2026 FEDERAL BUDGET

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Key Insights for Australian Businesses and Individuals

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The Tax Accountants View

This Budget represents the most substantial changes to business and investment taxation in decades, with implications for property investors, business structures, deceased estates and long-term planning. Many measures are proposed to commence from 1 July 2027 or later, providing a period for review and restructuring. We further note that all announcements must still be legislated and may be amended or adjusted given public feedback.

Structural Changes

We see changes to the taxation of trust, Capital Gains Tax (CGT) and negative gearing as further indications of a secular trend and policy bias **against** trusts and **towards** company structures. This has been explicitly noted in the treasury papers in this budget. **What we think it means right now**:

- Companies, dividends and imputation credits will replace discretionary family trusts as default business and investment vehicles.
- Superannuation is cemented as Australia's most effective long-term wealth accumulation vehicle (alternatives are now far less attractive).
- Estate planning needs to be reviewed far more regularly with testamentary trust provisions likely needing to be reworded.
- Individual Taxpayers can expect to pay a higher rate of CGT on asset sales across the board.
- Many business and investment structures will need to be restructured under new or existing rules to mitigate the new taxes, and for business owners, there are strategies available now.
- Trusts will remain part of the asset choice, with their asset protection qualities untouched, however they may cease to be used as business vehicles into the future.

The 2026–27 Federal Budget introduces significant structural tax reform alongside targeted cost-of-living relief. Key announcements include changes to capital gains tax (CGT), negative gearing, and discretionary trusts, as well as modest personal income tax relief and ongoing ATO compliance expansion. Importantly we do not yet have all the details, in particular on the interaction of the new trust tax offsets with other existing tax regimes.

Small Business and Individuals

Major changes to investment taxation:
A suite of reforms will reshape how business owners and investors structure their affairs:

- The 50% CGT discount will be replaced by cost-based indexation, with a minimum tax on net capital gains from 1 July 2027. It will apply to all CGT assets, including pre-1985 CGT assets held by individuals, trusts, and partnerships. The only exception will be new residential properties.

- From 1 July 2027 negative gearing will be limited to new residential property investments, with existing holdings grandfathered. Properties owned before Budget night (12th May 2026) will continue under the current negative gearing rules (fully deductible). Properties acquired after Budget night subject to the new rules from 1 July 2027.
- From 1 July 2027, losses on established properties acquired after Budget night (12 May 2026) will be quarantined — meaning they cannot offset salary or business income but can be applied against rental income and future capital gains.

Scenario	Treatment
Property owned before Budget night (12 May 2026)	**Fully grandfathered**
New build purchased after Budget night	**Negative gearing remains allowed**
Established property purchased after Budget night	**Losses quarantined (from 1 July 2027)**

Discretionary trust tax changes:

From 1 July 2028, a proposed 30% minimum tax will apply to discretionary trust income (subject to exclusions). Transitional rollover relief will be available from 1 July 2027 for restructures.

Small Business

- **Instant asset write-off made permanent**:
  The $20,000 instant asset write-off has been made permanent for small businesses with turnover under $10 million. This provides ongoing certainty for capital investment and replaces prior temporary extensions.
- **Loss carry-back regime reinstated**:
  Eligible companies will be able to carry back current year tax losses to offset profits taxed in the prior two income years, improving cash flow to support business resilience.
- **Superannuation:** From 1 July 2026 Payday super starts requiring employers to pay super at the same time as wages. Employer superannuation guarantee will remain 12%.
- **R&D Tax Incentive (R&DTI)**: From 1 July 2028 the regime will become more targeted with a 4.5% increase to core R&D offset rates, removal of support R&D activity eligibility, a reduction in the intensity threshold from 2% to 1.5%, and an increase in the refundable offset turnover threshold from $20m to $50m.
- **ATO compliance and fraud funding**: Additional funding has been allocated to strengthen ATO compliance, including fraud detection, real-time monitoring, and expanded data-matching capabilities.

Superannuation

- **Division 296 tax on high balances**: Became law in March 2026, commences from 1 July 2026, with the first tax impacts felt after 30 June 2027. Impacting individuals with a total superannuation balance exceeding $3 million, introducing two thresholds. Applies to realised earnings only (not unrealised gains). **Key timing** for the first year only (transitional), applies to an individual’s total super balance at 30 June 2027.

2026-27 Financial Year	
$3 million large super balance threshold (LSBT)	Tax on realised earnings increases to 30% (currently 15%)
$10 million very large super balance threshold (VLSBT)	Tax on realised earnings increases to 40% (currently 15%)

- **Super and CGT reform interaction**:
  Importantly, the new CGT regime (indexation and minimum tax) will generally not apply to assets held within superannuation funds.
- **Payday superannuation:** From 1 July 2026, employers will be required to pay superannuation on payday, rather than quarterly. It is important to update systems and payroll processes to be ready for this change.

Individuals

- **New $250 annual tax offset**: A permanent Working Australians Tax Offset (WATO) of up to $250 will apply from 1 July 2027, to provide cost-of-living support.
- **$1,000 instant deduction**: From the 2026–27 income year, individuals will be able to claim up to $1,000 of work-related expenses without substantiation, simplifying tax compliance.
- **Personal income tax cuts**: Previously legislated tax cuts remain in place, including a reduction in the 16% marginal rate to 15% from 1 July 2026 and to 14% from 1 July 2027.

Personal Income Tax Rates Comparison

2026-27 (current)		2027-28	
Taxable income	Tax rate	Taxable income	Tax rate
$0-$18,200	0%	$0-$18,200	0%
$18,201-$45,000	**15% (reduced from 16%)**	$18,201-$45,000	**14%**
$45,001-$135,000	30%	$45,001-$135,000	30%
$135,001-$190,000	37%	$135,001-$190,000	37%
$190,001 and over	45%	$190,001 and over	45%

How We Can Help

This year's Budget introduces material changes to how investments, business structures, and long-term wealth strategies are taxed. Reviewing your position early, particularly if you operate through a trust, hold investment property, or are planning asset sales, will be critical.

If you need assistance in determining how these changes impact you and whether to restructure, **contact us** to discuss how the 2026 Federal Budget applies to your circumstances.

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