

Budget summary for investors

Federal Budget 2026-27

On 12 May 2026, the Labor Government delivered the 2026-27 Federal Budget. The Budget did not contain many surprises, given most changes had been subject to significant speculation and consideration in the days leading up to Budget night. Whilst not unexpected, the changes themselves, particularly in respect of taxation, are significant and arguably represent the largest changes seen in over 25 years to the taxation system.

Significantly, the superannuation system was not directly impacted by the proposed changes, with existing taxation arrangements remaining. However, the changes may have the impact of superannuation receiving renewed interest as a savings vehicle towards retirement (despite other changes such as the Division 296 tax commencing 1 July 2026) when compared to other arrangements.

It is always important to remember that at this point, most Budget night announcements are only statements of intended change and are not yet law. There may be others that impact on your personal situation, as well as other opportunities available from changes made in prior years. A financial adviser can help outline what these measures may mean for you, and the opportunities available now, or in the future.

Following is a summary of some of the major proposals.

Taxation measures

Changes to CGT

As foreshadowed in the lead up to the 2026-27 Federal Budget, the Government has announced that it will be removing the ability for taxpayers to discount realised capital gains by 50% for any capital growth that occurs on or after 1 July 2027. Instead, from that date the cost base of the asset if held for more than 12 months will be indexed in line with CPI to determine the capital gain when the asset is realised. This is a return to the CGT calculation methodology used up until 21 September 1999.

However, there is also an unexpected measure. For most taxpayers a 30% minimum tax rate will apply to capital gains under the indexation method that accrue after 1 July 2027.

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

Under these changes, there will be three broad categories of CGT assets.

1. Assets acquired and disposed of prior to 1 July 2027 – the existing CGT rules will continue to apply.
2. Assets acquired prior to 1 July 2027 and disposed of on or after 1 July 2027 – the rules will depend on when the asset was purchased.
 - a. If acquired prior to 20 September 1985, the value of the asset as at 1 July 2027 will become the new cost base and the gain since 1 July 2027 is calculated using the indexation method, with a 30% minimum tax applying to the resulting net capital gain. This brings previously pre-CGT exempt assets within the CGT regime going forward.
 - b. If acquired after 20 September 1985, the 50% CGT discount will remain available for the gain that accumulates from time of purchase until 30 June 2027. The indexation method will then apply to any gain accruing from 1 July 2027, with a minimum with a 30% minimum tax applying to the resulting net capital gain.

3. Assets acquired and disposed of from 1 July 2027 – capital gains will be calculated under the indexation method, with a 30% minimum tax applying to the resulting net capital gain.

Even if acquired and disposed of on or after 1 July 2027, this change does not apply:

- To superannuation funds including SMSFs (which retain the existing 1/3rd discount);
- To companies (who currently do not receive any CGT discounting benefits);
- To a taxpayer's principal residence (which retains its CGT exempt status); or
- To the existing 60 per cent CGT discount applying to qualifying affordable housing will be fully retained to preserve incentives to invest in those assets.

There are also no changes to the small business CGT concessions available for small business owners on the sale of active business assets.

Where the asset is a new residential property build, the taxpayer can choose between applying the 50% discount to the entire gain, or the indexation method, with a 30% minimum tax applying to the resulting net capital gain.

Quarantining of negative gearing deduction

From 1 July 2027, negative gearing losses (where the level of deductible expenses exceeds the assessable rental income) from residential investment properties will no longer be able to be used to offset assessable income from other sources (such as wages). Instead, any loss will be quarantined and carried forward to future income years and offset against any net positive tax position on those investment returns in future years. In this way the negative gearing loss is not lost, but the timing of its utilisation deferred to future income years.

Importantly, this change applies only to residential investment properties acquired from 7:30pm on 12 May 2026 (Budget night) by individuals, trusts, companies and partnerships. Negative gearing deductions will still be able to offset other income for residential investment properties acquired before that time, and for those properties purchased from Budget night until 30 June 2027, with quarantining only commencing from 1 July 2027.

The changes do not apply to commercial property investments and other asset classes, such as shares. They will also not apply where the residential property is regarded as a new build.

Discretionary trust distributions

From 1 July 2028, the trustee of a discretionary trust (such as a family trust) will be liable to pay tax at the rate of 30% on the taxable income of the trust, unless a higher tax rate applies (such as for undistributed income). Currently trustees do not pay tax on the discretionary trust's taxable income, except in certain circumstances.

Distributions from the discretionary trust to beneficiaries (other than a company beneficiary) will carry the value of the 30% tax paid in the form of a non-refundable tax credit. As a non-refundable tax credit, it means that taxable distributions made to beneficiaries whose average tax rate is less than the 30% trust tax will not be entitled to a refund for any excess tax withheld. Beneficiaries whose average tax rate is higher than the amount withheld will be required to pay additional tax to ensure the distribution is taxed at their average tax rate after taking into account the amount already withheld.

Company beneficiaries will not be entitled to the non-refundable tax credit, and will be taxed on the full entitlement of the trust distribution received (net of the tax already deducted).

There will be some exclusions from the new taxation arrangements, including fixed trusts, superannuation funds, special disability trusts, and deceased estates. Some types of income such as primary production income and income from assets of testamentary trusts existing on Budget night will also be excluded.

There will also be rollover relief available from 1 July 2027 for a period of three years for affected discretionary trusts that want to restructure to different arrangements, such as a corporate structure.

Changes to FBT for Electric Vehicles

Salary packaging motor vehicles can be a tax effective way for some people to arrange the purchase of a motor vehicle, although fringe benefits tax (FBT) needs to be considered as part of the total packaging cost. However, electric vehicles can currently be salary packaged using a novated lease with an FBT exemption if the taxable value of the vehicle at commencement is below \$91,387.

For new arrangements from 1 April 2027, to receive the full exemption from FBT the taxable value of the electric vehicle will need to be below \$75,000. Where it is above this figure, but below the fuel-efficient luxury car threshold (currently \$91,387 for 2025-26), there will only be a 25% exemption. From 1 April 2029, the exemption will be reduced to 25% for all electric vehicles below the fuel-efficient luxury car threshold.

Small business \$20,000 instant asset write-off

The Government has announced that the \$20,000 instant asset write-off available for eligible small businesses will now become a permanent measure from 1 July 2026. To be eligible, a small business must have aggregate turnover up to \$10 million. This measure has been implemented on an annual basis in each of the last three Budgets.

Eligible small businesses will be able to immediately deduct the full cost of eligible assets costing less than \$20,000 in the income year the asset is first used or installed ready for use. The threshold applies on a per asset basis, meaning a small business can instantly write off multiple assets.

Assets valued over the threshold can continue to be placed into the small business simplified depreciation pool and depreciated at 15% in the first income year and 30% each income year thereafter.

\$1,000 instant tax deduction

From 1 July 2026, taxpayers who earn income from work will have the ability to claim a standard tax deduction up to \$1,000 in place of other work-related expenses, without the need to provide receipts to substantiate expenses. Expenses covered by the standard deduction include those related to working from home, car expenses, and depreciation on work related items.

Charitable donations, professional association membership fees, and other non-work related deductions can still be itemised and claimed separately on top of the instant tax deduction.

Working Australians Tax Offset

The Government has announced a permanent annual tax offset of up to \$250 from 1 July 2027 to directly reduce the level of tax payable on earned income such as salary and wages, and the business income of sole traders. It will not be available for anyone who has not generated any earned income, such as those who have retired or those whose only income is from investments.

Any amount of the tax offset that is not used will not be refunded.

Personal income tax rate changes

Announced in last year's Federal Budget, the current 16% personal income tax rate will decrease by 1% to 15% from 1 July 2026. It will then decrease a further 1% to 14% from 1 July 2027.

Superannuation measures

Tax on large super balances

Originally announced in the 2023-24 Federal Budget and finally legislated earlier this year, a new Division 296 tax will be applied to superannuation earnings of members who have more than \$3.0 million accumulated within the superannuation environment.

The new tax will be applied at the rate of 15% to the extent a member has a total super balance in excess of \$3.0 million, and a further 10% to the extent their total super balance in excess of \$10.0 million. The tax is applied to an amount of earnings in a superannuation fund that the fund has attributed to each particular member of that fund, with that attribution to be done on a fair and reasonable basis.

Pay-day super

Originally announced in the 2023-24 Federal Budget and now legislated, from 1 July 2026 a new regime (referred to as pay-day super) will commence. Under these arrangements, employers will be required to pay superannuation guarantee amounts for their employees on the same day as they pay their salary and wages.

Payments are required to be received by the relevant superannuation fund within 7 business days, and superannuation funds must ensure payments are allocated to the member's account within 3 days of receipt.

The benefit for employees is that superannuation payments will be made to their accounts on a more frequent basis, allowing for more to accumulate in the tax effective environment of superannuation at a faster rate.

Threshold and cap indexation

As a result of high inflation and movements in average weekly earnings over the last 12 months, a number of superannuation caps and thresholds will index from 1 July 2026, opening up potential opportunities to accumulate more wealth inside super and start retirement income streams with higher balances. These include the following:

- Indexation of the general transfer balance from \$2.0 million to \$2.1 million from 1 July 2026. The transfer balance cap sets a limit on the level of accumulated superannuation savings that can be transferred into retirement income streams within superannuation.

- Indexation of the total super balance threshold from \$2.0 million to \$2.1 million from 1 July 2026. This threshold is relevant for determining whether you can make non-concessional contributions to super, and also whether you are able to utilise the bring forward provisions to contribute up to three years of contributions within a single year.
- The concessional contribution cap will index on 1 July 2026 from \$30,000 per annum to \$32,500 per annum, which may allow you to revisit superannuation strategies, such as salary sacrificing, to determine if you can make further contributions into the superannuation system.
- The non-concessional contribution cap will index on 1 July 2026 from \$120,000 per annum to \$130,000 per annum. When combined with indexation of the total super balance threshold, this will impact on how much you can contribute to super from after-tax monies from 1 July 2026.

Government support measures

Pension supplement changes for overseas recipients

From 20 September 2026, recipients of the Pension Supplement who travel overseas for longer than 6 weeks but shorter than 12 weeks may receive a higher rate of payment during this time as the full rate of the Pension Supplement will be used to determine their payment for 12 weeks. However, recipients who travel overseas for more than 12 weeks will receive a lower rate of payment after 12 weeks as the Pension Supplement will drop to nil from this time.

Uniform private health insurance rebate

The higher private health insurance rebate that applies for older Australians aged 65 and over will be abolished from 1 April 2027, making private health insurance more expensive for older Australians. For example, for every \$100 of private health insurance currently paid by a senior Australian who are single earning less than \$105,000 or in a family earning less than \$210,000, the cost will increase by \$5.60 (if age between 65 to 69) or \$11.85 (if age 70 and over).

No contributions for personal care

From 1 October 2026, personal care services will be reclassified as 'clinical supports' under the Support at Home program. These services generally relate to assistance with self-care and activities of daily living (eg help with showering, dressing and eating).

Support at Home participants will not be asked to pay an individual contribution for this type of service that are within their allocated budget. At present participants may contribute up to 50% of the costs of these services.

Aged care accommodation changes

From 1 January 2027, to increase the number of residential aged care places the Government will provide facilities with the following capital subsidies:

- New Home Payment (\$30 per supported resident per day, payable for up to 25 years), a payment for newly constructed homes.
- Significant Improvement Payment (\$15 per supported resident per day, payable for up to 15 years), for homes that increase the supply of places by 40% through an extension or significant refurbishment of offline beds.

Supported residents will also benefit from increases to the accommodation supplements paid to providers from 2027. It is also proposed that the more supported residents a home cares for, the more they will receive. Homes that have more than 60% supported residents will get an additional top-up payment from 2028.

By 1 July 2027, the Government also plans to implement changes to accommodation pricing, including replacing the maximum interest rate with an alternative way to convert a daily payment into a refundable deposit.

For more information

bt.com.au/professional



Information current as at 12 May 2026. This document has been prepared by BT, a part of Westpac Banking Corporation ABN 33 007 457 141 AFSL and Australian Credit Licence 233714 (Westpac). The information in this document regarding taxation and legislative change is based on policy announcements which are yet to be passed as legislation and may be subject to future change. This information does not take into account your personal objectives, financial situation or needs and so you should consider its appropriateness, having regard to these factors before acting on it. This document provides an overview or summary only and it should not be considered a comprehensive statement on any matter or relied upon as such. You should obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it. BT cannot give tax advice. Any tax considerations outlined in this document are general statements, based on an interpretation of current tax laws, and do not constitute tax advice. As such, you should not place reliance on any such taxation considerations as a basis for making your decision with respect to the product. As the tax implications of investing in this product can impact individual situations differently, you should seek specific tax advice from a registered tax agent or registered tax (financial) adviser about any liabilities, obligations or claim entitlements that arise, or could arise, under a taxation law. If you need more information to complete your tax return, please consult your accountant or tax adviser to obtain professional tax advice.