

THE SMSF RESIDENTIAL RESET

What Every Lender Needs to Know
Before 10th August, 2026

**GML Lender
Insights Report**

EXECUTIVE SUMMARY

The Treasury Laws Amendment (Tax Reform No. 1) Act 2026 introduces one of the most significant changes to SMSF residential lending in recent years. From **10th August, 2026**, new LRBA's for most residential property acquisitions will no longer be permitted.

The countdown is for the SMSF investors, not lenders.

While the deadline applies to SMSF investors, lenders are likely to experience the operational impact immediately through increased enquiries, pre-approvals and accelerated transaction timeframes.

KEY TAKEAWAYS



Contracts for residential purchases must be exchanged by **Sunday 9 August 2026**.



Loan documents may still be signed after that date where contracts were exchanged beforehand.



Existing residential LRBA's and refinancing remain unaffected.



Commercial, industrial and qualifying agricultural property remain eligible.



Alternative investment structures are expected to increase.



D-Day, The Countdown Has Begun

The Treasury Laws Amendment (Tax Reform No. 1) Act 2026 received Royal Assent on **25th June, 2026**, commencing a 45-day countdown to the end of new LRBA's with residential property.

“The last day for SMSF investors to secure a contract for residential property and remain eligible to obtain an LRBA loan is **Sunday 9th August, 2026**”

The last day for SMSF investors to secure a contract for residential property and remain eligible to obtain an LRBA loan is **Sunday 9th August, 2026**. Importantly, the LRBA loan documents themselves may still be entered into after this date.

From **10th August 2026**, residential property will (for most) not be acceptable as a single acquirable asset. What will remain acceptable is **business real property**.

GML Insight

Lenders should expect increased pre-approval activity and greater urgency from borrowers seeking to exchange contracts before the deadline. Credit teams should prepare for compressed turnaround times while maintaining normal lending discipline.

Practical Lender Tip

Review your current SMSF lending pipeline now and prioritise borrowers intending to purchase residential property before the deadline.

What is Business Real Property?

The definition of business real property in the Superannuation (Industry Supervision) Act 1997 includes freehold or leasehold interests (including Crown land interests capable of transfer) where the real property is used wholly and exclusively in one or more businesses (whether carried on by the entity or not).

Business Real Property (BRP) will become increasingly important following the reforms. Under the Superannuation (Industry Supervision) Act 1997, BRP includes freehold or leasehold interests, including transferrable Crown land interests, where the property is used wholly and exclusively in one or more businesses, regardless of who conducts the business.

Agricultural property will ordinarily be included provided the use of any area for domestic purposes does not exceed 2 hectares and is not the main use of the property (a specific exception set out in the definition of business real property). Working farms and stations are included while rural retreats are not.

Commercial and industrial property will generally continue to qualify. Where residential property is involved, use of the property is critical. Outside agricultural land, mixed-use property is unlikely to qualify because the legislation requires the property to be used wholly and exclusively in one or more businesses.

KEY TAKEAWAYS



Commercial, industrial and qualifying agricultural property **remain eligible**.



Mixed-use residential property is **unlikely to qualify**.



The concept of **Business Real Property** becomes central to future SMSF lending.



Are There Any Exceptions?

The reforms do not affect every SMSF lending scenario.



Existing residential LRBAs are not affected.



Existing residential LRBAs may continue to borrow funds to maintain or refinance existing arrangements.



SMSF investors already under contract before 10 August may still obtain an LRBA, protecting many off-the-plan purchases.



SMSFs may still purchase residential property outright. It is the borrowing that changes, not ownership.



A possible, although rare, exception exists where residential property forms part of a genuine rental property business. The ATO sets a high threshold requiring significant scale, personal involvement and business-like operations.



A Possible Very Rare Exception - Rental Property Business

A possible, although rare, exception exists where residential property forms part of a genuine rental property business. The ATO sets a high threshold requiring significant scale, personal involvement and business-like operations.

Source: [Rental property as investment or business | Australian Taxation Office](#)

NOT CARRYING ON A RENTAL PROPERTY BUSINESS



CARRYING ON A RENTAL PROPERTY BUSINESS



ATO Guidance - Rental Property Business

Example - Not carrying on a business

Saania owns 16 rental properties, 14 of which are managed by real estate agents. Saania frequently attends personally to rental property matters, for example, collecting rent and arranging for repairs to be done. She also undertakes regular analysis to measure the financial performance of her rental properties.

Saania isn't carrying on a business of property investing because the activities are no more than letting properties.

Example - Carrying on a business

Mr and Mrs Smith own several rental properties either as joint tenants or equal tenants in common. They own 8 houses and 3 apartment blocks. Each block comprises 6 residential units. So, they own a total of 26 rental properties.

The Smiths actively manage all of the properties. They devote a significant amount of time to these activities – an average of 25 hours per week each. They undertake all financial planning and decision-making for the properties. They interview all prospective tenants and conduct all of the rent collections. They carry out regular property inspections and attend to all of the everyday maintenance and repairs themselves or organise for them to be done.

The Smiths are carrying on a rental property business. This is indicated by the following factors:

- the significant size and scale of the rental property activities
- the number of hours they spend on the activities
- their extensive personal involvement in the activities

the business-like manner in which the activities are planned, organised and carried on.

“Owning multiple investment properties alone is generally not enough to constitute a rental property business.”

What Can Lenders Tell Their SMSF Borrowers?

- If seeking to borrow via an SMSF to invest in residential property, the contract should be secured by **Sunday 9th August, 2026**.
- Loans for SMSF investors to purchase industrial, commercial or agricultural properties are unaffected by the changes.
- SMSF investors in residential property already under contract or expecting to be before **9th August, 2026** do not need to rush to have their LRBA paperwork signed by **9th August, 2026** that can occur in the ordinary manner.
- Existing SMSF investors can refinance their existing LRBAs as if nothing has changed.

Practical Lender Tip

Ensure frontline lending teams understand the distinction between the contract exchange date and the loan documentation date.



Will There Be a Rush?

The countdown is likely to generate increased SMSF purchasing activity. Some borrowers may enter contracts they would not otherwise have pursued simply to secure eligibility before the reforms commence.



GML Insight

Lenders should pay closer attention to contract conditions and continue prudent credit assessment despite increased borrower urgency. For the immediate future, prioritising pre-approval requests may assist borrowers without compromising lending standards.

What Does This Mean for LRBAs in the Future?

Residential LRBAs will continue through refinancing for many years, while new activity is expected to shift towards Business Real Property. A minority of large-scale residential property businesses may continue to qualify under the limited business exception.

Financial advisers are also expected to increase the use of unrelated unit trust structures. Multiple unrelated SMSFs may invest through a unit trust, with each SMSF holding no more than 50% of the units.

The unit trust, rather than the SMSF, borrows and grants the security. Although already established, this structure is expected to become increasingly common.

**“The reforms change where SMSFs can borrow.
They do not remove investor demand.”**

Final Thoughts

The reforms represent a significant shift in SMSF lending rather than the end of the sector. Lenders who understand the new rules, educate borrowers early and adapt to emerging opportunities in Business Real Property and alternative structures will be best placed to support SMSF investors beyond **10th August, 2026**.