The Business Owner's Pivot to Property Development

A Guide to Finance, Feasibility, Tax, SMSFs and Getting the Deal Funded

Finance Guide

Why Business Owners Are Getting Into Development

You have built a business. You understand cash flow, margins and risk. Property development starts to look like the logical next move: **buy a site, build, sell, repeat.** The 2026 tax environment is making that instinct stronger.

The May 2026 Federal Budget rewrote the rules for established property investors. Negative gearing on residential property purchased after 12 May 2026 is being quarantined. Losses can no longer be offset against salary and other income. The 50% CGT discount for individuals and trusts is being replaced with cost-base indexation and a 30% minimum tax on gains, effective 1 July 2027.

These changes do not apply to new builds. They do not apply to commercial property. They create a structural advantage for anyone who creates new housing supply, including developers.

At the same time, Division 296, an additional tax on super balances above $3 million, passed Parliament on 10 March 2026 and takes effect from 1 July 2026. Business owners with high super balances are rethinking whether holding growth assets inside super still makes sense. Some of that capital is looking for a home.

Development finance sits at the intersection of all of this. Done well, it generates taxable income, creates new supply that retains tax concessions, and can be structured across personal, company, trust, or SMSF vehicles. Done poorly, it is one of the fastest ways to lose money in property.

Wood Associates works across commercial lending, business broking, and advisory. We see the full picture, not just the loan. This guide explains how development finance works, where it fits in the current tax environment, and what you need to know before you commit to a site.

Why more business owners are looking at development in 2026

Profitable Business
Cash Flow, Skills, Experiences

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Accumalted Wealth
Equity, Savings, Borrowing Cpacity

↓

Property Development
Buy Site - Finance - Build - Sell /Hold

↓

Create Wealth
Another source of income and long-term growth

3 Key Forces Making The Pivot Stronger

2026 Tax Changes
Structual advantages for new builds and commerical property

Super & Division
High super balances reconcidering where capital sits

Property Opportunity
New supply in demand across Australia

2026 Tax Environment: What Changed and Why It Matters

Negative Gearing: The New Rules

From 1 July 2027, residential property investors who purchased after 7:30pm on 12 May 2026 will no longer be able to offset rental losses against wage or business income. Those losses are quarantined and can only be used against future rental income or capital gains from residential property.

What is exempt: new builds, widely held trusts, superannuation funds, build-to-rent, and investors supporting government housing programs. Commercial property is entirely unaffected.

In summary:

- Established residential property (post-Budget): negative gearing losses quarantined to rental income only
- New builds: full negative gearing retained, investor can choose between 50% CGT discount or new indexation rules at sale
- Commercial property: completely unaffected by the negative gearing changes
- Existing holdings: grandfathered under current rules until sold

CGT: What Replacing the 50% Discount Actually Means

From 1 July 2027, gains on assets held by individuals, trusts and partnerships will be taxed on an indexed basis with a 30% minimum tax. For high-income earners holding property outside super, this is a material change. At a 47% marginal rate, the 50% CGT discount reduced effective tax to 23.5% of the gain. Under the new rules, a low-inflation environment means indexation provides less relief and the 30% minimum tax acts as a floor.

Superannuation funds retain their existing CGT treatment inside the fund. The 1/3 CGT discount inside super continues to apply. The May 2026 budget did not change that. What Division 296 does is add a personal tax layer on top for high-balance members, but that is a separate calculation and only applies above $3 million.

Key point:
New builds purchased after Budget night can choose between the 50% CGT discount or the new indexation rules when sold. This optionality does not extend to subsequent buyers. Development creates the one asset class that gets to choose.

Division 296: The $3 Million Super Tax

Division 296 passed Parliament on 10 March 2026 and takes effect 1 July 2026. It imposes an additional personal tax on realised superannuation earnings for individuals with total super balances above $3 million. It does not tax unrealised gains, that proposal was dropped.

- Balances between $3m and $10m: additional 15% tax on realised earnings attributed to the proportion above $3m
- Balances above $10m: additional 25% tax on realised earnings attributed to the proportion above $10m
- Both thresholds are indexed annually to CPI in increments of $150,000 and $500,000 respectively
- LRBA debt inside an SMSF does not inflate the total super balance for Division 296 purposes
- SMSFs can make a one-time irrevocable election to reset the cost base of all directly held assets to market value at 30 June 2026 for Division 296 purposes only. This must be made by the due date of the 2026-27 SMSF annual return.

Why this matters for development:
A business owner with $3.5m in super selling commercial property held in the SMSF will face Division 296 on the portion of that gain attributed to the balance above $3m. The cost base election at 30 June 2026 is the primary tool for managing this exposure. Valuations must be commissioned before that deadline.

A Real Development Scenario: What the Numbers Look Like

Consider a building services company director in Queensland who has identified a 900sqm block in a growth corridor, with approval for four townhouses expected to sell for $650,000 each once completed. The total land acquisition cost is $820,000, including approximately $36,000 in stamp duty, with a fixed-price construction quote of $1,240,000.

Project Cost Breakdown

- Land purchase (inc. stamp duty est. $36,000): $820,000
- Construction contract (fixed-price): $1,240,000
- Consultant fees (architect, engineer, planning): $62,000
- Finance costs (fees, legal, QS): $44,000
- Capitalised interest (18 months at ~6.5%): $112,000
- Contingency (5%): $62,000

Total Project Cost: $2,340,000

Does the Deal Work?

- GRV (Gross Realisable Value) (4 x $650,000): $2,600,000
- Less total project cost: ($2,340,000)
- Less selling costs (est. 2.5%): ($65,000)

Net Development Profit: $195,000 (7.5% on GRV)

Reality check:
A 7.5% profit margin provides limited protection against cost overruns, delays or lower sale prices and may not satisfy a lender's required feasibility margin. The land needs to be cheaper, the completed values stronger or the project restructured before proceeding. Reducing the land acquisition cost to $680,000 and increasing the estimated sale value to $680,000 per townhouse would lift the indicative profit to approximately $452,000, or 16.6% of GRV. Small movements in land cost and completed values can materially affect project viability.

SMSF and Property Development: What Is and Is Not Allowed

There are now over 663,000 SMSFs in Australia holding more than $990 billion in assets. According to ATO data for December 2025, the sector is growing at its fastest pace in years: 11,822 new funds registered in the final quarter of 2025 alone, with 39% of new members aged 35-44.

What an SMSF Can Do

- Purchase residential investment property via a Limited Recourse Borrowing Arrangement (LRBA). The property must be for investment only. Members and relatives cannot live in it.
- Purchase commercial property via LRBA and lease it to a related party, including the member's business, at market rates. This is one of the most effective strategies for business owners.
- Hold development land and engage a builder, provided the SMSF does not use borrowed funds for the construction component. Land can be purchased with an LRBA, but construction must be funded from existing fund assets.
- Invest in managed funds or syndicates that undertake development, provided the investment meets the sole purpose test and arm's-length requirements

What an SMSF Cannot Do

- Use LRBA funds to improve or develop the property. Borrowed funds can only be used to acquire the asset in the state it was purchased. Construction using borrowed funds breaches the rules.
- Purchase residential property from a related party or sell residential property to a related party.
- Have members or their relatives occupy the property.
- Undertake development as a business activity. The sole purpose test requires investments are for the benefit of members in retirement, not for commercial trading.

Practical implication:
A SMSF can buy a commercial property and lease it back to the member's business. That strategy remains fully intact post-Budget. What it cannot do is build new residential stock using borrowed funds. The development model that works inside super is buying land with fund cash and then funding construction from existing fund assets, or investing alongside a development structure held outside super.

Division 296 and Commercial Property Inside the SMSF

Business owners holding commercial property inside their SMSF who are approaching or above $3 million in total super balance need to act before 30 June 2026. The cost base election resets the Division 296 cost base of all SMSF assets to market value at 30 June 2026 permanently.

This election is irrevocable and must be applied across all directly held assets. You cannot cherry-pick assets. If some assets have unrealised losses, electing to reset could lock in a higher cost base for those assets, which is unfavourable. Modelling by an accountant is essential before the election is made.

- Make the election if: all assets have material unrealised gains built up pre-2026, member expects to remain above $3m long-term, property is likely to be sold post-2026
- Do not elect if: some assets have unrealised losses, member plans to reduce TSB below $3m before 30 June 2027, member is in pension phase and existing treatment is already favourable

How Lenders Assess a Development Application

Development finance assessment is fundamentally different to a standard residential loan. The lender is not just asking whether you can service the debt. They are assessing whether the project itself is viable. The loan is secured against an asset that does not yet exist.

What the Lender Looks At

Feasibility
A professionally prepared feasibility study covering costs, end values, profit on GRV, LTC, and LVR. A spreadsheet is not a feasibility. Vendor-prepared documents are not accepted.

Builder
Licensed, insured builder with a fixed-price contract. The lender needs to know the build cost before committing. Non-negotiable.

Planning
Approved planning permit. Lenders generally will not fund speculative development with a permit pending, unless working with a specialist non-bank lender.

Experience
Prior development experience or a project manager with a track record. Industry experience in construction, building services, or trades is valued and should be documented in the credit narrative.

Exit Strategy
How does the loan get repaid? Sale of completed stock, refinance into individual investment loans, or a combination. The lender needs to understand this from day one.

Presales
Depends on lender and project scale. Smaller 2-4 dwelling projects with strong borrowers can often proceed without presales through a specialist non-bank lender. Major banks and larger projects typically require 50-100% of the loan value covered.

How Your Business Income Affects the Application

Most development lenders still require personal serviceability behind the project. Your business income matters, but it is assessed differently to wage income.

The Advantages

- Strong business income gives lenders comfort behind the project.
- If the business owns commercial property, that equity can support the development lending structure.
- Industry experience in construction, engineering, or trades is documented evidence of competence. Lenders treat it as genuine risk mitigation.
- A track record of managing subcontractors, project timelines, and cost control is directly relevant and should be presented in the application.

The Complications

- Self-employed income is assessed on declared income from tax returns, typically a two-year average. If you minimise aggressively, your assessed income will be lower than what the business actually generates.
- Income held in a company or trust is not counted unless it flows through to your personal return. Low salary plus retained earnings in the company equals lower borrowing power.
- Lenders typically want six months of business bank statements alongside tax returns.
- If the business has changed structure recently, or ABN tenure is short, that requires specific lender selection.

Talk to your accountant before you apply:
A tax minimisation strategy that works well for the business can materially reduce what a lender will extend on a development. These conversations need to happen before lodgement, not after.

The Lender Landscape: Banks vs Non-Bank Lenders

Major Banks

- Rates: generally lower, from approximately 6.5% p.a.
- LTC/GRV: conservative, 60-65% LTC, 65% GRV
- Presales: often required for 5+ dwellings
- Speed: 12-16 weeks from application to first drawdown
- Best for: experienced developers, larger projects, strong balance sheets

Non-Bank / Specialist Lenders

- Rates: higher, typically 7.5-10%+ depending on risk
- LTC/GRV: more flexible, up to 75% LTC, 70% GRV with strong feasibilities
- Presales: more flexible on smaller projects
- Speed: 6-12 weeks from application, faster for well-prepared files
- Best for: first to third development, smaller projects, tighter timelines

The non-bank and specialist lender market is the primary channel for smaller residential development finance in Australia. La Trobe Financial is one of the more active lenders in this space. There are others. The right lender depends on project size, borrower profile, state, presale position, and timeline.

FACTOR	MAJOR BANK	SPECIALIST / NON-BANK
COST	Lower	Hihger
LTC	More conservative	More flexible
PRESALES	More likely	More flexible
SPEED	12 - 16 weeks	12 - 16 weeks
BEST SUITED	Experinced develpers, larger projects	Samller projects, earlier stage developers

GST and Property Development: What Business Owners Miss

GST on property development is one of the most commonly misunderstood areas in the entire transaction. Business owners who manage GST in their operating business every month still get caught on property-specific rules they have never encountered before.

You Are Likely Required to Register for GST

If the project has a GST turnover of $75,000 or more, which nearly all residential developments do, you must be registered for GST. Even a one-off development can constitute an enterprise for GST purposes. The entity undertaking the development must be registered before it makes any taxable supply, including before it sells completed stock.

New Residential Property Sales Are Taxable Supplies

The sale of newly built residential dwellings is a taxable supply. GST applies at 1/11th of the sale price. On a $650,000 townhouse that is $59,090 in GST payable to the ATO. On three townhouses that is $177,270 before you factor in the margin scheme.

The Margin Scheme: Potentially Your Most Valuable Tool

Under Division 75 of the GST Act, eligible developers can calculate GST on the margin (sale price less original acquisition cost) rather than the full sale price. For a site purchased from a private vendor not registered for GST, this can be a significant saving.

Example using the Queensland scenario:

- Standard method: 3 townhouses at $650,000 each = $1,950,000 GRV. GST payable = $177,273
- Margin scheme: land acquired for $820,000 from private (non-GST) vendor. Margin = $1,130,000. GST = $102,727. Saving = $74,546

Critical Rules That Catch Developers Out

- The margin scheme must be agreed in writing in the contract of sale before settlement. It cannot be elected retrospectively after settlement.
- If you acquired the land as a fully taxable supply and claimed the GST credit on acquisition, you are not eligible for the margin scheme on that land.
- If you acquired the land as a going concern from a GST-registered vendor who did not use the margin scheme, you may be ineligible. The chain of title matters.
- Construction costs do not reduce the margin. Only the original acquisition price is used. Developers sometimes assume build costs lower their GST liability. They do not.
- GST withholding applies at settlement. The purchaser withholds 7% of the contract price (margin scheme) or 10% (standard) and pays it directly to the ATO. The developer does not receive that amount at settlement.

Input Tax Credits During the Build

During construction, GST is charged on most build costs. If you are registered for GST and making taxable supplies (new dwellings), you can claim input tax credits on those costs via your BAS. This is one of the cash flow advantages of being GST-registered as a developer: you are reclaiming GST on costs throughout the build, not just at settlement.

GST planning on a development must happen before you exchange on the land, not after. The entity, the registration status, the margin scheme eligibility, and the treatment of input tax credits are all determined by decisions made at acquisition. Get your accountant involved at the site selection stage. Wood Associates introduces clients to specialist property tax advisers as part of the development finance process.

New Build CGT: The Opportunity

The Budget's new build exemption from the negative gearing changes, and the ability for new build investors to choose between the 50% CGT discount and the new indexation rules, creates a genuine advantage for stock created through development. If your exit strategy includes holding some completed stock, the structuring of that hold matters enormously.

Development profit is generally income, not capital gain. The CGT changes matter most for hold strategies, particularly for stock you build and retain as an investment rather than sell. Structure and tax advice at the front end, not the back end.

DEVELOPMENT PROFIT

Active development carried on as a business or commercial activity.

→ Taxed as ordinary income
Income tax rates apply.

HOLD STRATEGY — GAIN ON SALE

Sale of completed stock held as an investment rather than for resale.

→ Taxed as a capital gain
The 50% CGT discount or new indexation rules may apply when eligible from 2027.

THE BOTTOM LINE

Development profit is generally income, not a capital gain.

The CGT changes matter most for hold strategies, particularly for property you build and retain as an investment rather than sell as part of the development.

Structure and tax advice at the front end, not the back end. Get the structure right before you commit to the land.

Structuring the Development: CGT and Entity Considerations

How you structure a development directly affects how the profit is taxed. This is not a decision to make after you have exchanged on the land. It needs to be made and documented before you commit.

Individual or Partnership

Profit from a property development undertaken as a business or commercial activity is generally assessable as ordinary income, not a capital gain. The 50% CGT discount and the new indexation rules from 2027 do not apply to development profit in most cases. The ATO has consistently held that active developers are in the business of developing: the profit is income, not a capital gain.

Company

Development profit taxed in a company at 25-30% rather than personal marginal rates up to 47% is a common reason to use a corporate structure. Retained profit in the company is not accessible without further tax consequences, and the company does not get the CGT discount on genuine capital gains.

Discretionary Trust

The May 2026 budget proposes a 30% minimum tax on distributions from discretionary trusts from 1 July 2028. This is not yet law. If legislated, income splitting through family trusts on development profit becomes less effective. A project structured through a discretionary trust today should be modelled on the basis that the 30% minimum tax may apply by the time profits are distributed.

What You Need Before You Apply

A lender-ready development application starts well before the finance application itself.

PROJECT

- Approved planning permit and plans
- Fixed-price building contract
- Independent feasibility study

BUILDER

- Licensed and insured builder
- Builder licence
- Insurance certificates

FINANCIAL

- 2 years personal and business tax returns
- 6 months business bank statements
- Evidence of equity contribution or deposit funds

EXPERIENCE

- Developer CV or project history
- Relevant industry background
- Prior projects and professional credentials

Key point:
The stronger and more complete the application, the easier it is for a lender to assess the project, the borrower and the path to completion.

Questions We Get Asked

Do the new CGT rules affect development profit?

In most cases, no. Development profit is taxed as ordinary income, not a capital gain, because the activity constitutes a business or commercial undertaking. The CGT changes matter most if you hold completed stock as an investment after development. New builds retain the ability to choose between the 50% CGT discount and the new indexation rules. Established property does not.

Can I use equity in my home to fund a development?

Yes, in most cases. Equity drawn from an existing property can fund the land deposit or land purchase component. The development loan facility is then secured against the development site. Avoid cross-collateralising your family home with the development site where possible. If the project runs into difficulty, you want the exposure quarantined.

Can my company or trust take out the development loan?

Yes. Development loans are regularly structured through corporate entities and trusts. The lender will generally require personal guarantees. The entity structure should be decided before exchange because it affects tax treatment on the profit and the availability of various concessions.

Do I need presales before I can get a loan?

Depends on the lender and the project size. A three to four dwelling project with a strong borrower profile can often proceed without presales through a specialist non-bank lender. Major banks and larger projects will typically require presales covering 50-100% of the loan value.

How does the SMSF cost base election work?

If your SMSF holds assets with significant unrealised gains built up before 30 June 2026, the trustee can elect to reset the cost base of all directly held assets to market value at that date for Division 296 purposes only. This protects all pre-2026 growth permanently. The election is irrevocable, applies to all assets (not asset by asset), and must be made by the due date of the 2026-27 SMSF annual return. A current independent valuation is essential

What is Wood Associates' role in a development transaction?

We work across the full transaction, not just the loan. Our team covers commercial finance, business broking, and advisory. On a development deal that means helping you pressure-test the feasibility, structure the funding, select and negotiate with lenders, and make sure the deal is set up correctly before any money moves. We are not just placing the loan. We are helping you build a project that works.

Why Wood Associates?

Most finance brokers place loans. We do more than that. Wood Associates operates across commercial lending, business broking, and advisory. That breadth matters specifically for business owners doing property development on the side, because the questions you face are not purely lending questions. They involve business structure, tax treatment, exit strategy, and what happens to your operating business if the project runs into difficulty.

What We Do and Why It Matters for Development?

Commercial Finance - We know development lenders and how they assess deals. We select the right lender for your specific project, borrower profile, and state: not the path of least resistance.

Business Broking - We understand how business income is structured, how lenders read self-employed financials, and how to present a business owner's profile in a credit narrative.

Advisory - We pressure-test feasibilities, identify structuring issues early, and connect clients with the right accountants and advisers before any money moves.

National Reach - We operate nationally. Development lender policies and state stamp duty regimes vary. We know the differences. A standard mortgage broker is well positioned to place a residential loan. A development finance deal with a business owner behind it, a non-bank lender, a GST question, a Division 296 consideration, and a company or trust structure requires a broader conversation.

If you are looking at a site, reviewing a feasibility, or simply asking whether development finance could work for your situation, speak with Wood Associates first. The front-end conversation costs nothing and prevents the expensive mistakes.

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