees should not be required to maintain separate capital gain calculations, loss pools, expense allocations or unders and overs for different classes of investors.
8. Limit the residential and non-residential loss ordering requirements for MITs, AMITs and other widely held investment vehicles to gains and losses arising from direct holdings of residential property. Residential and non-residential character should not be required to be preserved, attributed or separately reported where it is received indirectly through distributions from underlying trusts or investment vehicles.

11 Closing

ACSA and its members remain committed to supporting the orderly and compliant implementation of tax policy changes. We would welcome the opportunity to engage further with Treasury and the ATO on the practical system and operational implications of the proposed CGT reforms, on the design of any transitional arrangements, and on the sequencing of regulatory finalisation and industry readiness.

We urge Treasury to align the operational commencement date with a realistic assessment of when legislation, regulations and ATO guidance will be final, and of the lead time that custodians and fund administrators then require. We thank Treasury for the opportunity to make this submission and look forward to continued constructive dialogue.

Yours sincerely,

[redacted]

David Travers
Chief Executive Officer
Australian Custodial Services Association
Level 26, 44 Market Street, Sydney NSW 2000, Australia

[redacted]

About the Australian Custodial Services Association (ACSA)

ACSA is the peak industry body representing members of Australia's custodial and investment administration sector. ACSA's mission is to promote best practice in custody and investment administration, and to represent the interests of its members in engagement with government, regulators and other stakeholders.

Custodians provide a range of institutional services, with clients typically favouring a bundled approach to custody and investment administration. Solutions may include traditional custody and safekeeping, investment administration, foreign exchange, securities lending, tax and financial reporting, investment analytics (risk, compliance and performance reporting), investment operations middle office outsourcing and ancillary banking services.

These services represent key investment back-office functions – often representing the client's asset book of record and essential source data in relation to the investments they hold.

The key sectors supported by ACSA members include large superannuation funds and investment managers, as well as other domestic and international institutions.

ACSA works with peer associations, regulators and other market participants on a pre-competitive basis to encourage standards, promote consistency, market reform and operating efficiency.

Note: The views expressed in this letter are prepared by ACSA for the purposes of consideration by Treasury and Australian Tax Office considerations on 2026 Budget Capital Gains Tax changes and should not be relied upon for any other purpose. The comments in this letter do not comprise financial, legal or taxation advice and should not be regarded as the views of any particular member of ACSA.

www.acsa.com.au