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SMSF Trustee update

Division 296

The cost base reset opportunity for SMSFs

A one-off choice may help protect pre-1 July 2026 capital growth from being counted in future Division 296 fund earnings.

From 1 July 2026

Division 296 tax applies from the 2026-27 income year if you have a large or very large super balance

$3 million

Large super balance threshold, with income proportionately taxed at 15%.

$10 million

Very large super balance threshold, with a further additional rate of 10%.

What is the cost base reset?

An SMSF may choose to reset the Division 296 cost base of CGT assets held at 30 June 2026 to their market value at that date. The measure is intended to recognise growth that accrued before Division 296 commenced

Important distinction

The reset applies only to future Division 296 calculations. It does not change the fund's ordinary CGT cost base or the normal capital gain or loss calculated when an asset is sold

Key features

- The election is not automatic.
- It applies to all CGT assets held by the SMSF at the end of 30 June 2026, not asset by asset.
- Once made, the election cannot be revoked.
- A member does not need a balance over $3 million for the SMSF to elect.

Where it may help

- Investments with substantial pre-30 June 2026 growth
- Members who may exceed Division 296 thresholds in future
- A significant asset sale expected after 30 June 2026

Timing matters

Please contact us before the fund's lodgement due date so there is sufficient time to review, model and document the choice.

What trustees need to do

1. **Review the fund's assets**
   Identify all CGT assets held at 30 June 2026.
2. **Support market values**
   Obtain appropriate evidence for property, unlisted shares, unit trusts, private companies and other non-publicly traded assets.
3. **Model the overall outcome**
   Obtain appropriate evidence for property, unlisted shares, unit trusts, private companies and other non-publicly traded assets.
4. **Make the election on time**
   The election must be made by the due date of the SMSF's 2026-27 annual return, in the approved form.

How RSM can assist

- Review whether the cost base reset may be of value
- Assess member balances and projected exposure
- Model the fund-wide impact
- Document 30 June 2026 market values
- Prepare trustee resolutions and supporting records

Worked example and next steps

What could the reset save?

A simplified illustration for an SMSF property investment

Worked example: Jones family SF

Property purchase price	$900,000	**Market value at 30 June 2026**	$2,300,000
Sale price - 20 March 2028	$2,600,000	**Mr Jones TSB at 30 June 2028**	$5,000,000

Calculation	Without reset	With reset
Ordinary CGT cost base	$900,000	$900,000
Ordinary CGT capital gain	$1,700,000	$1,700,000
Division 296 cost base	$900,000	$2,300,000
Gross Capital gain for Division 296	**$1,700,000**	**$300,000**
Discounted Capital Gain	$1,133,333	$200,000
Taxable Gain for Division 296	$453,333	$80,000
Division 296 tax	**$68,000**	**$12,000**

$1.4 million
reduction in Division 296 capital gain

$56,000
illustrative Division 296 tax saving

Example note: *1) the asset has been held for >12 months 2) This illustration is simplified. Actual outcomes may be affected by carried-forward capital losses, pension-phase adjustments, member-level attribution, fund earnings methodology and whether a member is subject to Division 296 in the relevant year.*

Indicative fees for work completed by RSM

Straightforward fund review	**From $550**
Multiple/private/complex investments	**Up to $2,750**
Implementation, resolutions and documentation	**Additional $550**

Guidance is evolving

The broad law is in place. Further ATO guidance, including guidance on fund earnings, member earnings and the CGT adjustment, is still being developed. Current requirements should be checked when the election documentation is prepared.

General information only: This publication contains general information and does not consider your personal objectives, financial situation or needs. You should seek advice before making any decision about your SMSF, investments, withdrawals or estate planning arrangements.

Start the review before lodgment

Contact your RSM SMSF specialist to discuss whether a division 296 cost base reset review is appropriate for your fund.

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