National
Farmers
Federation

9 June 2026

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Via email: economics.sen@aph.gov.au

NFF submission to the Economics Legislation Committee on Treasury Laws Amendment (Tax Reform No. 1) Bill 2026 and a related bill

The National Farmers' Federation (NFF) welcomes the opportunity to provide a submission to the Economics Legislation Committee's inquiry into the Treasury Laws Amendment (Tax Reform No. 1) Bill 2026 and Income Tax Rates Amendment (Tax Reform No. 1) Bill 2026.

The NFF is the national peak body representing Australian farmers and the broader agriculture sector. Its membership spans all major agricultural commodities and extends across the length of the supply chain. Operating under a federated model, individual farmers are represented through their respective state farming organisations and national commodity councils, which collectively form the NFF.

While a range of measures within the Australian Government's broader tax reform agenda are highly relevant to NFF members, including the instant asset write-off, loss carry-back provisions, and proposed changes to the taxation of discretionary trusts, the NFF's primary interest in this inquiry relates to the proposed amendments to capital gains tax (CGT) contained in the Treasury Laws Amendment (Tax Reform No. 1) Bill 2026.

The NFF acknowledges and appreciates the Australian Government's constructive engagement with the NFF and the wider small business community to date regarding the potential impacts of the proposed CGT changes. We also note our ongoing participation in Treasury's consultation process.

We similarly note the significant efforts of the Coalition and members of the crossbench in bringing attention to the concerns of the agricultural sector.

National Farmers Federation

NFF Position

The NFF calls on the Australian Government to ensure that the proposed capital gains tax (CGT) changes in the Treasury Laws Amendment (Tax Reform No. 1) Bill 2026 do not undermine the ongoing viability, productivity and investment capacity of Australian farm businesses, including at key transition points such as intergenerational succession.

This can be achieved through a commitment, either within the current Bill or through future legislative reform, to extend eligibility for small business CGT concessions to a broader cohort of farm businesses, while ensuring the existing framework operates effectively in the real-world conditions under which family farms operate, invest and transition ownership.

CGT settings must support confident long-term decision-making across the farm sector and safeguard the continuity of family-owned agricultural businesses, which underpin Australia's food and fibre system.

Background

There is widespread uncertainty across the agriculture sector as farm businesses and their advisers seek to interpret and respond to complex and significant proposed changes to the CGT system. These reforms intersect directly with long-term investment decisions, business structuring, and intergenerational succession planning - areas where stability, predictability and confidence are essential.

Understanding farm business structures, operating circumstances, and how farmers access and apply the existing small business CGT concessions is critical to assessing the likely impact of the proposed changes.

Farm businesses operate under fundamentally different conditions to most other sectors. They are typically asset-rich but cash-constrained, with the majority of wealth tied up in land and fixed infrastructure rather than liquid capital. Around 95 per cent of Australian farms are family-owned and operated, meaning ownership transitions most often occur within families rather than through open market transactions. This family farm ownership structure plays a critical role in delivering environmental, economic and social resilience across regional Australia, and maintaining this model is essential to sustaining these outcomes.

At the same time, it is important to recognise that there is no such thing as an 'average Australian farm'. The sector is highly diverse across commodities, geographies, production systems, and business structures. Farm size, income variability, capital intensity, and ownership arrangements differ markedly between, for example, broadacre cropping enterprises, intensive livestock operations, and horticulture businesses. This diversity makes it difficult to generalise the impact of tax settings or to rely on high-level averages when assessing policy outcomes.

A central feature of this discussion is the role of the small business CGT concessions, which are designed to reduce or defer CGT liabilities for eligible businesses when assets are sold or transferred in particular circumstances.

National Farmers Federation

For family farm businesses, these concessions are critically important and widely relied upon. They provide a practical mechanism to facilitate the sensible transfer of assets, particularly as part of intergenerational succession, while supporting business continuity, long-term investment, and orderly ownership transitions. Their importance is further heightened in the context of the proposed CGT changes.

By their nature, primary production businesses are more likely to meet the $2 million turnover threshold than the $6 million asset threshold, given the capital-intensive nature of agriculture and the high value of land and other farm-related assets. On the surface, available ABS data suggests that around 91 per cent of primary production businesses have annual turnover below $2 million and would therefore appear to fall within existing thresholds.[1] More detailed, sector-specific analysis indicates that eligibility varies significantly across agricultural industries. For example, ABARES data from 2024 suggests that the average cropping farm may exceed both the turnover and asset thresholds, meaning a substantial proportion of these businesses may not qualify for the concessions in practice. Importantly, additional granularity is needed to accurately assess how CGT concession settings operate across diverse commodity sectors and farm business structures.

Further, the turnover and asset thresholds have remained unchanged since 2007. Over time, this has seen a number of genuine family farm businesses fall outside eligibility, despite sharing the same operational characteristics and constraints as smaller enterprises. At the time these thresholds were introduced, approximately 98 per cent of farm businesses would have qualified.

In parallel, the cohort of farm businesses ineligible for the current small business CGT concessions play a disproportionately important role in national agricultural production. ABS data indicates that around 10,000 primary production businesses sit above the $2 million turnover threshold, and ABARES analysis demonstrates the concentration of output within this group. Between 2021–22 and 2023–24, the largest 10 per cent of broadacre farms accounted for 56.3 per cent of total output, while the smallest 10 per cent accounted for just 0.5 per cent. A similar pattern is evident in other sectors, with the largest 10 per cent of beef producers accounting for almost 60 per cent of beef output, and the largest 10 per cent of dairy farms producing almost 35 per cent of total dairy output.

Taken together, these factors highlight a structural challenge between the design of the current CGT small business concession framework and the realities of modern farm businesses, and Australian agriculture more broadly. This misalignment is central to understanding the potential impacts of the proposed reforms.

Impact of Proposed Changes

---

[1] Differences in how agricultural businesses are defined and counted across datasets make it difficult to form a single, reliable estimate of eligibility. For example, the ABS 'Agricultural Commodities, Australia' publication (2021–22) estimates approximately 87,800 agricultural businesses, while the ABS 'Counts of Australian Businesses including Entries and Exits' identifies approximately 120,190 primary production businesses in 2024–25. The latter survey has been used to derive the relevant turnover statistic.

National Farmers Federation

The proposed shift from the 50 per cent CGT discount to an inflation indexation model, combined with a minimum 30 per cent tax on real gains, introduces considerable uncertainty and has the potential to increase tax burdens across the farming sector.

This uncertainty is occurring at a time when farm businesses are already managing a range of compounding pressures, including elevated input costs, high interest rates, fuel and fertiliser supply volatility, and increasing regulatory complexity. The addition of tax uncertainty into this environment is further eroding confidence and making long-term planning more difficult.

Outcomes for the agriculture sector will largely depend on the relationship between inflation and land value growth. While higher inflation could reduce taxable gains under indexation, agricultural land has historically appreciated faster than inflation over the long term. If this continues, many farm businesses will face higher effective tax liabilities - particularly where gains have accrued over decades.

These implications are especially significant in the context of intergenerational succession planning, which is typically undertaken over many years and relies on stable and predictable policy settings. Farm succession is generally managed through orderly, staged transfers over time. The proposed changes may disrupt these long-established plans, discourage early succession planning, and incentivise deferral strategies such as holding assets until death. This presents a broader structural and productivity risk to family farms.

These same dynamics may also affect routine business activities such as restructuring, consolidation, or changes in ownership arrangements. As outlined above, the asset-rich but cash-constrained nature of farm businesses means CGT liabilities triggered by asset transfers may be more difficult to meet without disrupting operations, taking on additional debt, or divesting productive assets.

Beyond direct tax impacts, there is growing concern across the sector about the implications for investment. Farm businesses take a long-term approach to capital investment, often committing significant resources to land, infrastructure, water, and productivity-enhancing technologies. Feedback from industry indicates that the prospect of higher and less predictable CGT outcomes may act as a disincentive to undertake or expand such investments, particularly when considered alongside existing regulatory pressures. Some farm businesses have indicated that, had the proposed changes been known in advance, they may not have proceeded with major investment decisions.

Across the sector, there is concern that the reforms will distort business decision-making. Farm businesses may delay or defer succession, retain suboptimal ownership structures, or prioritise tax considerations over operational efficiency. At key transition points, this could reduce the sector's ability to invest, adapt and renew, with implications for productivity, workforce participation, and the resilience of regional communities.

The effectiveness of the small business CGT concessions is therefore critical in moderating these impacts. However, as outlined above, the current framework requires reform to better reflect the diversity of farm businesses and the realities of modern Australian agriculture.

For those within the $2 million turnover threshold, challenges can arise in applying the concessions in practice, particularly where ownership structures are complex or succession occurs in stages over time. For businesses outside these thresholds, including many mid-sized, high-output family farms, the constraints are more significant. Higher asset values and accumulated gains mean the proposed CGT changes could have substantial financial consequences, despite these businesses sharing many characteristics with smaller farms.

Expanding eligibility for small business CGT concessions would materially reduce these risks. In particular, increasing the $2 million turnover and $6 million asset thresholds would better reflect the scale, capital intensity, and diversity of modern agriculture. It would also improve alignment between tax policy and the practical realities of how family farm businesses operate and transition over time.

The NFF notes the proposal by the Council of Small Business Organisations Australia (COSBOA) to increase thresholds to $10 million in turnover and $12 million in net assets. This approach would align turnover thresholds with the ATO's definition of a small business entity, improving consistency across the tax system and reducing unnecessary complexity for businesses seeking to understand and apply the rules. For farm businesses, aligning eligibility settings in this way would introduce greater logic and coherence into the CGT concession framework and provide increased certainty when making long-term investment and succession decisions.

Case Studies

The following case studies illustrate how the current CGT framework and the proposed changes may operate in practice across different types of farm businesses.

They are grouped into two cohorts:

- Cohort 1: Farm businesses that are broadly eligible for the small business CGT concessions under current thresholds; and
- Cohort 2: Farm businesses that fall outside these thresholds but remain predominantly family-owned and are responsible for a significant share of national agricultural output.

These examples are based on scenarios provided and tested with NFF members and reflect the lived experience of farm businesses navigating CGT settings in a changing policy environment.

Cohort 1, Example 1 – Concessions exist, but may not work in practice

A mixed livestock and cropping enterprise with annual turnover of $1.5 million falls within the 91 per cent of farm businesses that are eligible for the existing small business CGT concessions. The owners, in their early 60s, are seeking to transfer 40 per cent of the business to their two children while progressively reducing their involvement over a 5–10 year period.

Although the business meets the eligibility criteria, the concessions do not fully accommodate this type of gradual transition. The 15-year exemption is not fully available due to the partial nature of retirement, while the $500,000 retirement exemption is modest relative to asset values. The use of multiple entities further complicates access.

As a result, the family faces a residual CGT liability despite being within the intended policy cohort. This creates friction in what would otherwise be a commercially sound transition, leading to delays or restructuring that adds complexity and uncertainty. The proposed changes further heighten this challenge, by potentially creating an incentive to bring forward decisions ahead of 1 July 2027, regardless of business readiness.

Cohort 1, Example 2 – Access to concessions shaping business behaviour and limiting growth

A mixed farming enterprise operating across three properties in regional New South Wales has an annual turnover of approximately $1 million, placing it within the cohort broadly eligible for small business CGT concessions. Total asset values exceed the $6 million threshold, and the business operates on narrow margins while carrying moderate debt. The enterprise includes both owner-operated and leased land, and could approach the $2 million turnover threshold if run at full productive capacity.

The owners indicated that maintaining eligibility for CGT concessions is an important consideration in business planning, and that the proposed changes would further influence decisions about whether to expand production. As a result, commercial decision-making is increasingly shaped by tax settings, rather than productivity or profitability.

The proposed CGT changes have also introduced new uncertainty around longer-term planning. The family is considering downsizing as part of a gradual transition to retirement, with any realised gains intended to be directed into superannuation. However, they have limited clarity on how the new system will operate in practice, including the treatment of long-held assets, grandfathering arrangements, and the interaction between indexation method and the minimum tax, depending on the timing and structure of any asset sales.

These concerns are compounded by broader economic pressures, including high input costs and interest rates, which are already constraining profitability. In this environment, the owners report there is little incentive to increase turnover or productivity.

The case also highlights broader intergenerational concerns. The owners noted that for younger farmers building long-term asset value, uncertainty around future tax treatment and exit pathways is becoming a key factor in investment decisions. This has potential implications for the willingness of the next generation to expand, invest, and scale farm businesses over time.

Cohort 2 – Structural exposure for high-output farm businesses

A broadacre grain farm with turnover of $3.5 million and land valued at $12 million represents a business outside the small business threshold, but within the cohort

National Farmers Federation

responsible for a significant share of national output. The family plans to transfer ownership progressively over a ten-year period, aligning transition with business and family readiness.

Each stage of this process triggers a CGT event, with a *potentially* higher tax liability now associated with gains realised after 1 July 2027. Despite being a productive business, the farm carries moderate debt and reinvests earnings, limiting liquidity to meet these obligations.

The effect is that routine ownership changes and a well-planned succession pathway become uncertain and constrained. The family begins to consider delaying transition, relying on estate transfer, or maintaining existing structures longer than is optimal. This reduces flexibility, delays investment, and introduces uncertainty for the next generation, within a cohort that contributes disproportionately to Australia's agricultural output.

It also creates artificial timing pressures, pushing decisions to occur either before 2027 or later than intended, rather than supporting the gradual, well-managed transitions that underpin long-term productivity and sector resilience.

The NFF again thanks the Committee for the opportunity to provide this submission and welcomes further engagement on this matter.

The relevant policy contact for this submission is Ms Charlotte Wundersitz, General Manager (Trade & Economics) via e-mail: [redacted].

Kind regards,

[redacted]

MICHAEL GUERIN
Chief Executive Officer