



TAXBANTER

KNOWLEDGE
shop



2026-27

Federal Budget Report

Tuesday 12 May 2026

Need more information?

Phone — 1300 829 273

Email — enquiries@taxbanter.com.au

© TAXBANTER PTY LTD

This material has been prepared for the general information of clients and professional associates of TaxBanter. You should not rely on the contents. It should not be regarded as a substitute for professional advice. To the fullest extent allowed by law, TaxBanter excludes all liability (whether arising in contract, negligence or otherwise) in respect of all and each part of this material, including without limitation, any errors or omissions.

This material contains copyright which may not be accessed, copied or commercialised including by AI systems. Consent or licensing from the copyright owner is required unless a specific exception applies.

Table of Contents

Introduction	1
Preparing our economy for the future.....	2
Keep Australia moving	2
Investing in Australia’s economic resilience	3
The MYEFO updates	4
RBA snapshots of the economic landscapes	6
At 7 May 2026.....	6
Key information 2026-27 Federal Budget	7
Measures implemented since the 2025–26 Federal Budget.....	7
Income tax and related measures	7
Other significant measures	10
Significant superannuation measures	11
Announcements prior to Budget night.....	12
Federal Budget Summary	13
Measures and start date at a glance.....	13
Budget measures	17
Major tax reform	17
2026-27 Federal Budget - Reforming negative gearing and capital gains tax	17
2026-27 Federal Budget - Minimum tax of 30% on taxable income of discretionary trusts.....	22
Individuals.....	25
2026-27 Federal Budget - Working Australians \$250 Tax Offset.....	25
2026-27 Federal Budget - Introducing a \$1,000 instant tax deduction.....	26
2026-27 Federal Budget - Modernising Private Health.....	28
2026-27 Federal Budget - Increased Medicare levy low-income thresholds	29
Business.....	30
2026-27 Federal Budget - Making tax simpler for small and medium businesses	30
2026-27 Federal Budget - Expanding venture capital tax incentives	31
2026-27 Federal Budget - Support for small business.....	33

2026-27 Federal Budget - Second tranche of improvements to Australian business registers	34
Companies	35
2026-27 Federal Budget - Loss carry back for some companies and loss refundability for small start-up companies.....	35
2026-27 Federal Budget - Better targeting the Research and Development Tax Incentive.....	37
Fringe benefits tax	39
2026-27 Federal Budget - Electric car discount.....	39
International.....	41
2026-27 Federal Budget - Strengthening the Foreign Resident CGT regime - transitional arrangements.....	41
2026-27 Federal Budget - Global Anti-Base Erosion Rules (Pillar Two) Side-by-Side Package Implementation	43
2026-27 Federal Budget - Extending the ban on foreign purchases of established dwellings.....	44
Other measures	45
2026-27 Federal Budget - Temporary reduction of fuel excise and heavy vehicle road user charge	45
2026-27 Federal Budget - Protecting the tax system against fraud	46
2026-27 Federal Budget - Protecting investors and strengthening the superannuation system.....	47
2026-27 Federal Budget - Supporting Philanthropy.....	48
2026-27 Federal Budget – Women’s Budget Statement	49

Introduction

Australia's inflation was above the target rate, productivity growth was weak and the global environment was highly volatile. Add the conflict in the Middle East and regardless of the detailed modelling and scenario planning, no one knows the true impact these events will have on the economy.

The Government has told us it wants to build an economy that is more resilient in a world that is becoming increasingly volatile; that it is prepared to make the hard decisions to allow Australia to succeed in the future.¹

On 12 May 2026 the Treasurer, Jim Chalmers, handed down the 2026–27 Federal Budget.

Treasurer, Jim Chalmers:¹

“It will be an ambitious budget because ours is an ambitious government, and this is an ambitious country”.

The war in the Middle East has resulted in the largest recorded increase in petrol and diesel prices, pushing inflation even higher. It has caused significant economic disruption and increased cost of living pressures.

The Reserve Bank of Australia (RBA) increased the cash rate target by 25 basis points to 4.35% in May 2026, the third rate increase since January 2026.

The higher fuel prices are impacting all industries and Australians that rely on transportation. Businesses that are experiencing cost pressures are looking to increase prices of their goods and services, further driving inflation.

The duration and severity of the Middle East conflict is unknown, but the longer it continues, the more significant and long lasting the impact will be on the economy. The longer fuel prices remain high, inflation will continue to rise and household consumption and business investment will reduce. This may mitigate some of the increase in inflation but may lead to higher unemployment rate. Inflation and economic conditions are likely to be more uncertain than usual.²

Since re-election the Government has focused on delivering election promises; this Budget will begin a year of more ambitious reform.³

¹ Speech, Jim Chalmers, [Address to the Australian Business Economists, Melbourne](#), 19 March 2026.

² Reserve Bank of Australia (RBA) [Statement on Monetary Policy May 2026](#), accessed 6 May 2026.

³ Transcript, Jim Chalmers, [Press conference, Parliament House](#), Canberra, 4 May 2026.

Preparing our economy for the future

The Government has indicated that although it may not be able to control when the conflict in the Middle East will cease, it can control how Australia responds to the economic challenges the conflict is creating.

Prime Minister, Anthony Albanese: ⁴

“Economic reform that drives growth, boosts productivity, helps tackle inflation and lifts living standards is always necessary. And in times of uncertainty such as this, it is urgent”

The Government is implementing immediate actions to shield the economy from immediate pressures and changes to prepare the economy for the future. This includes addressing intergenerational issues in the tax system, in the housing market, and in the economy more broadly.⁵

Keep Australia moving

The *Export Finance and Insurance Corporation Amendment (Strategic Reserve) Act 2026*⁶ created a Strategic Reserve of materials vital for Australia’s economy, fuel security, supply chain resilience, national security and Future Made in Australia ambitions.

Since its enactment, the Government has acted to protect food and energy security by sourcing additional fertiliser supply to provide certainty for farmers as they make planting and management decision for the season.⁷

It has increased fuel security by sourcing additional diesel to address regional shortages and critical supply gaps⁸ and addressed fuel affordability by temporarily reducing taxes to provide fuel relief for motorists, including forgoing increased GST revenue on fuel transactions, halving fuel excise and eliminating heavy vehicle road user charge.⁹

To prepare the economy for the future, the Government wants to create a resilient economy building on Australian strengths and seize the opportunities that the future holds.¹⁰

⁴ Speech Transcript, Anthony Albanese, [National Press Club of Australia](#), Canberra, 2 April 2026.

⁵ Interview, Jim Chalmers, [Interview with Sally Sara, RN Breakfast, ABC Radio](#), 6 May 2026.

⁶ Which received Royal Assent on 1 April 2026 as Act No. 21 of 2026.

⁷ Media release, Anthony Albanese, [Securing more fertiliser for Australian farmers](#), 17 April 2026.

⁸ Media release, Anthony Albanese, [First fuel shipments secured under new Strategic Reserve Powers](#), 16 April 2026.

⁹ Media release, Anthony Albanese, [Government delivering more fuel relief through deal with states](#), 2 April 2026.

¹⁰ Speech Transcript, Anthony Albanese, [The Chamber of Minerals and Energy of Western Australia](#), 29 April 2026.

Investing in Australia's economic resilience

The Government continues to build on its vision for a Future Made in Australia.¹¹ Since the Election in May 2025, the Government has:

- Established the \$5 billion Net Zero Fund within the National Reconstruction Fund to drive decarbonisation, unlocking new manufacturing investment and improving energy affordability in hard-to-abate sectors of the Australian economy.¹²
- Invested in low carbon liquid fuels through the Cleaner Fuels Program, to stimulate private investment in Australian onshore production of low carbon liquid fuels, such as renewable diesel and sustainable aviation fuel.¹³
- Established the Forestry Growth Fund to invest in the new equipment and facilities to enable industry modernisation and advanced processing.¹⁴
- Established a Critical Minerals Strategic Reserve, allowing the government to secure, sell and stockpile the critical minerals and rare earths vital to Australia's economy, national security and Future Made in Australia ambitions.¹⁵

To make the economy more productive and resilient, the National Competition Policy reforms¹⁶ aim to reduce unnecessary barriers and costs across Australia.

The Investor Front Door has launched its first pilot projects,¹⁷ which aim to streamline how project developers and businesses interact with government, helping them navigate approvals processes and fast-track major projects in the national interest.¹⁸

A National AI Plan¹⁹, a comprehensive roadmap to build an AI-enabled economy, it aims to accelerate the broad development and adoption of AI, ensuring every Australian can share in its benefits while keeping a careful balance between innovation and protection from potential risks.²⁰

To make it easier for more Australians to secure affordable housing, the Government is building more houses and helping first home buyers.

¹¹ A plan to build a stronger, more diversified and more resilient economy powered by clean energy, in a way that creates secure, well-paid jobs and delivers benefits to communities across the country. Commonwealth Government, Budget 2024-25, A Future Made in Australia.

¹² Media Release, Tim Ayres, [Net Zero Fund's \\$5 billion of world-leading decarbonisation finance](#), 4 February 2026.

¹³ Media Release, Julie Collins, [Fueling the future: \\$1.1 billion to power cleaner Aussie fuel production](#), 17 September 2025.

¹⁴ Media Release, Tim Ayres, [A secure and sustainable future for the forestry industry](#), 27 November 2025.

¹⁵ Media Release, Chris Bowen, [Securing Australia's future fuel supply and critical minerals strategic reserve](#), 1 April 2026.

¹⁶ Treasury, [Revitalising National Competition Policy](#), access 6 May 2026.

¹⁷ Four projects include HAMR Energy's Renewable Fuel Project in Victoria and South Australia; Ardea Resources' Kalgoorlie Nickel Project in Western Australia; New Energy Transport's Wilton Project located south-west of Sydney; The Murchison Green Hydrogen project in Western Australia.

¹⁸ Media Release, Jim Chalmers, [Building our economic resilience through the Investor Front Door](#), 9 April 2026.

¹⁹ Australian Government, Department of Industry Science and Resources, [National AI Plan](#), 2 December 2025.

²⁰ Media Release, Andrew Charlton, [National AI Plan: Empowering all Australians](#), 2 December 2025.

This includes the 100,000 Homes for First Home Buyers to improve the supply of housing suitable for and available for purchase by first home buyers over the short and medium term, and the Australian Government 5% Deposit Scheme. From 1 October 2025 the scheme has no income caps, no waitlist and no lenders mortgage insurance.²¹ In addition, tax reform is anticipated to address the intergenerational pressures in the housing market.

The Government is continuing to invest in healthcare to deliver high-quality, affordable and accessible health care. This includes adding drugs to the PBS to help Australians access the medicine they need at an affordable price; further investments in Medicare Urgent Care Clinics, to make them a permanent part of Australia's health system and keep them open and free²²; and restoring the NDIS to its original intent of supporting people with permanent and significant disability.²³

To assist with the cost of living and the clean energy transformation, the Cheaper Home Batteries program is intended to help families cut power bills and get more value from their solar.²⁴ Under the Solar Share Offer, energy retailers will offer households with smart meters at least three hours of free electricity in Default market Offer States, scheduled for the middle of the day when solar generation is at its peak.²⁵

The MYEFO updates

The Mid-Year Economic and Fiscal Outlook (MYEFO) 2025–26, which updates the economic and fiscal outlook from the 2025 Pre-Election Economic and Fiscal Outlook (PEFO), was released on 17 December 2025. It takes into account the decisions made since the release of the 2025 PEFO. It stated that²⁶:

- Economic growth in Australia is forecast to remain low by historical standards at 3% in 2025 and is then expected to only slightly recover to 3¼% in 2026 and 2027.
- Inflation has increased recently, but this has been partly driven by temporary factors. The recent increase in inflation is similar to the experiences of many advanced economies. Excluding the effect of electricity rebates and fuel, inflation is expected to return to the RBA target band by the end of 2026.
- The labour market is expected to remain resilient, with the unemployment rate expected to remain low by historic standards, at around 4½% over 2025–26 and 2026–27.
- Employment growth is forecast to grow by 1¼% in 2025–26 and 1½% in 2026–27, with growth increasingly driven by the market sector.
- Nominal wages growth is expected to be 3¼% in 2025–26 and 2026–27, well above the five-year pre-pandemic average.

²¹ Australian Government, [First Home Buyers, Australian Government 5% Deposit Scheme](#), accessed 6 May 2026.

²² Media Release, Mark Butler, [Major budget boost means Medicare Urgent Care Clinics here to stay](#), 3 May 2026.

²³ Media Release, Mark Butler, [Securing the future of the NDIS for future generations](#), 22 April 2026.

²⁴ Media release, Chris Bowen, [Cheaper Home Batteries are powering the suburbs, rural and regional Australia](#), 30 April 2026.

²⁵ Media release, Chris Bowen, [Reforms delivering a fairer deal and free daytime power for households](#), 19 March 2026.

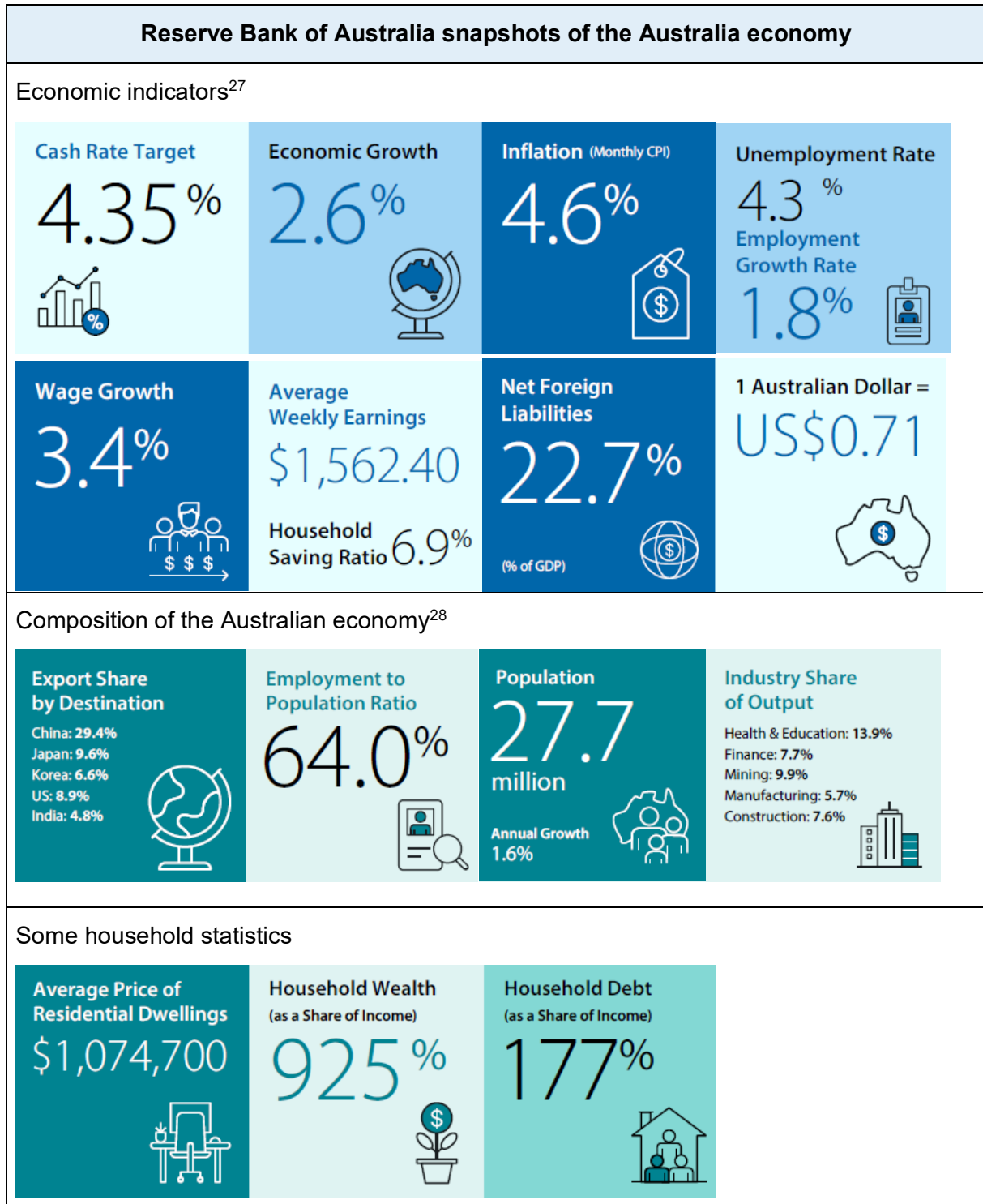
²⁶ Commonwealth of Australia, MYEFO 2025–26, December 2025.

- An underlying cash deficit of \$36.8 billion is forecast for 2025–26, \$5.4 billion lower than expected at the 2025 PEFO. The underlying cash balance has improved by a cumulative \$8.4 billion over the forward estimates compared to the 2025 PEFO.
- Gross debt is expected to peak at 37.0% of GDP in 2030–31, before declining to 33.0% of GDP by 2035–36.

The MYEFO announced measures aimed at delivering responsible cost-of-living relief, strengthening Medicare, making it easier to buy and rent a home, investing in cleaner energy and building a Future Made in Australia, making the economy more productive and resilient, broadening opportunity and advancing equality, securing our home and region.

RBA snapshots of the economic landscapes

At 7 May 2026



²⁷ Extracted from RBA, [Key Economic Indicators Snapshot](#), 7 May 2026, viewed 8 May 2026.

²⁸ Extracted from RBA, [Composition of the Australian Economy Snapshot](#), 7 May 2026, viewed 8 May 2026.

Key information 2026-27 Federal Budget

	\$billion	Forecasts ²⁹ (\$billion)				
	Actual 2024–25	Budget 2025–26	Budget 2026–27	Budget 2027–28	Budget 2028–29	Budget 2029–30
Underlying cash position ³⁰	(10.0)	(28.3)	(31.5)	(31.0)	(34.4)	(25.3)
Economic growth						
Real GDP	1.3%	2.25%	1.75%	2.25%	2.50%	2.50%
Nominal GDP	3.6%	6.75%	4.25%	2.75%	4.75%	5.25%
Unemployment rate	4.2%	4.25%	4.50%	4.50%	4.50%	4.25%
CPI — inflation	2.1%	5.00%	2.50%	2.50%	2.50%	2.50%
Net debt	532.3	556.0	616.6	668.8	725.5	767.8

Measures implemented since the 2025–26 Federal Budget

Income tax and related measures

A number of key tax policy decisions that were previously announced and are now law, include:

Policies that are now law	Detail
Personal tax cuts ³¹	<p>Amendments to the <i>Income Tax Rates Act 1986</i>:</p> <ul style="list-style-type: none"> ■ From 1 July 2026, the 16% tax rate, which applies to taxable income between \$18,201 and \$45,000, will be reduced to 15%. ■ From 1 July 2027, the 15% rate will be reduced further to 14%.

²⁹ Commonwealth of Australia, Budget 2026–27, Budget paper No. 1, pages 7 and 8.

³⁰ Underlying cash position — a reduction in the underlying cash balance means that the government must borrow more and as a consequence the interest cost on the higher public debt increases.

³¹ *Treasury Laws Amendment (More Cost of Living Relief) Act 2025* (Royal Assent 27 March 2025).

Policies that are now law	Detail
Increasing the Medicare Levy low-income threshold ³²	Amendments to increase the Medicare levy low-income thresholds and the Medicare levy surcharge low-income threshold for singles, families, and seniors and pensioners in line with movements in the CPI – from 2024–25 and later income years.
Denying deductions for ATO interest charges ³³	Deductions denied for ATO the general interest charge (GIC) and shortfall interest charge (SIC), for assessments for income years starting on or after 1 July 2025.
Extending ATO notification period for retaining refunds ³⁴	The period within which the Commissioner must notify a taxpayer of a decision to retain a refund amount arising from a BAS or another notification under the BAS provisions for verification of information extended from 14 to 30 days. ³⁵
Instant asset write-off	Instant asset write-off threshold increased from \$1,000 to \$20,000 for small businesses between: 1 July 2024 and 30 June 2025 ³⁶ , and 1 July 2025 and 30 June 2026. ³⁷
Higher Education Loan Program (HELP) debt ³⁸	<ul style="list-style-type: none"> ■ One-off 20% reduction of the outstanding balance of debts for HELP loans and other income-contingent student loans. ■ Minimum repayment threshold increased to \$67,000 for 2025–26 and indexed at the start of each year thereafter ■ From 1 July 2025, compulsory repayments calculated based on income earned above the minimum repayment income amount.
Luxury car tax (LCT) ³⁹	Updates the definition of a fuel-efficient car; and amends the index number used to index the LCT threshold. ⁴⁰

³² *Treasury Laws Amendment (More Cost of Living Relief) Act 2025* (Royal Assent 27 March 2025).

³³ *Treasury Laws Amendment (Tax Incentives and Integrity) Act 2025* (Royal Assent 27 March 2025).

³⁴ *Treasury Laws Amendment (Tax Incentives and Integrity) Act 2025* (Royal Assent 27 March 2025).

³⁵ From 1 July 2025.

³⁶ *Treasury Laws Amendment (Tax Incentives and Integrity) Act 2025* (Royal Assent 27 March 2025).

³⁷ *Treasury Laws Amendment (Strengthening Financial Systems and Other Measures) Act 2025* (Royal Assent 4 December 2025).

³⁸ *Universities Accord (Cutting Student Debt by 20 Per Cent) Act 2025* (Royal Assent 2 August 2025).

³⁹ *Treasury Laws Amendment (Tax Incentives and Integrity) Act 2025* (Royal Assent 27 March 2025).

⁴⁰ For taxable supplies and taxable importations of luxury cars on or after 1 July 2025; transitional measures apply.

Policies that are now law	Detail
Increased wine equalisation tax producer rebate ⁴¹	Maximum amount of WET producer rebate claimable by eligible wine producers, or a group of associated wine producers, increased from \$350,000 to \$400,000 per financial year. ⁴²
Compensation under the national gun buyback scheme ⁴³	Definition of ‘firearms surrender arrangements’ amended to allow the existing provisions ⁴⁴ to apply to the new buy-back scheme.
Income tax and withholding tax exemptions for the Rugby World Cups ⁴⁵	Income tax and withholding tax exemptions for World Rugby and its wholly-owned subsidiaries for income derived from activities relating to the men’s Rugby World Cup 2027 and the women’s Rugby World Cup 2029.

Previously announced tax policy decisions that are still before Parliament⁴⁶ include:

Bill before Parliament	Detail
Modernising tax administration systems	Proposed change to the way trustees of closely held trusts are required to report a beneficiary’s TFN to the Commissioner when a beneficiary has quoted their TFN to the trustee, being in the Statement of Distribution in the trust’s tax return for an income year.
Deductible Gift Recipient (DGR) - removing the \$2 threshold for deductions	Proposes to remove the requirement that a gift to a DGR must be at least \$2 before a donor can claim a deduction – for gifts made from 1 July 2024.
R&D Tax Incentive – exclusion of tobacco and gambling related activities	Proposes to amend the <i>ITAA 1997</i> to exclude R&D activities relating to tobacco and gambling from the R&D Tax Incentive — from 1 July 2025.

⁴¹ *Treasury Laws Amendment (Supporting Choice in Superannuation and Other Measures) Act 2026* (Royal Assent 26 March 2026).

⁴² For assessable dealings made on or after 1 July 2026.

⁴³ *Combatting Antisemitism, Hate and Extremism (Firearms and Customs Laws) Act 2026* (Royal Assent 21 January 2026).

⁴⁴ Under which amounts received as compensation under the national gun buyback scheme are treated as NANE income, any capital gain is disregarded, and the excess of compensation over adjustable value does not give rise to a balancing adjustment under Div 40 of the *ITAA 1997*.

⁴⁵ *Treasury Laws Amendment (Supporting Choice in Superannuation and Other Measures) Act 2026* (Royal Assent 26 March 2026).

⁴⁶ All three measures in this table are contained in *Treasury Laws Amendment (Delivering an Efficient and Trusted Tax System) Bill 2026*, Senate Economics Legislation Committee Report on 30 April 2026 recommended the Bill be passed.

Tax policy decisions which have been announced since the 2025–26 Federal Budget, but are not yet law, include:

Policies announced	Detail
Standard deduction for work-related expenses ⁴⁷	Proposed \$1,000 standard deduction for the 2026–27 income year and later years for work-related expenses for individuals who are Australian tax residents who derive assessable labour income.
Strengthening the Foreign Resident CGT regime ⁴⁸	Proposed amendments to: <ul style="list-style-type: none"> ■ clarify and broaden the types of assets on which foreign residents are subject to Australian CGT ■ amend the point in time principal asset test (PAT) to a 365-day test period ■ require foreign residents disposing of certain shares and other membership interests to notify the ATO prior to the transaction being executed.
Renewable energy asset discount capital gains for foreign residents ⁴⁹	Proposed temporary 50% CGT discount for foreign residents for CGT events in relation to Australian renewable energy assets – for CGT events happening from commencement to 30 June 2030.
International tax treaties with Ukraine and the Republic of Croatia ⁵⁰	The Australian Government signed a double tax agreement (DTA) with Ukraine and another with the Republic of Croatia. The DTAs will enter into force after both Australia and the foreign countries have completed their domestic processes for ratification.

Other significant measures

Other relevant measures that have been announced:

- Proposed amendments to the *TAS Act* to include new and expanded regulatory sanction powers for the Tax Practitioners Board.⁵¹

⁴⁷ Treasury Consultation Hub, [Instant tax deduction – exposure draft](#), consultation closed 1 May 2026.

⁴⁸ Treasury Consultation Hub, [Strengthening the foreign resident capital gains tax regime – draft legislation](#), consultation closed 24 April 2026.

⁴⁹ Treasury Consultation Hub, [Strengthening the foreign resident capital gains tax regime – draft legislation](#), consultation closed 24 April 2026.

⁵⁰ Commonwealth of Australia, MYEFO 2025–26, December 2025, page 178.

⁵¹ Treasury Consultation Hub, [Tax Practitioners Board sanctions reforms – draft legislation](#), consultation closed 24 April 2026.

- Philanthropic giving measures proposal to align and increase the minimum annual distribution rate for public and private ancillary funds and allow ancillary funds to smooth distributions over three years.⁵²

Significant superannuation measures

A selection of previously announced superannuation policy decisions, which are now law:

Policies that are now law	Detail
Payday Super ⁵³	Redesign of the Superannuation Guarantee charge (SGC) legislation to require employers to pay superannuation at the same time as salary and wages; and to update penalties and charges for late or missed payments. Applies from 1 July 2026. ⁵⁴
Better Targeted Superannuation Concession (Div 296) ⁵⁵	Reduces the tax concession available to individuals with a total superannuation balances exceeding \$3 million. From the 2026–27 income year the headline concessional tax rates applying to superannuation earnings on superannuation balances: <ul style="list-style-type: none"> below \$3 million – 15% between \$3 million and \$10 million – an additional 15% up to an overall 30%, and above \$10 million – an additional 10% up to an overall 40%. The thresholds will be indexed to the CPI each year.
Low income superannuation tax offset (LISTO) ⁵⁶	From the 2027–28 income year, increase: <ul style="list-style-type: none"> the LISTO eligibility threshold from \$37,000 to \$45,000 to align with the lowest income tax threshold (after the tax-free threshold), and the maximum LISTO amount from \$500 to \$810, reflecting the superannuation guarantee rate of 12%.

⁵² Treasury Consultation Hub, [Giving fund reforms: distribution rate and smoothing](#), submissions published 26 February 2026.

⁵³ *Treasury Laws Amendment (Payday Superannuation) Act 2025* and *Superannuation Guarantee Charge Amendment Act 2025* (Royal Assent 6 November 2025).

⁵⁴ The *Treasury Laws Amendment (Supporting Choice in Superannuation and Other Measures) Act 2026* (Royal Assent 26 March 2026) contains measures to support employers to streamline the choice of fund process during employee onboarding, and to ban advertising of certain superannuation products to new employees at this time – from 1 July 2026.

⁵⁵ *Treasury Laws Amendment (Building a Stronger and Fairer Super System) Act 2026* and *Superannuation (Building a Stronger and Fairer Super System) Imposition Act 2026* (Royal Assent 13 March 2026).

⁵⁶ *Treasury Laws Amendment (Building a Stronger and Fairer Super System) Act 2026* and *Superannuation (Building a Stronger and Fairer Super System) Imposition Act 2026* (Royal Assent 13 March 2026).

The policy to allow access to superannuation for survivors of child sexual abuse crimes⁵⁷ is still before Parliament. It proposes to create a framework enabling victims or survivors of child sexual abuse and other similar offences to seek visibility and release of certain amounts from a perpetrator's superannuation to satisfy unpaid compensation orders derived from criminal or civil proceedings.

Announcements prior to Budget night

The Government states that it will deliver a responsible Budget that will address the three economic challenges, being high inflation, global uncertainty and productivity growth. This includes tax reforms to make the tax system stronger, fairer and more sustainable.

Relevant tax policy and other decisions that the Government has confirmed ahead of Budget night, include:

- Changes to the FBT exemption for electric vehicles – transition to a permanent 25% discount on FBT for electric vehicles.⁵⁸
- Australian Fuel Security and Resilience package which will provide more than \$10 billion to secure Australia's near-term fuel and fertiliser security, establish a permanent Government-owned Australian Fuel Security Reserve, and lift the Minimum Stockholding Obligation by around 10 days for every type of fuel.⁵⁹

⁵⁷ *Treasury Laws Amendment (The Survivors Law) Bill 2026* introduced to Parliament 25 March 2026.

⁵⁸ Media Release, Jim Chalmers, [Fairer tax treatment to encourage affordable EVs](#), 5 May 2026

⁵⁹ Media Release, Anthony Albanese, [Government securing more fuel reserves - the Australian Fuel Security and Resilience package](#), 6 May 2026.

Federal Budget Summary

Measures and start date at a glance

Budget measure	Application date
Major tax reform	
<p>Negative gearing for residential homes will be limited to new builds</p> <ul style="list-style-type: none"> losses from established residential properties will only be deductible against rental income or the capital gains from residential properties <p>established residential properties acquired prior to 7:30pm (AEST) on 12 May 2026 will be fully grandfathered</p>	From 1 July 2027
<p>Capital gains tax</p> <ul style="list-style-type: none"> the 50% CGT discount will be replaced by cost base indexation for assets held for more than 12 months, with a 30% minimum tax on net capital gains changes apply to all CGT assets, including pre-CGT assets, held by individuals, trusts and partnerships. 	From 1 July 2027
<p>Trusts – Trustees will pay a minimum tax of 30% on the taxable income of discretionary trusts.</p>	From 1 July 2028
Individuals	
Introduce a \$250 Working Australians Tax Offset	2027–28 income year
Introduce a \$1,000 instant tax deduction for work-related expenses	2026–27 income year
Remove the age-based uplift of the Private Health Insurance Rebate	From 1 April 2027
Increasing the Medicare levy low-income thresholds	From 1 July 2025

Budget measure	Application date
Business	
<p>Making tax simpler for businesses</p> <ul style="list-style-type: none"> ▪ Instant asset write-off threshold permanently increased to \$20,000. ▪ Small and medium businesses will be able to opt in to reporting and paying PAYG instalments monthly 	<p>From 1 July 2026</p> <p>From 1 July 2027</p>
<p>Expand the venture capital tax incentives, by:</p> <ul style="list-style-type: none"> ▪ Increasing the cap on the asset size of the investee business at the time of investment in venture capital limited partnership (VCLP) to \$480 million and early stage venture capital limited partnership (ESVCLP) to \$80 million ▪ Increasing the ESVCLP tax incentive cap on the asset size of the investee business, at which investment returns can be fully tax exempt to \$420 million ▪ Increasing the maximum fund size of ESVCLPs to \$270 million 	<p>From 1 July 2027</p>
<p>Support for small business by extending funding to the:</p> <ul style="list-style-type: none"> ▪ Small Business Debt Helpline financial counselling program and ▪ NewAccess for Small Business Owners mental health coaching program 	<p>Funding over three years from 2025–26</p>
<p>Funding for second tranche of improvements to Australian business register, including</p> <ul style="list-style-type: none"> ▪ synchronising director information with the ACNC's Charities Register ▪ linking Director IDs to the Companies Register ▪ uplifting ABN authentication, and ▪ completing the transition of ABN and superannuation lookup functions to the ATO. 	<p>Over 2 years from 2026–27</p>

Budget measure	Application date
Companies	
Loss carry back and loss refundability: <ul style="list-style-type: none"> ■ Reintroduce the loss carry back – for revenue losses only – for companies with aggregated annual global turnover of less than \$1 billion ■ Introduce loss refundability for small start-up companies with aggregated annual turnover of less than \$10 million. 	For tax years commencing on or after 1 July 2026 For tax years commencing on or after 1 July 2028
Reform the R&D Tax Incentive, including: <ul style="list-style-type: none"> ■ Increasing the offset for core R&D expenditure by around 25 to 50% ■ Reducing the intensity threshold from 2% to 1.5% ■ Removing eligibility for expenditure that only supports R&D ■ Increasing the turnover threshold for the refundable offset to \$50 million ■ Increasing the maximum expenditure cap to \$200 million ■ Increasing the minimum expenditure threshold to \$50,000 	2028–29 income year
Fringe benefits tax	
Transitioning to a permanent 25% discount on FBT for electric vehicles	From 1 April 2029
International	
Strengthening the Foreign Resident CGT regime – transitional arrangements Time-limited, targeted concession in the foreign resident CGT regime for investment in the renewables sector	First day of the next quarter after Royal Assent, until 30 June 2030
Implement the side-by-side package agreed by the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting	1 January 2026
Extending the ban on foreign investors purchasing established homes	Until 30 June 2029

Budget measure	Application date
Other measures	
Temporary reduction of fuel excise and heavy vehicle road user charge	Three months from 1 April 2026
Protecting the tax system against fraud: <ul style="list-style-type: none"> ▪ funding for Phase 2 of the Counter Fraud Strategy to modernise the prevention and detection of fraud in the tax and super systems ▪ targeted compliance activities by the ATO 	Over four years from 1 July 2026 and ongoing from 2030–31 income year
Superannuation system – funding to strengthen governance requirements, supervision and enforcement in relation to managed investment schemes.	Funding over four years from 2026–27
Supporting philanthropy <ul style="list-style-type: none"> ▪ Certain organisations to be specifically listed as deductible gift recipients (DGR) ▪ remove the ministerial declaration requirement from the community charity DGR process 	Gifts received after 30 June 2026 and before 1 July 2031

Budget measures

Major tax reform

2026-27 Federal Budget - Reforming negative gearing and capital gains tax

Key Points	
■	The Government has announced that it is reforming negative gearing and capital gains tax (CGT) arrangements from 1 July 2027.
■	Negative gearing for residential property will be limited to new builds. <ul style="list-style-type: none">■ Losses from established residential properties will only be deductible against rental income or the capital gains from residential properties. Excess losses will be carried forward and able to be offset against residential property income in future years.■ Established residential properties acquired prior to 7:30pm (AEST) on 12 May 2026 will be fully grandfathered – meaning that the limitation on negative gearing will only apply to established residential properties purchased after this time.
■	The 50% CGT discount will be replaced by cost base indexation for assets held for more than 12 months, with a 30% minimum tax on net capital gains. <ul style="list-style-type: none">■ These changes will apply to all CGT assets, including pre-CGT assets, held by individuals, trusts and partnerships.■ Investors in residential new builds will be able to choose the 50% CGT discount or the new arrangements.

As part of the 2026–27 Federal Budget, the Government announced that it will reform negative gearing and capital gains tax (CGT) arrangements.

START DATE

From 1 July 2027

From 1 July 2027, the Government will:

- limit negative gearing for residential property investments to new builds, and
- replace the 50% CGT discount for individuals, trusts and partnerships with cost base indexation and a 30% minimum tax rate on capital gains.



Note

Properties held before announcement (7:30pm AEST 12 May 2026) will be exempt from the negative gearing changes. The CGT reforms will only apply to gains accruing after 1 July 2027.

Background

Negative gearing

Negative gearing is the common practice where the income derived from an investment (usually a rental property) is less than the various deductible outgoings – principally interest, but also council rates, land tax, real estate agent fees and repair costs. It is noted that a range of investments can be negatively geared, not just housing.

The resulting net loss can be claimed against other income, for example, salary and wages or business income. Where the other income is not sufficient to absorb the loss it is carried forward to the next tax year.

This strategy has become attractive to property investors – as they can deduct the tax loss against other income while holding the investment, and then when the property is sold they can utilise the CGT discount to achieve a tax-effective outcome. Critics of negative gearing argue that it disproportionately benefits high-income earners, and fuels higher property prices by increasing investor demand and making it harder for first-home buyers to enter the market.⁶⁰

In 1985, as a result of a Government White Paper,⁶¹ the then Government amended the ITAA 1936 to effectively abolish the negative gearing of property in Australia.⁶² The impact of the amendment was that any losses made on rental properties purchased after 17 July 1985 could only be deducted against future rental income. In 1987, the then Government removed the quarantine measure effective from 1 July of that year. Following that reversal, negative gearing has been permitted on all forms of investment in Australia.⁶³

In 2019, the Labor Government at the time flagged tax reform to remove negative gearing. The commitments would have come into effect from 1 January 2020 and would have only applied to assets purchased or investments made after that date.⁶⁴ The reform was not pursued as Labor lost the Federal election.

Capital gains tax

The capital gains tax (CGT) regime was introduced into the Australian taxation system with effect from 20 September 1985 and applies to realised gains and losses on assets acquired after 19 September 1985. As a general rule, a capital gain or loss is the difference between the capital amount received from a CGT event (capital proceeds) and the total costs associated with the CGT event (the CGT cost base or reduced cost base).

Depending on the date the asset was acquired, and provided the asset was held for at least 12 months, there are concessions available in working out net capital gains:

⁶⁰ The Senate, Select Committee on the Operation of the Capital Gains Tax Discount, para 3.58, 3.63, 3.65.

⁶¹ Commonwealth of Australia, Draft White Paper, June 1985, p. 46.

⁶² The Senate, Select Committee on the Operation of the Capital Gains Tax Discount, para 1.42.

⁶³ The Senate, Select Committee on the Operation of the Capital Gains Tax Discount, para 1.44.

⁶⁴ The Senate, Select Committee on the Operation of the Capital Gains Tax Discount, para 1.49.

Indexation

Indexation aimed to ensure only real gains were taxed, by indexing the capital gain in line with consumer price index (CPI). Indexation:

- was only available for CGT assets acquired at or before 11.45 am on 21 September 1999
- required each element of the cost base (except the third element, cost of ownership) to be indexed in line with the CPI⁶⁵
- was only relevant if there was a capital gain – it did not apply to reduced cost base.

Discount capital gains

Indexation was abolished and replaced with the CGT discount. It was designed 'to promote more efficient asset management and improve capital mobility, by reducing the tax bias towards asset retention, and to make Australia's capital gains tax internationally competitive'.⁶⁶

Discount capital gains are capital gains that arise from CGT events that happen after 11.45am on 21 September 1999 to an individual, complying superannuation entity, trust or life insurance company.⁶⁷

The discount percentage is:⁶⁸

- 50% for a gain made by an individual or trust
- 33.33% for a gain made by a complying superannuation fund or a life insurance company from a CGT asset that is a complying superannuation asset.

Certain CGT events are excluded from being treated as discounted capital gains.⁶⁹

Generally foreign residents are denied a discount to the extent the capital gain is accrued whilst they are a foreign resident or a temporary resident.

Taxation of net capital gains

Net capital gains made by a taxpayer in an income year are included in their assessable income. A net capital loss for an income year cannot be deducted from assessable income but can be applied against capital gains made in later income years.

The net capital gain is included in the taxpayer's assessable income and taxed at their marginal tax rate.

Negative gearing to be limited to new builds

From 1 July 2027, losses related to existing residential investment properties purchased from 7:30pm AEST 12 May 2026 will only be deductible against other income from residential properties, including capital gains. When an investor has excess losses, they will be able to carry forward that excess to offset against residential property income in future years.

⁶⁵ Section 114-1 of the *ITAA 1997*. Subdivision 960-M outlines how to index amounts.

⁶⁶ Sam Reinhardt and Lee Steel, A brief history of Australia's tax system, 4 September 2006, Treasury.

⁶⁷ Section 115-10 of the *ITAA 1997*.

⁶⁸ Section 115-100 of the *ITAA 1997*.

⁶⁹ Section 115-25(3) of the *ITAA 1997* lists the CGT events that are not a discount capital gain.

These changes will apply to established residential properties acquired from 7:30PM (AEST) on 12 May 2026. Properties acquired prior to this time (including contracts entered into but not yet settled) will be exempt from the changes until disposed of.

Exemptions will apply for:

- eligible new builds
- properties in widely-held trusts (e.g. most managed investment trusts) and superannuation funds (including SMSFs).

Targeted exemptions will also apply for build-to-rent developments and private investors supporting government housing programs.

This means that these changes will apply to individuals, partnerships, companies and most trusts.

Transitional arrangements

New builds can continue to be negatively geared before and after 1 July 2027.

For established residential properties:

- Properties held at announcement (including where a contract has been entered into, but not yet settled) will be allowed to be negatively geared in future years until sold. This ensures that arrangements for taxpayers who have already made investment decisions based on the existing negative gearing rules will not change.
- Properties purchased between announcement and 30 June 2027 may be negatively geared during this period, but not from 1 July 2027.
- Properties purchased from 1 July 2027 will not be able to be negatively geared.

Capital gains tax reform

Cost base indexation

From 1 July 2027, the 50% CGT discount will be replaced by cost base indexation for assets held for more than 12 months, with a 30% minimum tax on net capital gains. These changes will apply to all CGT assets, including pre-CGT assets, held by individuals, trusts and partnerships.

To maintain incentives for new housing supply, investors in new residential properties will be able to choose either the 50% CGT discount, or cost base indexation and the minimum tax.

Minimum tax on capital gains

A minimum tax rate of 30% will apply to real capital gains accruing from 1 July 2027 (with no impact until the income is realised). This will not affect people whose capital gains are already taxed at rates of at least 30%.

Recipients of means-tested income support payments, such as the Age Pension or JobSeeker, will be exempted from the minimum tax if they receive any payment in the financial year in which they realise the capital gain.

Transitional arrangements

For eligible CGT assets other than new residential properties:

- **Assets purchased and sold prior to 1 July 2027** – no changes in arrangements.
- **Assets purchased after 1 July 2027** – will be treated wholly under the new arrangements.
- **Assets owned prior to 1 July 2027 and sold after 1 July 2027** – will be treated under current arrangements on gains made prior to this date, and under the new arrangements for gains made after this date (with no impact until gains are realised).

The 50% CGT discount will apply to the difference between the asset's cost base and its value at 1 July 2027. Indexation and the minimum tax will be used to calculate the CGT on gains accruing from 1 July 2027 (using the asset's value at 1 July 2027 as the asset's cost base).

Example – Impacts on existing property investors

Michael owns an investment property purchased before 12 May 2026 that is negatively geared. He can continue to negatively gear this property in future years by using losses from his investment property against other income.

Michael sells the property two years after the policy commences for \$560,000. Michael still receives the 50% CGT discount for the capital gain he makes on the property between the purchase date and 1 July 2027. He uses ATO tools to determine its value on that date was \$500,000.

After adjusting for two years of inflation of 2.5%, his taxable capital gain for the period after 1 July 2027 is \$34,688, slightly more than if he had applied a 50% discount (which would have resulted in a taxable capital gain of \$30,000).

Assuming a 47% tax rate, the tax on his gain since 1 July 2027 is \$16,303 (instead of \$14,100 with a 50% discount). Michael does not pay any tax on the capital gain until he sells his property.

Source: Budget 2026–27 Fact Sheet: Negative Gearing and Capital Gains Tax Reform'

Source: Budget Paper No. 2, page 21-22;

Budget Overview: page 36 & 37;

Government factsheet 'Negative Gearing and Capital Gains Tax Reform' and

Government Media Release: Tax reform for workers, businesses and future generations, dated 12 May 2026

2026-27 Federal Budget - Minimum tax of 30% on taxable income of discretionary trusts

Key Points	
■	The Government has announced that from 1 July 2028 trustees will pay a minimum tax of 30% on the taxable income of discretionary trusts.
■	Beneficiaries, other than corporate beneficiaries, will receive non-refundable credits for the tax payable by the trustee.
■	The minimum tax will not apply to other types of trusts such as: <ul style="list-style-type: none">■ fixed and widely held trusts (including fixed testamentary trusts)■ complying superannuation funds■ special disability trusts■ deceased estates, and■ charitable trusts.
■	The following types of income will be excluded from the tax <ul style="list-style-type: none">■ primary production income■ certain income relating to vulnerable minors■ amounts to which non-resident withholding tax applies, and■ income from assets of discretionary testamentary trusts existing at 12 May 2026.
■	Roll-over relief to restructure into a company or fixed trust will be available for 3 years from 1 July 2027.

Background

As Treasurer Jim Chalmers noted in a pre-budget interview with the Economics editor, John Kehoe, of the Australian Financial Review, debate about proposals to tax trusts, reduce the CGT discount and limit negative gearing ‘has been raging for decades’ so the tax on trust income will be neither a surprise nor shock.

In 2019 when Bill Shorten proposed such a tax as part of his broader vision for Australia, he lost the unlosable election.

That was then. Now, post pandemic, in the middle of a war in the Middle East and world stock markets going gangbusters we may be ready to accept that a tax is inevitable – it is never a good time, but it is time.

APPLICATION DATE

From 1 July 2028

Roll-over relief to restructure from 1 July 2027 for 3 years

There are over a million trusts registered in Australia.⁷⁰ Trusts are flow-through entities. They rarely retain income because such income would usually be taxed at the maximum marginal rate of tax, i.e. 45%. But trusts are very useful for distributing trust income and taxable income to beneficiaries who may be taxed at a rate lower than the maximum marginal rate of tax or even not at all.

Proposed minimum tax on discretionary trusts

The Government will introduce a 30% minimum tax on discretionary trusts to improve the fairness of the tax system and help fund new tax cuts for workers.

From 1 July 2028, trustees will pay a minimum tax of 30% on the taxable income of discretionary trusts (i.e. non-fixed trusts).

Beneficiaries, other than corporate beneficiaries, will receive non-refundable credits for the tax payable by the trustee.

Trusts not subject to the tax

The minimum tax will not apply to other types of trusts such as:

- fixed and widely held trusts (including fixed testamentary trusts)
- complying superannuation funds
- special disability trusts
- deceased estates, and
- charitable trusts.

Trust income to be excluded from the minimum tax

The following types of income will be excluded:

- primary production income
- certain income relating to vulnerable minors
- amounts to which non-resident withholding tax applies, and
- income from assets of discretionary testamentary trusts existing at announcement.

⁷⁰ The latest Trust statistics which the ATO has are for the 2021–22 income year for which there were 986,545 trusts. In 2019–20 there were 927,971 trusts. These statistics are based on income tax returns lodged.

Example – Comparison of tax outcomes of different business structures

In 2028–29, Kurt and Loretta each earn \$300,000 operating small businesses.

Loretta provides her services through a company. Loretta pays herself a salary as an employee of \$100,000 and retains the remaining income in the company to build the business. The company pays the small business rate of 25% on this profit. Overall, \$72,002 of tax will be paid.

Kurt provides his services through a family discretionary trust with himself as the trustee. The trust pays Kurt a salary of \$100,000 as an employee and has remaining taxable income of \$200,000. Kurt makes four of his extended family members, who have no other income, each entitled to \$50,000, while retaining the money in the trust to build the business. In total, Kurt's family will pay \$42,010 in tax.

With a minimum tax in place, the trust would pay 30% tax on the \$200,000 of income not paid as wages, regardless of how this income was distributed. Overall, \$86,002 of tax will be paid if Kurt does not change the distributions made to his family members.

Kurt would pay less tax operating through a company than a trust, once the minimum tax is in place, by accessing the small business tax rate.

Source: Budget 2026–27 Fact Sheet: Minimum tax on discretionary trusts

Roll-over relief to restructure

An expanded roll-over relief will be available for 3 years from 1 July 2027 to support small businesses and others that wish to restructure out of discretionary trusts into another entity type such as a company or a fixed trust.

Source: Budget Paper No. 2, page 22;

*Treasurer's Media Release: Tax reform for workers, businesses and future generations,
dated 12 May 2026*

Budget fact sheet: Minimum tax on discretionary trusts

2026-27 Federal Budget - Working Australians \$250 Tax Offset

Key Points	
■	The Government has announced that it will introduce a \$250 Working Australians Tax Offset (WATO) from the 2027–28 income year.
■	The WATO will increase the effective tax-free threshold by nearly \$1,800 to \$19,985 (or up to \$24,985 for workers eligible for the Low Income Tax Offset).
■	The WATO will also be available to sole traders running their own business.

As part of the 2026–27 Federal Budget, the Government announced that it will introduce a \$250 Working Australians Tax Offset (WATO).

START DATE From 1 July 2027

The WATO will provide a permanent annual tax offset for income earned by Australian workers (such as wages and salaries and the business income of sole traders), increasing the effective tax-free threshold by nearly \$1,800 to \$19,985 (or up to \$24,985 for workers eligible for the Low Income Tax Offset).

The Government estimates that over 13 million Australian workers will benefit from the WATO for income earned from 1 July 2027.

The WATO will be available automatically after workers lodge their tax returns.

*Source: Budget Paper No. 2 page 16
Fact Sheet: New cuts for Australian workers
Government Media Release: Tax reform for workers, businesses and future generations, dated 12 May 2026*

2026-27 Federal Budget - Introducing a \$1,000 instant tax deduction

Key Points

- The Government has announced that the tax law will be amended to introduce an instant tax deduction of up to \$1,000 to make the tax system simpler while also delivering cost-of-living relief.
- The effect of this change is that Australian tax residents who earn income from work will be eligible for the instant tax deduction and will not need to itemise and claim work-related expenses if claiming less than \$1,000.
- Proposed to commence from the 2026–27 income year.

In the lead up to the 2026–27 Federal Budget, the Government released for comment exposure draft legislation titled *Treasury Laws Amendment Bill 2026: standard deduction for work-related expenses* (the draft Bill).

START DATE

2026–27 income year

Background

On 13 April 2025 the Government announced the proposed measure – i.e. to make the tax system simpler and deliver more cost-of-living relief by introducing a \$1,000 instant tax deduction from 2026–27 – as a 2025 election commitment.

On 20 April 2026, the Government released for comment exposure draft legislation titled *Treasury Laws Amendment Bill 2026: standard deduction for work-related expenses* (the draft Bill) and accompanying explanatory material.

The draft Bill proposes to amend the *ITAA 1997* from the 2026–27 income year to:

- introduce a \$1,000 standard deduction for work-related expenses for individuals who are Australian residents who derive assessable labour income
- amend existing substantiation, capital allowance and CGT rules to align the existing rules with the new standard deduction.

The draft Bill also proposes to amend the *FBTA Act* to include integrity rules to avoid misuse of the standard deduction to obtain a double benefit, for FBT years starting on or after 1 April 2027.

Instant tax deduction

The Government will amend the Tax law to introduce an instant tax deduction of up to \$1,000 from the 2026–27 income tax year to make the tax system simpler while also delivering more cost-of-living relief.

Australian tax residents who earn income from work will be eligible for the instant tax deduction and will not need to itemise and claim work-related expenses if claiming less than \$1,000.

Individuals who incur work-related expenses greater than the instant tax deduction can continue to claim their deductions in the usual way. Charitable donations, union and professional association membership fees and other non-work-related deductions can still be itemised separately and claimed on top of the instant tax deduction.

*Source: Budget Paper No. 2, page 19;
Treasurer's Media Release: Tax reform for workers, businesses and future generations,
dated 12 May 2026 and
Exposure draft legislation: Treasury Laws Amendment bill 2026: standard deduction for work-related
expenses.*

2026-27 Federal Budget - Modernising Private Health

Key Points

- The Government has announced that it will remove the age-based uplift of the Private Health Insurance Rebate (the PHI Rebate) from 1 April 2027.
- The savings from this measure will be invested in the aged care sector to deliver more residential aged care beds and improve affordability and access to home care supports.

Background

Under the current law, entitlement to the private health insurance rebate depends on the taxpayer's circumstances, income, and policy. The rate of rebate also depends on the age of the oldest person covered by the policy – the rate is uplifted if the oldest person is over 65 years of age.

	Income thresholds 2025–26			
	Base tier	Tier 1	Tier 2	Tier 3
Singles	Up to \$101,000	\$101,001–\$118,000	\$118,001–\$158,000	\$158,001 or more
Couples/families	Up to \$202,000	\$202,001–\$236,000	\$236,001–\$316,000	\$316,001 or more
Rate of Private Health Insurance Rebate: 1 April 2026 – 30 June 2026				
Under 65 years	24.118%	16.079%	8.038%	0%
65–69 years	28.139%	20.098%	12.058%	0%
70 years and over	32.158%	24.118%	16.079%	0%

Announcement

As part of the 2026–27 Federal Budget, the Government announced that it will remove the age-based uplift of the Private Health Insurance Rebate (the PHI Rebate) from 1 April 2027.

APPLICATION

From 1 April 2027

The savings from this measure will be invested in the aged care sector to deliver more residential aged care beds and improve affordability and access to home care supports.

The Government will provide \$3.2 million over two years from 2025–26 for implementation and to undertake consultation on further reforms to improve the private healthcare system.

*Source: Budget Paper No. 2, page 101;
Minister Butler speech at the National Press Club, dated 22 April 2026*

2026-27 Federal Budget - Increased Medicare levy low-income thresholds

Key Points	
■	The Government has announced that the Medicare levy low-income thresholds will be increased for singles, families, and seniors and pensioners from 1 July 2025.
■	The effect of this change is that low-income individuals continue to be exempt from paying the Medicare levy or pay a reduced levy rate.

As part of the 2026–27 Federal Budget, the Government announced that the Medicare levy low-income thresholds will be increased for singles, families, and seniors and pensioners from 1 July 2025. Individuals and families will not have to pay the Medicare levy if their individual or family taxable income is below the low-income threshold.

START DATE

From 1 July 2025

Medicare low-income threshold changes

The changes to the Medicare levy low-income thresholds are as follows:

Medicare low-income threshold	Threshold as at 30 June 2025	Threshold from 1 July 2025
Singles	\$27,222	\$28,011
Families	\$45,907	\$47,238
Single – seniors and pensioners	\$43,020	\$44,268
Family – seniors and pensioners	\$59,886	\$61,623
Family – for each dependent child or student ⁷¹	\$4,216	\$4,338

The increase to the thresholds ensures that low-income individuals continue to be exempt from paying the Medicare levy or pay a reduced levy rate.

Source: Budget Paper No. 2 page 13

⁷¹ For each dependent child or student, the family income threshold increases by the stated amount.

2026-27 Federal Budget - Making tax simpler for small and medium businesses

Key Points	
■	The Government has announced that: <ul style="list-style-type: none">■ from 1 July 2026, the \$20,000 instant asset write-off for small businesses with turnover up to \$10 million will be permanently extended■ the provisions that prevent small businesses from re-entering the simplified depreciation regime for 5 years after opting out will continue to be suspended until 30 June 2027, and■ from 1 July 2027, small and medium businesses will be able to opt in to reporting and paying pay as you go (PAYG) instalments monthly.

As part of the 2026–27 Federal Budget, the Government announced that:

- From 1 July 2026, the \$20,000 instant asset write-off for small businesses with turnover up to \$10 million will be permanently extended.
- The provisions that prevent small businesses from re-entering the simplified depreciation regime for 5 years after opting out will continue to be suspended until 30 June 2027.
- From 1 July 2027, small and medium businesses will be able to opt in to reporting and paying pay as you go (PAYG) instalments monthly.

START DATE

Instant asset write-off – from the 2026–27 income year

PAYG instalments – from 1 July 2027.

Background

Instant asset write-off

Under the current law, s. 328-180 of the *ITAA 1997* allows small business entities (SBEs) to claim an immediate deduction for depreciating assets that cost less than \$1,000 in the income year in which the asset is first used or installed ready for use. The relevant threshold below which SBEs can claim an immediate deduction for the cost of the depreciating asset, or an amount included under the second element of cost of such an asset, has changed a number of times over recent years, effected by amendments to s. 328-180 of the *ITTP Act*.

Since 7.30pm on 12 May 2015 the threshold has been temporarily increased each year, with a \$20,000 threshold applying since 30 June 2023.

Announcement

The Government will amend the Tax law to simplify the tax system for small and medium businesses in relation to assets and PAYG instalments as set out below.

Instant asset write-off

From 1 July 2026, the Government will permanently extend the \$20,000 instant asset write-off for small businesses with turnover up to \$10 million.

Assets valued at \$20,000 or more can continue to be placed into the small business simplified depreciation pool.

The provisions that prevent small businesses from re-entering the simplified depreciation regime for 5 years after opting out will continue to be suspended until 30 June 2027.

PAYG instalments

From 1 July 2027, small and medium businesses will be able to opt in to:

- reporting and paying PAYG instalments monthly, and
- using an ATO-approved calculation embedded in accounting software to calculate and vary their instalments.

This measure will support businesses by enabling tax instalments to better reflect real time business activity. Taxpayers with a demonstrated history of non-compliance will be required to report and pay PAYG instalments monthly.

The Government will also provide \$10.9 million to the ATO to expand its pilot of dynamic pay as you go (PAYG) instalment calculations.

*Source: Budget Paper No. 2, page 20 and
Treasurer's Media Release: Backing small businesses with tax relief, dated 12 May 2026.*

2026-27 Federal Budget - Expanding venture capital tax incentives

Key Points	
▪	The Government has announced that from 1 July 2027: <ul style="list-style-type: none">▪ the venture capital limited partnership (VCLP) cap on the asset size of the investee business at the time of investment will be increased to \$480 million, from \$250 million▪ the early-stage venture capital limited partnership (ESVCLP) cap on the asset size of the investee business at the time of investment will be increased to \$80 million, from \$50 million▪ the ESVCLP tax incentive cap on the asset size of the investee business, at which investment returns can be fully tax exempt, will be increased to \$420 million, from \$250 million, and▪ the maximum fund size of ESVCLPs will be increased to \$270 million, from \$200 million.

As part of the 2026–27 Federal Budget, the Government announced that it will expand the venture capital tax incentives to better facilitate venture capital investment and support early stage and growth businesses.

START DATE

From 1 July 2027

Background

Under the current law, the Government offers tax incentives to:

- venture capital limited partnerships (VCLP), and
- early-stage venture capital limited partnerships (ESVCLP).

To be eligible for the tax incentives:

- a VCLP must register, and remain registered, under the VCLP program administered jointly by the ATO and the Department of Industry, Innovation and Science (DIIS), and
- a ESVCLP must register, and remain registered, under the ESVCLP program administered by Innovation Australia.

VCLP

Key registration requirements for a VCLP are summarised below.

- The partnership is a limited partnership, established in Australia or in a country with which Australia has a double taxation agreement.
- All general partners are residents of Australia, or residents of a country with which Australia has a double taxation agreement.
- The partnership must have at least \$10 million committed capital.

In order to maintain registration, a VCLP must meet reporting requirements, and only make investments that are eligible venture capital investments (EVCIs).

Many conditions must be met for an investment to be treated as an EVCI. The investment must:

- be in a company or unit trust (investee)
- not be, or will cease to be, a listed investment
- not represent more than 30% of the VCLP's committed capital
- be at-risk regarding the value and earnings from the investment
- be in an investee that has:
 - a total value of assets (before the investment is made) of no more than \$250 million
 - more than 50% of its employees and more than 50% of its assets located in Australia
 - a predominant activity not in property development or land ownership, construction or acquisition of infrastructure, finance, insurance or making passive-type investments. However, its predominant activity can be in developing technology for use in finance, insurance or making passive-type investments.

ESVCLP

An ESVCLP must meet the registration requirements for VCLPs and some additional and altered requirements including the following:

- The partnership must have between \$10 million and \$200 million committed capital.

- Investments made by the partnership must be in accordance with an approved investment plan.
- The investee entity is not listed when the partnership makes its first investment in the entity.
- Any investments acquired from existing investors must add to an investment already held in the entity or issued in connection with that acquisition, and which in total do not exceed 20% of the partnership's committed capital.
- The total asset value of the investee entity before the investment is made is not more than \$50 million.

Expanding venture capital tax incentives

From 1 July 2027:

- the VCLP cap on the asset size of the investee business at the time of investment will be increased to \$480 million, from \$250 million
- the ESVCLP cap on the asset size of the investee business at the time of investment will be increased to \$80 million, from \$50 million
- the ESVCLP tax incentive cap on the asset size of the investee business – at which investment returns can be fully tax exempt – will be increased to \$420 million, from \$250 million, and
- the maximum fund size of ESVCLPs will be increased to \$270 million, from \$200 million.

The increases will apply to new and existing funds and to new investments they make, including where funds make further investments in businesses already held. ESVCLPs must remain in compliance with their existing investment plans or seek approval for a replacement plan.

The eligible venture capital investor program will be closed to new applications from 7.30PM (AEST) 12 May 2026.

Source: Budget Paper No. 2, page 18-19

2026-27 Federal Budget - Support for small business

Key Points
<ul style="list-style-type: none"> ▪ The Government has announced that it will provide \$8.2 million over three years from 2025–26 to extend the Small Business Debt Helpline financial counselling program and the NewAccess for Small Business Owners mental health coaching program to 30 June 2027.

As part of the 2026–27 Federal Budget, the Government announced that it will provide \$8.2 million over three years from 2025–26 to extend the Small Business Debt Helpline financial counselling program and the NewAccess for Small Business Owners (NASBO) mental health coaching program to 30 June 2027.

START DATE

From 2025-26 income year over three years

NASBO was launched in 2021 to support small business owners nationwide with free, confidential mental health assistance delivered by trained coaches with small business experience.

The Small Business Debt Helpline provides free, independent, and confidential financial counselling to small businesses experiencing financial hardship, helping owners manage cash flow pressures, negotiate with lenders and suppliers, and make informed decisions about their future.

*Source: Budget Paper No. 2 page 144;
Minister for small business Anne Aly's Media Release: More help for
Australian small businesses on the way, dated 11 February 2026*

2026-27 Federal Budget - Second tranche of improvements to Australian business registers

Key Points	
■	The Government has announced that it will provide \$136.1 million over 2 years from 2026–27 to complete the second tranche of stabilisation and uplift of Australia's business registers, including: <ul style="list-style-type: none">■ synchronising director information with the Australian Charities and Not for Profits Commission's Charities Register■ linking Director IDs to the Companies Register■ uplifting Australian Business Number (ABN) authentication, and■ completing the transition of ABN and superannuation lookup functions to the ATO.

As part of the 2026–27 Federal Budget, the Government announced that it will provide \$136.1 million over 2 years from 2026–27 to complete the second tranche of stabilisation and uplift of Australia's business registers, including:

- synchronising director information with the Australian Charities and Not-for Profits Commission's Charities Register
- linking Director IDs to the Companies Register
- uplifting Australian Business Number (ABN) authentication, and
- completing the transition of ABN and superannuation lookup functions to the ATO.

Source: Budget Paper No. 2, page 139

2026-27 Federal Budget - Loss carry back for some companies and loss refundability for small start-up companies

Key Points	
■	The Government has announced that it would: <ul style="list-style-type: none">■ reintroduce the loss carry back – for revenue losses only – for companies with aggregated annual global turnover of less than \$1 billion■ introduce loss refundability for small start-up companies with aggregated annual turnover of less than \$10 million.
■	The loss carry-back will allow revenue losses for tax years commencing 1 July 2026 to be carried back and offset against tax paid up to two years earlier, subject to a limit equal to the company's franking account balance.
■	Small start-up companies that generate a tax loss in their first two years of operation for tax years commencing on or after 1 July 2028 will be able to utilise the loss to generate a refundable tax offset – limited to the value of fringe benefits tax and withholding tax on wages paid in respect of Australian employees in the loss year.

Background

The last time Australian corporate tax entities could choose to carry back a tax loss was for the income years from 2019–20 to 2022–23 and the losses could be carried back against the income tax liability the corporate tax entity had for income years from 2018–19 to 2021–22. The rules for the loss carry back are still contained in Div 160 of Part 3-5 of the *ITAA 1997*.

Refunds of tax paid in those earlier years were available only up to the amount of the entity's franking account balance and only for years for which the entity's turnover was less than \$5 billion.

Announcement

As part of the 2026–27 Federal Budget, the Government announced that:

- the loss carry back will be reintroduced for corporate tax entities with aggregated annual global turnover of less than \$1 billion; and
- a loss refundability will be introduced for small start-up companies.

Loss carry back

For tax years commencing on or after 1 July 2026, companies with aggregated annual global turnover of less than \$1 billion will be able to carry back a tax loss and offset it against tax paid up to two years earlier.

START DATE

For tax years commencing on or after 1 July 2026

Loss carry back will apply to revenue losses only and will be limited by a company's franking account balance.

Small business example – Instant asset write-off and loss carry back

Dining Co runs a local restaurant with \$1million in turnover. It generated \$50,000 in taxable profits and paid \$12,500 tax in 2025–26 (at the 25% tax rate).

In 2026–27, Dining Co decides to supply ready-cooked meals to local supermarkets. It purchases new equipment for a total of \$65,000, with each piece costing less than \$20,000. Due to the instant asset write-off, these items can be immediately deducted.

Without these new investments, Dining Co would have reported a \$50,000 profit in 2026–27. However, with the instant asset write-off deductions, it reports a \$15,000 tax loss and pays no tax.

Further, Dining Co will now be able to carry back that tax loss to the previous year's tax paid, generating a \$3,750 tax refund ($\$15,000 \times 25\%$ tax rate). This provides timely cash flow to the company as it seeks to expand.

Source: Budget 2026–27 Fact Sheet: Tax reform for workers, businesses and future generations

Loss refundability

For tax years commencing on or after 1 July 2028, start-up companies with aggregated annual turnover of less than \$10 million that generate a tax loss in their first two years of operation will be able to utilise the loss to generate a refundable tax offset.

START DATE

For tax years commencing on or after 1 July 2028

The offset will be limited to the value of fringe benefits tax and withholding tax on wages paid in respect of Australian employees in the loss year.

*Source: Budget Paper No. 2 page 19-20
Fact sheet: Tax reform for workers, businesses and future generations*

2026-27 Federal Budget - Better targeting the Research and Development Tax Incentive

Key Points

- The Government has announced that it will reform the R&D Tax Incentive (R&DTI) to simplify and better target Government support for business R&D.
- Proposed measures include:
 - Increasing the offset for core R&D expenditure by around 25% to 50%
 - Reducing the intensity threshold from 2% to 1.5%
 - Removing eligibility for expenditure that only supports R&D
 - Increasing the turnover threshold for the refundable offset to \$50 million
 - Increasing the maximum expenditure cap to \$200 million
 - Increasing the minimum expenditure threshold to \$50,000
- Proposed to commence from the 2028–29 income year.

As part of the 2026–27 Federal Budget, the Government announced that it will reform the Research and Development Tax Incentive (R&DTI). The measure forms part of the first stage of the Government’s response to the *Ambitious Australia: Strategic Examination of Research and Development Final Report*.

START DATE

1 July 2028

Background

The R&DTI provides tax offsets for eligible R&D.

For income years starting on or after 1 July 2021, entities engaged in R&D may be entitled to:

- a refundable offset equal to their company tax rate plus 18.5 percentage points for eligible entities with aggregated turnover of less than \$20 million
- a non-refundable tax offset for eligible entities with aggregated turnover of greater than \$20 million equal to the entity’s company tax rate plus a two-tiered premium determined on the notional R&D expenditure as a proportion of total expenditure for the income year, as follows:
 - 8.5% for R&D expenditure up to 2% of total expenditure
 - 16.5% for R&D expenditure above 2% of total expenditure.

The rate of the R&D tax offset is reduced to the company tax rate for that portion of an entity’s notional R&D deductions that exceed \$150 million for an income year.

The R&DTI currently supports both core R&D activities (i.e., uncertain, experimental activities undertaken to generate new knowledge) and R&D supporting activities (those activities that are directly related to a core R&D activities).

The R&DTI is open to all industry sectors and company sizes. Any company that meets the definition of an R&D entity can apply.

Reform of the R&D tax incentive

From 1 July 2028, the Government will:

- Increase the offset for core R&D expenditure by around 25% to 50%, through a 4.5 percentage point increase in core R&D offset rates.
- Reduce the intensity threshold from 2% to 1.5%, enabling more firms that engage in substantial core R&D to qualify for higher offset rates.
- Remove eligibility of supporting R&D expenditure for the R&DTI.
- Enable growing firms to retain access to the refundable tax offset for longer by increasing the turnover threshold for the highest offset rate from \$20 million to \$50 million.
- For firms below the \$50 million turnover threshold, maintain older firms' eligibility for the higher offset rate while limiting refundability to firms under 10 years of age.
- Lift the maximum R&DTI expenditure threshold from \$150 million to \$200 million.
- Improve assurance on smaller claims by lifting the minimum expenditure threshold from \$20,000 to \$50,000, with research activities valued below this amount required to be undertaken with a registered Research Service Provider or Cooperative Research Centre to be eligible for the R&DTI.

Source: Budget Paper No. 2, page 17

Budget Overview: page 172

Budget: Fact sheet: Tax reform for workers, businesses and future generations

2026-27 Federal Budget - Electric car discount

Key Points	
■	The Government has announced that from 1 April 2029, a permanent 25% discount on FBT will be available for all electric cars valued up to and including the fuel-efficient luxury car tax threshold, implemented through a 15% rate in the FBT statutory formula.
■	Transitional arrangements will ensure that: <ul style="list-style-type: none">■ All eligible electric cars will retain the FBT discount rate that was in place when the arrangement commenced.■ All electric cars valued up to and including \$75,000 that are provided before 1 April 2029 will continue to be eligible for a 100% discount.■ Electric cars valued above \$75,000 and up to and including the fuel-efficient luxury car tax threshold that are provided between 1 April 2027 and 1 April 2029 will be eligible for a 25% discount.

In the lead up to the 2026–27 Federal Budget, the Treasurer, Jim Chalmers and Minister for Climate Change and Energy, announced on 5 May 2026 that the Government will make changes to the FBT exemption for electric vehicles by transitioning to a permanent 25% discount on FBT for eligible cars.

Background – Electric car discount

The FBT exemption for electric vehicles was introduced in the 2022–23 year.⁷²

Currently, the exemption applies if an employer provides private use of an electric car that meets all the following conditions:

- The car is a zero or low emissions vehicle – i.e. a car designed to carry a load of less than one tonne and fewer than 9 passengers that is either a battery electric vehicle or a hydrogen fuel cell electric vehicle⁷³
- The first time the car is both held and used is on or after 1 July 2022.
- The car is used by a current employee or their associates (such as family members).
- Luxury car tax (LCT) has never been payable on the importation or sale of the car.

APPLICATION

FBT years commencing 1 April 2027 and 1 April 2028 – full discount limited to EVs costing \$75,000 or less

FBT years from 1 April 2029 – 25% discount for all EVs below luxury car tax threshold

⁷² *Treasury Laws Amendment (Electric Car Discount) Act 2022.*

⁷³ Plug-in hybrid electric vehicles were excluded from 1 April 2025.

More sustainable FBT treatment of electric cars

From 1 April 2029, a permanent 25% discount on FBT will be available for all electric cars valued up to and including the fuel-efficient luxury car tax threshold, implemented through a 15% rate in the FBT statutory formula.

The following transitional arrangements will be put in place:

- All eligible electric cars will retain the FBT discount rate that was in place when the arrangement commenced.
- All electric cars valued up to and including \$75,000 that are provided before 1 April 2029 will continue to be eligible for a 100% discount on FBT, implemented through a 0% rate in the FBT statutory formula.
- Electric cars valued above \$75,000 and up to and including the fuel-efficient luxury car tax threshold that are provided between 1 April 2027 and 1 April 2029 will be eligible for a 25% discount on FBT, implemented through a 15% rate in the FBT statutory formula.

The existing 20% statutory rate will continue to apply for all other cars, including electric cars costing more than the fuel-efficient luxury car tax threshold.

Reportable fringe benefits will continue to be determined for eligible electric cars as if a 20% FBT statutory formula rate or cost basis method applied.

Eligible EVs will continue to be exempt from import tariffs on an ongoing basis.

This measure is estimated to increase receipts by \$1.9 billion and increase payments by \$200.0 million over the five years from 2025–26.

*Source: Budget Paper No. 2 page 11;
Budget Fact sheet: Tax reform for workers, businesses and future generations and
Treasurer's Media Release: Fairer tax treatment to encourage affordable EVs, dated 5 May 2026*

2026-27 Federal Budget - Strengthening the Foreign Resident CGT regime - transitional arrangements

Key Points

- The Government has announced that it will:
 - provide a time-limited, targeted concession in the foreign resident CGT regime for investment in the renewables sector as part of the implementation of the 2024–25 Budget measure *Strengthening the foreign resident capital gains tax regime*
 - the transitional arrangement will apply to foreign investors disposing of certain renewable energy infrastructure assets from the first day of the next quarter after Royal Assent – until 30 June 2030
 - ensure the concept of ‘real property’ in Australia is determined by Commonwealth legislation rather than state and territory laws, with effect from 12 December 2006, when the regime was introduced.

As part of the 2026–27 Federal Budget, the Government announced that it will provide a time-limited, targeted concession in the foreign resident CGT regime for investment in the renewables sector as part of the implementation of the 2024–25 Budget measure *Strengthening the foreign resident CGT regime*.

APPLICATION

First day of next quarter after Royal Assent, until 30 June 2030

Background

The Government announced as part of the 2024–25 Federal Budget a measure to strengthen the foreign resident CGT regime to ensure that Australia can tax gains by foreign residents on direct and indirect sales of assets with a close economic connection to Australian land and/or natural resources. Treasury released a consultation paper on the implementation details of the 2024–25 measure in July 2024.

On 10 April 2026, the Government released for comment exposure draft legislation titled:

- *Treasury Laws Amendment Bill 2026: Strengthening the foreign resident CGT regime:*
 - The proposed amendments broaden and clarify the definition of taxable Australian real property (TARP) and introduce a definition of ‘real property’ into the *ITAA 1997* that forms part of the definition of TARP.
- *Treasury Laws Amendment Bill 2026: Renewable energy asset discount capital gains for foreign residents:*
 - The proposed amendments insert a new Div 855 into the *ITTP Act* to provide a 50% CGT discount for foreign residents for CGT events in relation to Australian renewable energy (RE) assets. The CGT discount will apply to CGT events happening from commencement to 30 June 2030.

Strengthening the foreign resident CGT regime

As part of the 2026–27 Federal Budget, the Government announced that it will amend the Tax law to provide a time-limited, targeted concession in the foreign resident CGT regime for investment in the renewables sector as part of the implementation of the 2024–25 Budget measure *Strengthening the foreign resident capital gains tax regime*.

The transitional arrangement will apply to foreign investors disposing of certain renewable energy infrastructure assets from commencement, being the first day of the next quarter after Royal Assent, until 30 June 2030.

The measure will also ensure the concept of ‘real property’ in Australia is determined by Commonwealth legislation rather than state and territory laws, with effect from 12 December 2006, when the regime was introduced.

Source: Budget Paper No. 2, page 14;

Exposure draft Treasury Laws Amendment Bill 2026: Renewable energy asset discount capital gains for foreign residents and

Exposure draft Treasury Laws Amendment Bill 2026: Strengthening the foreign resident CGT regime.

2026-27 Federal Budget - Global Anti-Base Erosion Rules (Pillar Two) Side-by-Side Package Implementation

Key Points

- The Government has announced that it will amend Australia's global and domestic minimum tax legislation, introduced in 2024, to implement the side-by-side package agreed by the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting on 5 January 2026.
- This measure continues to advance the Government's multinational tax reform agenda by supporting a globally coordinated minimum tax framework that ensures large multinationals pay their fair share of tax.
- Proposed to commence from 1 January 2026.

As part of the 2026–27 Federal Budget, the Government announced that it will amend Australia's global and domestic minimum tax legislation, introduced in 2024, to implement the side-by-side package agreed by the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting on 5 January 2026.

START DATE

1 January 2026

Background

Under the current law the Global Anti-Base Erosion (GloBE)⁷⁴ rules operate to ensure that multinational enterprise groups (MNE groups) with annual global revenue of at least EUR 750 million are subject to a global minimum effective tax rate (ETR) of at least 15% in each of the jurisdictions where they operate.⁷⁵

Implementing the side-by-side package

The Government will implement the side-by-side package⁷⁶ to ensure Australia's global minimum tax rules are consistent with those of other implementing jurisdictions and will deliver on the Government's commitment to support the OECD/G20 efforts to reform the international corporate tax system.

This measure continues to advance the Government's multinational tax reform agenda by supporting a globally coordinated minimum tax framework that ensures large multinationals pay their fair share of tax.

Source: Budget Paper No. 2 page 12

⁷⁴ The *Taxation (Multinational – Global and Domestic Minimum Tax) Act 2024* and the *Taxation (Multinational – Global and Domestic Minimum Tax) Imposition Act 2024* received Royal Assent as Act No. 132 of 2024 and Act No. 133 of 2024, respectively, on 10 December 2024.

⁷⁵ Australia and 135 other members of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (the Inclusive Framework) agreed to the 'Statement on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy' (the Two-Pillar Solution).

⁷⁶ The side-by-side package includes several components, including simplifications, a one-year extension of the transitional CbC reporting safe harbour, a safe harbour dealing with qualified tax incentives, and the introduction of a side-by-side system: <http://www.ato.gov.au/businesses-and-organisations/international-tax-for-business/in-detail/multinationals/global-and-domestic-minimum-tax>

2026-27 Federal Budget - Extending the ban on foreign purchases of established dwellings

Key Points
<ul style="list-style-type: none">▪ The Government has announced that it will extend the temporary ban on foreign purchases of established residential dwellings by 2 years and 3 months until 30 June 2029.

Background

Under the current law, from 1 April 2025 to 31 March 2027, foreign persons, including temporary residents and foreign-owned companies, cannot apply to buy an established dwelling in Australia, unless an exception applies. These limited exceptions include:

APPLICATION Extended to 30 June 2029
--

- investments that significantly increase housing supply or support the availability of housing supply – such as new dwellings, off-the-plan properties and vacant residential land
- an established dwelling for a foreign company that employs workers under the Pacific Australia Labour Mobility (PALM) scheme.

Announcement

As part of the 2026–27 Federal Budget, the Government announced that it will extend the temporary ban on foreign purchases of established residential dwellings by two years and three months until 30 June 2029.

The extension of the ban will allow Australians to buy homes that would have otherwise been bought by foreign persons, while maintaining incentives to invest in additional housing supply.

The current limited exceptions to the ban for purchases of established dwellings will continue. General exemptions from foreign investment screening will also continue to apply for purchases of established dwellings, including for permanent residents and New Zealand citizens.

*Source: Budget Paper No. 2, page 12
Budget Overview: Banning foreign investors from buying existing homes, page 24 and
Treasurer’s Media Release: More homes and a fair go for first home buyers, dated 12 May 2026*

Other measures

2026-27 Federal Budget - Temporary reduction of fuel excise and heavy vehicle road user charge

Key Points	
■	The Government has temporarily reduced the excise and excise-equivalent customs duty rates (excise rates) applying to most fuel products and the road user charge for heavy vehicles, for 3 months from 1 April 2026.
■	The effect of this change is that the excise rates have been reduced by a total of 60.9%, equating to a 32 cent-per-litre reduction for petrol and diesel.

In the lead up to the 2026–27 Federal Budget, the Prime Minister, Anthony Albanese, announced on 2 April 2026 that the Government would temporarily reduce the excise and excise-equivalent customs duty rates (excise rates) applying to most fuel products and the road user charge for heavy vehicles, for 3 months from 1 April 2026.

APPLICATION

Three months from 1 April 2026

The excise rates have been reduced by a total of 60.9%, equating to a 32 cent-per-litre reduction for petrol and diesel.

States and territories agreed to provide the Commonwealth up to \$400 million to enable increased GST revenue to be returned through lower excise, which equates to 5.7 cents-per-litre of the cut for petrol and diesel.

The road user charge for heavy vehicles has also been reduced from 32.4 cents-per-litre to zero.

*Source: Budget Paper No. 2, page 16;
Budget Overview: Helping with the cost of fuel and
Prime Minister's Media Release: Government delivering more
fuel relief through deal with states, dated 2 April 2026*

2026-27 Federal Budget - Protecting the tax system against fraud

Key Points
<ul style="list-style-type: none">■ The Government has announced funding of \$86.3 million over 4 years from 1 July 2026 and \$9.7 million per year ongoing from the 2030–31 income year to deliver Phase 2 of the Counter Fraud Strategy to modernise the prevention and detection of fraud in the tax and super systems.■ The Government will also strengthen the ATO's ability to combat fraud by tax agents and other intermediaries.■ Further targeted exceptions to tax secrecy and enhancements to tax regulators information gathering powers will be progressed.■ Additional targeted compliance activities will be undertaken by the ATO to further address fraud.

As part of the 2026–27 Federal Budget, the Government announced that it will provide \$86.3 million over 4 years from 1 July 2026 and \$9.7 million per year ongoing from the 2030–31 income year to deliver Phase 2 of the Counter Fraud Strategy to modernise the prevention and detection of fraud in the tax and super systems.

START DATE Over 4 years from 1 July 2026 and ongoing from the 2030–31 income year

This will enhance the ATOs ability to detect and prevent fraud in real time, provide additional fraud protections for individuals and expand live monitoring of fraudulent account access to tax agents, business and for high-risk superannuation changes

The ATO will also be given powers to pause the recovery of tax debts of taxpayers who are victims of fraud by tax agents and other intermediaries, to waive those debts in appropriate circumstances, and recover the debts from the tax intermediaries. Existing garnishee powers will also be expanded to include jointly held assets in circumstances where such arrangements are being used to frustrate recovery actions.

The ATO will also undertake additional targeted compliance activities over the 2 years from 2026–27 to further address fraud in the system, including in relation to the Research and Development Tax Incentive.

The Government will also progress further targeted exceptions to tax secrecy and enhancements to tax regulators' information-gathering powers to support integrity, compliance and effective administration of the tax system.

Source: Budget Paper No. 2 page 14

2026-27 Federal Budget - Protecting investors and strengthening the superannuation system

Key Points

- The Government has announced that it will provide \$17.8 million over 4 years from 2026–27, and \$1.4 million per year ongoing, to strengthen governance requirements, supervision and enforcement in relation to managed investment schemes.
- The Government is also publicly consulting on options to strengthen the superannuation performance test to remove any unintended barriers to investment and ensure it remains fit for purpose.

As part of the 2026–27 Federal Budget, the Government announced that it will provide \$17.8 million over four years from 2026–27, and \$1.4 million per year ongoing, to strengthen governance requirements, supervision and enforcement in relation to managed investment schemes, including:

- \$10.3 million in 2026–27 for ASIC to enhance its ability to utilise data in its supervision of the managed investment scheme sector
- \$7.6 million over 4 years from 2026–27 (and \$1.4 million per year ongoing) for ASIC, the Office of the Australian Auditing and Assurance Standards Board and the Treasury to strengthen governance requirements for managed investment schemes
- consulting publicly on new data collection powers in relation to managed investment schemes.

The Government is also publicly consulting⁷⁷ on options to strengthen the superannuation performance test to remove any unintended barriers to investment and ensure it remains fit for purpose.

*Source: Budget Paper No. 2, page 143 and
The Treasury Strengthening the superannuation performance test consultation paper, 8 May 2026.*

⁷⁷ Treasury released the *Strengthening the superannuation performance test* consultation paper on 8 May 2026.

2026-27 Federal Budget - Supporting Philanthropy

Key Points

- The Government has announced that it:
 - will amend the tax law to specifically list seven organisations as deductible gift recipients (DGRs) for gifts received after 30 June 2026 and before 1 July 2031
 - has named the Jewish Community Foundation and Australian Jewish Funders in a ministerial declaration, enabling them to seek DGR endorsement as community charities with the ATO
 - will remove the ministerial declaration requirement from the community charity DGR process.

As part of the 2026–27 Federal Budget, the Government announced that it will amend the tax law to specifically list the following organisations as deductible gift recipients (DGRs) for gifts received after 30 June 2026 and before 1 July 2031:

APPLICATION

Gifts received after 30 June 2026 and before 1 July 2031

- CEW Bean Foundation
- Council of First Nations Ltd
- Hakoah Club Ltd⁷⁸
- Jewish Education Foundation (Vic) Ltd
- Sydney Harbour Federation Trust
- Sydney Harbour Foundation Limited
- Virtual War Memorial Limited.

The Government has named the Jewish Community Foundation (JCF) and Australian Jewish Funders (AJF) in a ministerial declaration, enabling them to seek DGR endorsement as community charities with the ATO and provide relief to the Jewish community in the aftermath of the terrorist attack at Bondi Beach on 14 December 2025.

Further, the Government will remove the ministerial declaration requirement from the community charity DGR process, reducing red tape for eligible community charities by removing a step in the endorsement process.

Source: Budget Paper No. 2, page 15

⁷⁸ For gifts received after 30 June 2025 and subject to maintaining tax exempt status as a not-for-profit sporting organisation.

2026-27 Federal Budget – Women’s Budget Statement

Key Points

- The Women’s Budget Statement focuses on the following priorities:
 - gender-based violence
 - unpaid and paid care
 - economic equality and security
 - health
 - leadership, representation and decision making.
- Some of the key initiatives include:
 - measures to make the Child Support Scheme safer and more effective
 - providing greater protections against financial abuse perpetrated through coerced directorships
 - investments in women’s health.

The Women’s Budget Statement

The Women’s Budget Statement is a reporting mechanism for ‘Working for Women, reporting on the Government’s progress and investments in implementing Working for Women’. ‘Working for Women: A Strategy for Gender Equality’, which was released on 7 March 2024, is the Government’s ten-year commitment to ‘shift the dial’ on gender equality.

The 2026–27 Women’s Budget Statement reports on progress made, and reflects the Government’s continued efforts to advance gender equality, across five priority areas:

1. gender-based violence
2. unpaid and paid care
3. economic equality and security
4. health
5. leadership, representation and decision-making.

Measures announced by the Government as part of the 2026–27 Federal Budget, including the following:

- Investing \$182.6 million over four years from 2026–27 and \$19.6 million ongoing from 2030–31 to address issues of weaponisation, financial abuse and non-compliance in the Child Support Scheme.
- Increasing the accuracy of child support assessments by improving tax lodgment enforcement, extending Single Touch Payroll data sharing to improve income accuracy, and strengthening international maintenance arrangements.

- Making legislative and systems changes to make the child support scheme more effective by increasing the rate of employer withholdings as a payment method for all employees where appropriate, and increasing the use of departure prohibition orders to require more parents with child support debts over \$10,000 to enter payment arrangements before they are able to travel overseas.
- Providing greater protections against financial abuse perpetrated through coerced directorships by linking the ATO's Director ID regime with ASIC's Companies Register, verifying the identity of applicants seeking an ABN, and reducing the public availability of directors' personal addresses.
- Providing funding of \$61.2 million over four years from 2026–27 (and \$15.9 million per year ongoing) to support the next phase of the 500 new frontline and community sector workers initiative, which is critical to help victim-survivors escape violence, reduce the recurrence of violence and enable recovery and healing.
- Investing \$59.4 million over four years from 2026–27 to provide states and territories with funding to supplement rental income for community housing providers supporting young people – girls and young women represent 66% of Specialist Homelessness Services clients aged 16 to 24 presenting on their own.
- Providing funding of \$11.7 million over six months in 2026–27 to continue the Family Violence and Cross Examination of Parties Scheme to protect victims of family violence in family law proceedings.
- Providing \$16.6 million over two years from 2026–27 to undertake an Independent Inquiry into Military Sexual Violence in the Australian Defence Force to implement the Australian Government Response to Recommendation 25 of the Final Report of the Royal Commission into Defence and Veteran Suicide.
- Providing \$27 million over two years from 2026–27 to extend the Protecting Migrant Workers – Information and Education grants program, which will especially assist migrant women who are overrepresented in insecure work, to report allegations of worker exploitation without fear of reprisals.
- Supporting free health care options, including investing in the public hospital system, Medicare Urgent Care Clinics and targeted funding to certain regions.
- Providing \$2.7 million over four years from 2026–27 (and \$0.3 million per year ongoing) for the listing of new items on the MBS for participating midwives to provide long-acting reversible contraception (LARC) services, and subsidising cervical cancer treatment from 1 April 2026.
- Providing funding to expand digital and telephone support for maternal health, continue monitoring and reporting on pregnancy and birth outcomes and extending investment to reduce stillbirth through research and education.
- Providing \$10.8 million over two years from 2026–27 to enhance health care access for culturally and linguistically diverse women through training of bilingual health educators
- Providing \$277.5 million in 2026–27 to extend the National Mental Health and Suicide Prevention Agreement to 30 June 2027 to maintain continuity of supports across Australia, supporting the *National Women's Health Strategy 2020–2030*, which identified mental health as a top priority.

Source: Women's Budget Statement 2026–27.

