

FEDERAL BUDGET 2026–27

Delivered 12 May 2026

Pros & Cons by Taxpayer Group

The following analysis summarises the budget implications for the key groups most relevant to our clients.

A. High Net Worth Individuals

Pros / Benefits	Cons / Concerns
Income tax cuts apply at all income levels - provide increasing tax savings across income levels.	CGT discount reform (from 1 July 2027) significantly reduces the after-tax gain on future asset disposals where gains exceed inflation.
Main residence CGT exemption fully retained - no impact on primary homes.	Discretionary trust minimum tax of 30% from 1 July 2028 reduces the benefit of income-splitting strategies through family trusts.
Small business CGT concessions fully retained - four concessions remain available for eligible business asset sales.	Division 296 commences 1 July 2026 - an additional 15% tax applies to earnings on super balances above \$3 million (increasing the effective tax rate on those earnings).
SMSF CGT discount unchanged - strategies using super for asset accumulation remain attractive.	Changes to trust taxation will reduce the effectiveness of existing distribution strategies.
Rollover relief available 2027–30 for restructuring out of affected trusts into alternative structures.	Grandfathered negative gearing on existing investment properties preserved - but new established property purchases after Budget night lose full deductibility.
Venture capital and ESVCLP changes beneficial for sophisticated investors allocating to early-stage companies.	Increased regulatory scrutiny and ATO compliance powers may affect complex wealth structures.

B. Property Investors

Pros / Benefits	Cons / Concerns
All properties held (or under signed contract) at 7:30 PM AEST 12 May 2026 are fully grandfathered - negative gearing and 50% CGT discount preserved for existing holdings.	Negative gearing on established residential properties purchased after Budget night will be restricted from 1 July 2027, meaning future investors in established properties cannot offset losses against wages.
New builds (off-the-plan, knock-down rebuilds, vacant-land construction) retain full negative gearing and the	CGT discount reform from 1 July 2027 reduces the discount on real gains - investors with high capital gains on



choice of 50% CGT discount under the new rules.	established property will pay materially more tax.
SMSFs and super funds are excluded from both the negative gearing and CGT changes - SMSF property investment unaffected.	The combination of CGT and negative gearing reform is likely to dampen demand for established residential investment properties over time.
Treasury modelling suggests the reforms will support new housing supply and higher density construction - new build investor incentives remain strong.	Transitional rules for properties purchased between Budget night and 30 June 2027 are complex - advice required before any new established property purchase.

C. Business Owners & Entrepreneurs

Pros / Benefits	Cons / Concerns
\$20,000 Instant Asset Write-Off made permanent for businesses with turnover under \$10 million - certainty for capital expenditure planning.	Discretionary trust minimum tax of 30% from 1 July 2028 affects the common practice of distributing business income to lower-tax-rate family members.
Loss carry-back reintroduced with a 2-year lookback for companies up to \$1 billion turnover - cash refunds available for businesses that have turned a loss.	Restructuring out of discretionary trusts before 2028 will require professional advice and may involve transaction costs despite the rollover relief.
Start-up loss refundability (from 2028–29) supports new businesses in their first two years.	Loss carry-back and refundability rules involve complexity; ATO administration of refundable credits requires careful compliance.
R&D Tax Incentive enhanced from 2028: higher offsets, lower intensity threshold, increased expenditure cap - significant benefit for innovative businesses.	R&D reforms do not take effect until 1 July 2028 - no immediate benefit for current R&D spenders.
Free access to mandatory standards, PAYG monthly opt-in - practical compliance cost reductions.	Global minimum tax (Pillar Two) implementation applies from 1 January 2026 for large multinationals.
Venture capital incentives expanded - benefits investors and high-growth businesses seeking early-stage capital.	

D. Retirees & Self-Funded Retirees

Pros / Benefits	Cons / Concerns
Super CGT discount within SMSF and super funds: Not affected by Budget measures. SMSF property and investment strategies continue unchanged.	Division 296 (already legislated) commences 1 July 2026: additional 15% tax on earnings for super balances over \$3 million. Significant for high-balance SMSF members.
Medicare levy thresholds increased for seniors and pensioners (retroactive to 1 July 2025) - modest relief.	Reduction in private health insurance rebate for those aged 65+ - increases effective out-of-pocket healthcare costs.



Pension supplement payment extended to 12 weeks overseas (up from 6 weeks) - useful for retirees who travel.

Pension supplement ceases entirely for those overseas more than 12 weeks or residing permanently abroad.

Grandfathering of existing investment properties preserves the current negative gearing and CGT benefits for retirees with established portfolios.

CGT changes from 1 July 2027 reduce the after-tax proceeds on sale of assets accumulated during working life (for assets acquired after that date).

PBS reforms (\$5.9 billion) reduce the cost of medicines, benefiting retirees on multiple medications.

E. Salaried Employees & Middle-Income Earners

Pros / Benefits

Cons / Concerns

\$1,000 Instant Tax Deduction from 2026–27: an immediate saving for 6.2 million workers averaging \$205, with no receipt-keeping required up to \$1,000.

Wage earners benefit far less from the new tax measures than high-income earners or business owners.

Working Australians Tax Offset of \$250 from 2027–28, raising the effective tax-free threshold to \$19,985.

No change to top marginal rates - effective marginal tax rates remain high for those in the \$120,000–\$190,000 range.

EV fringe benefits: Electric cars provided by employers up to \$75,000 retain 100% FBT exemption until April 2029 - novated lease EV arrangements remain very tax-effective.

From 1 April 2029, EV FBT concession reduces to a 25% discount - may reduce attractiveness of novated leases for EVs.

Fuel excise reductions lower petrol costs over the short term.

No structural income tax threshold changes - bracket creep continues to push wages into higher tax bands over time.

F. Small Business Operators (Sole Traders & SMEs)

Pros / Benefits

Cons / Concerns

WATO (\$250 offset) extends to sole traders - available to most eligible taxpayers.

Discretionary trust minimum tax of 30% from 2028 affects many small business owners using family trusts for tax-effective income distribution.

\$20,000 Instant Asset Write-Off permanent - removes the uncertainty of annual extensions that has impacted planning for years.

Rollover and restructuring required before 2028 for affected trust structures involves costs and complexity.

Loss carry-back and start-up loss refundability provide genuine cash flow support for businesses facing adverse conditions.

Medicare levy threshold relief; PBS changes; fuel excise reductions provide modest but real cost-of-living benefits for business owners.



Key Action Points for Clients

We recommend discussing the following with your adviser as a matter of priority. Several measures take effect from 1 July 2026 (Division 296, fuel excise) or require strategic decisions before 1 July 2027 (CGT, negative gearing, trust restructuring).

- **Review all investment property holdings:** Confirm grandfathering status as at 12 May 2026. Any new property purchase must be carefully evaluated under the transitional and new rules.
- **SMSF balances over \$3 million:** Division 296 commences 1 July 2026. Review contribution strategies and consider the optimal balance split between accumulation and pension phases.
- **Discretionary trust review:** Arrange a trust structure review before 1 July 2028. The rollover relief window closes 30 June 2030 - planning should begin now.
- **Capital gains planning:** For assets likely to be sold post-1 July 2027, model the impact of CGT discount reform. Consider timing of disposals and use of super fund structures where appropriate.
- **Claim the \$1,000 Instant Tax Deduction on your 2026–27 return:** Ensure your tax return captures this entitlement, even without receipts.
- **Business loss carry-back:** Companies that have incurred losses in 2026–27 should assess eligibility for a tax refund against prior years' tax paid.
- **R&D expenditure review:** For innovative businesses, R&D reform takes effect from 1 July 2028 - plan expenditure strategies accordingly.

This advisory is prepared for general information purposes only and does not constitute financial, tax, or legal advice. The measures described are based on Budget announcements made on 12 May 2026 and are subject to the passage of enabling legislation. Please contact our office to discuss your individual circumstances.