SMSF commercial property loans | Natloans

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Details:

Considering a commercial property purchase through your SMSF? We can help you compare borrowing options once your licensed SMSF adviser has assessed whether the investment suits your fund. We focus on the lender requirements, repayments and loan terms, working alongside your legal and tax advisers on the proposed structure.

We work with a panel of banks and non-bank lenders to help SMSF trustees compare commercial loan options. This page explains the structure, the practical considerations, and the questions worth asking your advisers before you proceed. The information here is general in nature; your fund's structure, investment strategy and proposed property all need individual assessment by qualified financial, legal and tax advisers.

How SMSF commercial loans are structured

SMSF borrowing to acquire property generally needs to satisfy the limited recourse borrowing arrangement rules. A separate holding trustee holds legal title, while the SMSF holds the beneficial interest and the right to acquire legal ownership after the borrowing is repaid. Your solicitor should confirm the purchaser, holding trust and transfer arrangements before you sign the purchase contract.

The "limited recourse" aspect means that if the fund defaults, the lender's claim is generally limited to the property held under the arrangement — the SMSF's other assets are not available to the lender. This is not blanket protection: the property itself and any funds already invested in it are at risk, and a poorly structured arrangement or a personal guarantee can change the picture significantly. Have a solicitor review the executed documents before settlement.

From 10 August 2026, changes to the SIS Act under Schedule 5 of the Treasury Laws Amendment (Tax Reform No. 1) Act 2026 (No. 49, 2026) affect which assets can be acquired under a new LRBA. New arrangements involving real property generally need to involve business real property. If you are refinancing an existing arrangement or believe a transitional exception may apply to your situation, get specific legal advice — the rules turn on the facts of each transaction.

Read the 2026 LRBA amendments in Schedule 5

What "business real property" means in practice

Business real property is a term with a specific legal meaning under SMSF law. The ATO defines it as land and buildings used wholly and exclusively in a business. It is an exception to both the in-house asset rules and the related-party acquisition rules — which is why it matters so much for trustees who want to lease a property back to their own business.

There is a specific exception for certain primary production properties with a domestic-use area of no more than two hectares, where domestic use is not the predominant use of the whole property. It is not a general allowance for a dwelling on any commercial property. Your SMSF adviser must assess actual use and the statutory conditions.

Leasing to a member's business

One of the more common reasons trustees pursue an SMSF commercial loan is to buy the premises their business already occupies — or intends to occupy. This can work, but it requires the arrangement to satisfy several conditions simultaneously:

The property must qualify as business real property.

The lease must be at market rates and conducted on a genuine arm's-length basis.

The arrangement must not breach the in-house asset rules (business real property leased to a related party is an exception to those rules, but only while the conditions are met).

The sole purpose test must be satisfied — the fund must be maintained solely to provide retirement benefits to members.

Charging market rent and calling it a commercial lease is not enough on its own. The ATO looks at the substance of the arrangement. If there is any doubt, get a written opinion from a specialist SMSF lawyer before the property is acquired.

How loan repayments are funded

We assess the proposed repayments against the fund’s available cash flow. That may include:

rental income received by the fund from the property

superannuation contributions made by or for members

other investment income held by the fund

Lenders will assess whether the fund has sufficient cash flow to service the loan, cover property expenses (rates, insurance, maintenance) and meet ongoing compliance costs such as accounting, auditing and ASIC fees. You also need to plan for vacancy — if the property sits empty for a period, the fund still has to meet its repayments. Moneysmart's SMSF property guidance specifically highlights the risk of loan repayment pressure when a property is vacant or when members stop contributing due to illness, injury or job loss. These are realistic scenarios worth stress-testing with your financial adviser before you borrow.

Purchasing a large commercial property will also reduce the fund's liquidity. If a member needs to access a benefit — including a death benefit — and the fund's main asset is an illiquid property, you may be forced to sell at an inopportune time. SMSF trustees are required to maintain an investment strategy that accounts for liquidity; a lender will look at this too.

LVR and loan costs

The required deposit depends on the lender, property and fund assessment. We will confirm the proposed loan-to-value ratio and the cash needed for the deposit, duty, legal work, establishment costs and a liquidity buffer. Do not assume an advertised maximum is available to your fund.

SMSF commercial loans generally carry higher interest rates and fees than standard investment property loans, reflecting their limited recourse structure and the additional compliance complexity involved. The rate applicable to your fund will depend on the specific lender, the property, the fund's financial position and the loan structure. We can outline the options available from our panel and help you compare them on a like-for-like basis — but the rate you're offered will depend on your circumstances and lender assessment at the time of application.

Tax treatment — what the rules actually say

The tax treatment of commercial property held in an SMSF is often cited as a key advantage, but it's worth being precise about what the rules actually provide rather than relying on simplified summaries.

Rental income received by a complying SMSF is generally taxed at 15% — the concessional superannuation rate. For capital gains, a complying SMSF is eligible for a CGT discount of one-third if the asset has been held for at least 12 months, which effectively reduces the tax on a capital gain to 10% of the gain (that is, two-thirds of the gain taxed at 15%). This is not a universal 10% tax rate — it is a conditional discount that applies only to complying funds, only to assets held for at least 12 months, and only to the portion of the gain that qualifies. Capital losses cannot be offset against ordinary income; they can only be offset against capital gains.

In pension phase, a fund's assets supporting retirement income streams may be treated as exempt current pension income, which can reduce or eliminate tax on income and capital gains — but the rules around the transfer balance cap, retirement phase and pension asset segregation are detailed and have changed in recent years. Do not assume pension-phase tax treatment will apply to your fund without current advice from a registered tax adviser.

Ask your tax adviser to assess the rules applying in the relevant income year, including any legislated changes and transitional treatment. A projected tax benefit should not be treated as a guaranteed return from the property.

Property development is a different matter

Do not assume an acquisition loan can fund a development. Under the LRBA rules, borrowed money can be used for permitted repairs and maintenance, but not improvements. Other fund money may be used for some improvements, provided they do not change the asset into a different asset. Construction, subdivision and major works need specialist legal and tax review before any commitment.

The ATO's SMSF Regulator's Bulletin SMSFRB 2020/1 addresses this directly, noting that property development within an SMSF can raise concerns under the sole purpose test, the in-house asset rules, the arm's-length rules and the LRBA provisions. The ATO strongly encourages trustees to seek independent professional advice — and in some cases to approach the ATO directly — before entering into any development arrangement. If your plans include construction, subdivision or significant improvement, get specialist advice before you sign any contract or borrowing commitment.

Steps to getting started

Confirm your fund's structure and strategy. Your SMSF must have a valid trustee structure and an investment strategy that permits property investment. Your SMSF adviser, accountant and solicitor should review both before you proceed.

Identify a compliant property. Confirm the property meets the business real property definition if you intend to lease it to a related party, and that the acquisition complies with the ATO's related-party and arm's-length rules.

Assess your fund's cash flow. Model repayments against realistic income scenarios, including vacancy periods and changes in member contributions. Factor in all property and compliance costs.

Compare loan options. We can compare options from our panel of banks and non-bank lenders and explain the terms, costs and structure of each. Approval and the rate you receive depend on lender assessment of your fund and the property.

Apply with the right documentation. Lenders typically require the SMSF trust deed, the fund's financial records, and rental income projections for the property. We'll advise on what each lender needs.

Useful references

ATO: SMSF investment restrictions — covers related-party rules, business real property and in-house asset limits.

ASIC Moneysmart: SMSFs and property — plain-language overview of borrowing rules, costs and risks.

ATO SMSFRB 2020/1 — the ATO's bulletin on SMSFs and property development, including LRBA restrictions.

Talk with us

If you're at the stage of comparing loan options for an SMSF commercial property purchase, we're happy to walk through what's available from our panel and what to expect from the application process. Finance approval is subject to lender assessment; we'll clarify our fees and remuneration before you proceed.

Get in touch or call us on 1300 955 791 , Monday to Friday, 9:00am–5:30pm. You can also book a free consultation at a time that suits you.