

SMSF borrowing rules change on 10 August — what it means for property in super

Why rushing a residential property purchase inside super is risky, the refinancing trap, and the options that remain.

The May federal budget reshaped the tax landscape for property investors, winding back the capital gains tax discount and negative gearing concessions. Superannuation was largely spared — but as part of the deal struck to pass the reforms, one long-standing strategy is about to close: from 10 August 2026, self-managed super funds will no longer be able to borrow to buy residential property.

That deadline is creating real pressure. We're already seeing the market react — credit bureau data shows national mortgage demand fell 14 per cent in June, and property values in Sydney and Melbourne have posted their steepest quarterly falls in years. For some investors, softer prices plus a closing window feels like a now-or-never moment. Our view: a rushed purchase inside super is one of the most expensive mistakes you can make.

10 Aug 2026	9 Aug 2026	9.35%	14%
new residential SMSF borrowing banned	last day to exchange a protected contract	ATO safe harbour loan rate for 2026-27	fall in national mortgage demand in June

In a nutshell

- From 10 August 2026, new limited recourse borrowing arrangements (LRBAs) can only be used to buy business real property — residential is banned.
- The ban is residential-only: SMSFs can still borrow, with no deadline, for commercial property including your own business premises.
- Existing loans are grandfathered and can be refinanced — but a shrinking lender pool makes future refinancing a real practical risk.
- A deadline is never a good reason to buy an asset. Get advice before signing anything.

What's changing

Since 2007, SMSFs have been able to borrow to buy property through a limited recourse borrowing arrangement (LRBA) — a structure where the property is held in a separate trust and the lender's recourse is limited to that single asset.

From 10 August, new LRBAs can only be used to acquire business real property. To buy a residential property in your SMSF with borrowings, your purchase contract must be exchanged on or before 9 August 2026 — settlement can follow later, provided the contract was in place in time.

Key dates



This is about residential property only

It's worth being crystal clear on the scope, because the headlines often aren't: the ban applies only to residential property. SMSFs can continue to borrow, without any deadline, to buy commercial property — office premises, industrial units, warehouses, farmland, or the premises your own business operates from.

For business owners in particular, nothing changes. The well-worn strategy of your SMSF buying your business premises and leasing them back to your business at market rent remains fully available after 10 August. If your property plans are commercial rather than residential, there is no clock ticking and no reason to rush.

Why rushing is risky

An LRBA is not a structure you set up on the way to the auction. The property must be held in a bare trust that is established before you sign the contract — get the order of steps wrong and you can face double stamp duty, financing problems, and an expensive unwind. Add conveyancing, finance approval and trustee paperwork, and a few weeks is a very short runway. More importantly, the deadline doesn't change the fundamentals:

- Your investment strategy comes first. SMSF investments must fit the fund's documented investment strategy, and your auditor will check. A property bought to beat a deadline, then justified afterwards, is the wrong way around.
- Concentration risk is real. A single property often consumes most of a fund's capital. The ATO has had diversification in its sights for years, and one large, illiquid asset carries risks trustees must genuinely consider.
- The usage rules are strict. Your fund can't buy from a related party, and you, your family and other related parties can't live in or use the property — even paying full market rent. A future beach house or a home for the kids at university can't be bought through super.
- Improvements are restricted. While a loan is in place you can repair and maintain but not improve the property or change its character — and once repaid, the fund can't borrow again to renovate.
- Related-party loans have traps. Borrowing from yourself is legitimate, but the loan must meet the ATO's safe harbour terms (a 9.35 per cent interest rate for 2026-27) or risk the fund's income being taxed at the top marginal rate. Certain related-party loans also count towards your total super balance — and once that reaches \$2.1 million, further non-concessional contributions are shut off.
- Life doesn't follow the loan schedule. A death, illness or relationship breakdown can force the sale of the property at the worst possible time. A fund holding one big asset has very little room to move.

The refinancing trap

Here's a risk that deserves more attention than it's getting: what happens to your loan in five years' time? The major banks have already largely exited SMSF lending, leaving the market to smaller banks, non-bank lenders and credit unions. With new residential LRBAs banned from 10 August, that shrinking pool of lenders has even less reason to stay. A residential SMSF loan written today becomes part of a closed, gradually shrinking book that lenders may progressively lose appetite for.

The law itself isn't the problem — existing loans are grandfathered, and refinancing a grandfathered loan to a new lender is still permitted (provided the loan balance doesn't increase). The problem is practical: refinancing only works if a lender is willing to write the loan. If your fixed period ends, your lender lifts its rates, or your fund's circumstances change, and few or no lenders are still active in residential SMSF lending, you may be stuck on uncompetitive terms with no ability to move — or facing a forced sale to clear the debt. Anyone signing a contract before the deadline should stress-test the loan on the assumption that refinancing may be difficult or impossible later.

What if you miss the deadline?

The ban applies to borrowing for residential property — not to residential property itself. After 10 August, options remain for the right situation:

Option	How it works
Buy outright	Where the fund has sufficient capital, no borrowing is needed — the ban doesn't apply.
Tenants-in-common	The SMSF co-owns a fixed share alongside you or another entity (the fund can't acquire more of the property later).
Non-geared unit trust	The fund invests in a related unit trust that holds the property, subject to strict conditions.
Commercial LRBA	Borrowing for business real property remains fully available — often the more compelling strategy for business owners.

The bottom line

Property can absolutely play a role in a well-built retirement strategy — for investors with sufficient super, a genuine long-term horizon, and the capacity to run an SMSF properly. But the calendar is never a good reason to buy an asset. If you're weighing up a purchase before 10 August, the most valuable thing you can do this week is get advice before signing anything.

We are here to help

If you're weighing up a property purchase in your SMSF — or wondering what the new rules mean for your fund's strategy — we'll talk it through with you.

Book a complimentary, no-obligation chat with us, or call the office on 0478 745 533.

Navarino Wealth

Suite 3A, 356 Oxford St, Leederville WA 6007 | P 0478 745 533 | E admin@navarinowealth.com | W www.navarinowealth.com

Navarino Wealth Pty Ltd (ABN 91 691 312 937) is a Corporate Authorised Representative (No. 1318210), and Luke Smith is an Authorised Representative (No. 377 450), of PFP Financial Services Pty Ltd, AFSL 535484.

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, and ATO guidance including the PCG 2016/5 safe harbour terms for 2026-27. Market figures are from published credit bureau and property research data for June 2026 and may be revised. Current as at 16 July 2026. You should consider whether the information is appropriate for your circumstances, and obtain personal financial (and, where relevant, taxation) advice, before acting on it.