

Borrowing to buy residential property in your SMSF: now law

The Government has legislated a ban on new SMSF borrowing for residential property. Here is what it means, the cut-off that matters, and who is — and isn't — affected.

The Federal Government has now legislated a ban on new borrowing by super funds to purchase residential property — which in practice affects self-managed super funds (SMSFs), the only funds that use these arrangements. Below is what it means, the date it starts, and who is — and isn't — affected.

10 Aug 2026	9 Aug 2026	Residential	Commercial
the ban commences (45 days after Royal Assent)	exchange contracts by this date to be grandfathered	only new residential LRBAs are banned	business real property borrowing is unaffected

In a nutshell

- What: new limited recourse borrowing arrangements (LRBAs) used to buy residential property inside super are prohibited.
- When: the law received Royal Assent on 26 June 2026 and the ban commences 10 August 2026.
- The cut-off: to be protected, a purchase contract must be exchanged on or before 9 August 2026.
- Who's affected: only new arrangements. Property your SMSF already owns, existing loans, and commercial/business-premises borrowing are not affected.

What is changing

1 A ban on new residential borrowing in super

As part of the deal to pass its wider budget and tax reforms through the Senate, the Government has legislated a ban on new limited recourse borrowing arrangements (LRBAs) by superannuation funds for residential property (Treasury Laws Amendment (Tax Reform No. 1) Act 2026, Schedule 5). Because LRBAs are used almost exclusively by SMSFs, this effectively ends the ability to borrow inside an SMSF to buy a residential investment property.

An LRBA is the one form of borrowing super funds are generally allowed to use — the loan is secured only against the property it buys. The measure targets residential property; the legislation does not extend to borrowing for commercial or business real property (for example, a business premises held in your SMSF), which remains available.

2 Key dates and the cut-off

The legislation passed Parliament and received Royal Assent on 26 June 2026. The ban takes effect 45 days later — on 10 August 2026.

To be protected (grandfathered), a purchase contract must be exchanged on or before 9 August 2026. Settlement can occur after that date, provided the contract was exchanged in time. There is therefore a limited — and now short — window in which a new arrangement can still be put in place.

3 What is not affected

- Residential property your SMSF already owns is not affected, with or without a loan.
- Existing LRBAs and loans already in place continue unchanged (including refinancing).
- Contracts exchanged on or before 9 August 2026 are protected.

- Borrowing for commercial or business real property remains available.
- The tax treatment of super is not changing — funds keep their concessional treatment.

4 What this means for you

Already hold residential property in your SMSF: no action required. Part-way through, or seriously considering, a geared SMSF residential purchase: the window is closing — a contract needs to be exchanged by 9 August 2026, so please contact us as soon as possible. SMSF property gearing was part of your longer-term plan: it won't be available for new residential arrangements; let's review the alternatives, including commercial property or an unleveraged purchase.

We are here to help

Weighing up an SMSF property purchase, or not sure how this affects your plans? That is exactly what we are here for — and the timing now matters.

Book a complimentary chat with us, or call the office on 0478 745 533.

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This update contains general information only and does not consider your particular objectives, financial situation or needs. It is based on the Treasury Laws Amendment (Tax Reform No. 1) Act 2026 (Schedule 5), which received Royal Assent on 26 June 2026, with the ban commencing 10 August 2026. Current as at 1 July 2026. You should consider whether the information is appropriate for you and seek personal financial (and, where relevant, taxation) advice before acting.