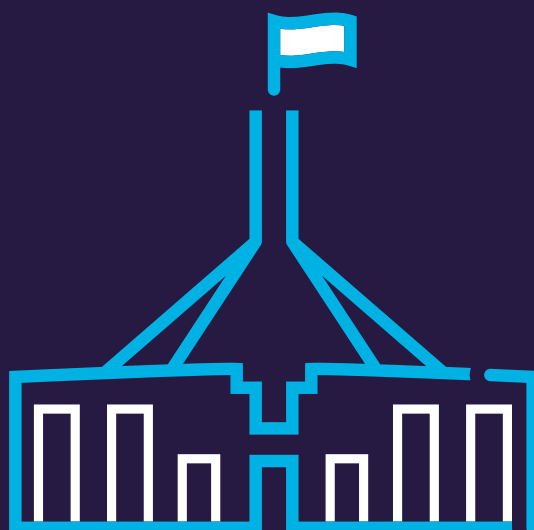


Federal Budget Report

12 May 2026



THOMSON REUTERS WEEKLY TAX BULLETIN

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SPECIAL ISSUE – 2026 FEDERAL BUDGET REPORT

In this issue

EXECUTIVE SUMMARY

[313] 2026-27 Federal Budget: major CGT, negative gearing and trusts reforms announced

[314] Australia cuts tax breaks for landlords to help young own home - *Reuters News Budget highlights*

MAJOR CGT, TRUSTS & NEGATIVE GEARING REFORMS

[315] CGT: discount replaced; min 30% tax on net capital gains; pre-1985 assets caught; new property carve out

[316] Minimum tax of 30% on discretionary trust taxable income from 1 July 2028: new rollover provisions proposed

[317] Negative gearing: limited to new builds from 2027, currently owned residential properties excluded

PERSONAL TAXATION

[318] \$250 working Australians tax offset (WATO) from 1 July 2027

[319] Personal tax rates: existing (modest) cuts for 2026-27 and 2027-28 unchanged

[320] Standard \$1,000 deduction for work-related expenses confirmed from 2026-27

[321] Medicare levy low-income thresholds for 2025-26

[322] Private health insurance rebate cut for those aged 65 and over

[323] Income tax exemption for NRL players and staff of the PNG Chiefs

BUSINESS TAXATION

[324] Reintroduction of the loss carry-back regime

[325] Instant asset write-off for small businesses – permanently extended

[326] Venture capital tax incentives: asset size caps to be increased from 1 July 2027

[327] R&D tax incentive overhaul

[328] Loss refundability for small start-up companies

[329] Expansion of dynamic monthly business tax payments from 1 July 2027

[330] FBT exemption for EVs: full exemption to be phased out; temporary \$75,000 threshold proposed

[331] More funding for ATO: compliance activities and combatting fraud

[332] Improving Australia's business registers – second tranche

[333] Small business debt helpline extended

[334] More additions to charities register

INTERNATIONAL TAXATION

- [335] GloBE (Pillar Two) side-by-side package implementation
- [336] Foreign resident CGT concession: investment in renewables
- [337] Streamlining foreign investment framework
- [338] Extending access to indirect tax concessions - diplomatic and consular

SUPERANNUATION

- [339] No major new super measures announced

OTHER MEASURES

- [340] Fuel excise and road user charge temporary reduction: already implemented
- [341] Eligibility for pension supplement changes
- [342] Supervision funding for MIS sector
- [343] Strengthening child support system
- [344] Fighting SMS scams
- [345] Rental income supplement – Youth Allowance and ABSTUDY
- [346] Increasing withdrawal limit for estate expenses
- [347] Reducing reporting burden for large proprietary companies

[Return to Top](#)

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EXECUTIVE SUMMARY

[313] 2026-27 Federal Budget: major CGT, negative gearing and trusts reforms announced

On Tuesday, 12 May 2026, Treasurer Jim Chalmers handed down the 2026-27 Federal Budget, his 5th Budget.

The Treasurer announced major reforms to CGT, negative gearing and the taxation of trusts in what he described as the "most important and ambitious Budget in decades".

A Budget deficit of \$28.3bn is forecast in 2025-26, to be followed by an underlying cash deficit of \$31.5bn in 2026-27 (\$31.0bn in 2027-28 and \$34.4bn in 2028-29).

The Budget papers note that the conflict in the Middle East has created extreme global volatility and uncertainty. As a result, inflation is expected to peak around 5% through the year to the June quarter 2026 (up from 4.6% in the year to March 2026). Headline inflation is then forecast to decline to 2.5% through the year to the June quarter 2027 (back within the RBA's target band of 2-3%). This assumes a decline in global oil prices from the middle of 2026, a resolution of temporary pressures and a

moderation in services inflation.

Real GDP growth is expected to slow from 2.25% in 2025-26 to 1.75% in 2026-27. While the economic outlook remains highly uncertain, the Australian economy is expected to grow by 2.25% in 2027-28. Once again, this recovery assumes that global oil prices begin to decline from the middle of 2026 and largely stabilise from the middle of 2027.

On the revenue side, \$737.1bn in tax receipts are expected for 2026-27 (up 5.4%), representing 23.8% of GDP (up from 23.6% for 2025-26). Gross debt is expected to increase to \$1.051 trillion (34.0% of GDP) in 2026-27 (up from \$982.0bn in 2025-26) and peak at 35.8% of GDP in 2028-29 at \$1.193 trillion.

Tax-related measures announced

The major tax-related measures announced in the Budget include:

- **50% CGT discount abolished** - to be replaced with an inflation-adjusted indexation method from 1 July 2027 (subject to transitional arrangements) for all CGT assets held by individuals, trusts and partnerships for more than 12 months. An exception will apply for new builds of residential properties;
- **CGT minimum 30% rate** - will apply on realised gains (including for pre-1985 assets) from 1 July 2027;
- **Minimum 30% tax on discretionary trusts** - from 1 July 2028 a minimum tax of 30% will apply to the taxable income of discretionary trusts. However, it will not apply to other types of trusts, including fixed and widely held trusts, complying super funds, special disability trusts, deceased estates and charitable trusts.
- **Negative gearing** - to be limited to new builds from 1 July 2027. Residential properties currently owned at Budget time (7:30 pm AEST 12 May 2026) will be excluded until they are sold;
- **A new \$250 working Australians tax offset (WATO)** - will apply from 1 July 2027 to all eligible Australian workers for their income derived from work;
- **Personal tax rates** - the Budget confirmed the already-legislated reduction in the resident personal income tax rate from 16% to 15% (from 1 July 2026) and to 14% (from 1 July 2027) for the taxable income bracket from \$18,201 to \$45,000;
- **\$1,000 standard deduction** - confirmed for work-related expenses from the 2026-27 income year;
- **\$20K instant asset write-off for small businesses** - permanently extended;
- **Loss carry-back regime** - to be reintroduced from 1 July 2026 for certain businesses and start-ups;
- **FBT exemption for EVs** - the full FBT exemption for electric vehicles (EVs) will be phased out and replaced with a temporary \$75,000 threshold;
- **Loss refundability for small start-ups** - from 1 July 2028 for start-up companies with aggregated annual turnover of less than \$10m that generate a tax loss in their first 2 years;
- **Venture capital tax incentives** - the asset size caps will be increased from 1 July 2027;
- **R&D tax incentive** - to be overhauled.

Outstanding Bills, draft legn, etc

Both Houses of Parliament will sit during the Budget week 12-14 May. The House of Reps (only) will sit 25 May to 4 June, while both Houses will sit for the 2-week period 22 June to 2 July 2026.

Where to get Budget documents

The 2026-27 Budget Papers are available from the following website:

- Budget 2026-27 - <https://budget.gov.au/>

More information on the tax and related announcements is also contained in a number of Budget press releases on the [Treasurer's website](#) and the [Assistant Treasurer's website](#).

[Return to Top](#)

[314] **Australia cuts tax breaks for landlords to help young own home**

- Reuters News Budget highlights

by Stella Qiu, Treasury Correspondent

Australia's centre-left Labor government has rolled out the biggest changes to investment taxes this century to help young people break into the housing market, along with cost-of-living relief to cushion the fallout from the Iran war.

Treasurer Jim Chalmers on Tuesday called his fifth Budget the most "important and ambitious" in decades, as a landslide election victory last year allowed the government to address the politically thorny problem of intergenerational inequity.

"I acknowledge this is a controversial change, I acknowledge this is a government coming into a different view to the view we held 12 months ago," said Chalmers in a press conference.

"The main change in our thinking is the view that we cannot let the intersection of the housing market and the tax system continue to lock out so many people from getting a toehold in the housing market, particularly the young people."

The centrepiece are proposals limiting capital gains tax discounts and negative gearing on assets, policies that have long been criticised for skewing home ownership towards older, wealthier investors and away from first-home buyers.

From 1 July 2027, the Government plans to scrap the 50% capital gains tax (CGT) discount on assets held for more than a year, a benefit begun in 1999 that coincided with a sharp and lasting acceleration in house price growth.

Instead, the CGT will return to the pre-1999 policy of taxing inflation-indexed gains, with a 30% minimum tax on net capital gains. It will apply to all assets including housing.

Negative gearing, which allows investment losses to be offset against taxable income, will be limited to newly built homes to support new housing supply.

There will also be a new tax cut for working Australians through a A\$250 tax offset, as well as a new A\$1,000 instant tax deduction. That is on top of already legislated tax cuts set to deliver up to A\$536 in annual savings for taxpayers.

Budget bottomline improves

The Government said the investment tax reforms will save over A\$3.5bn over the next 4 years, with most savings coming in later years.

They will be dwarfed by massive savings from an overhaul of its disability welfare programme - worth more than A\$35bn over the next 4 years - as well as higher commodity prices from the Iran war and elevated inflation.

Overall, the Budget deficit is projected to be A\$45bn lower over the next 4 years, part of an effort to fight inflationary pressure caused by spiking oil prices.

The Reserve Bank of Australia has already lifted interest rates 3 times this year to head off the war-driven energy shock, fully reversing the policy easing from last year.

The Budget deficit for the current 2025-26 financial year is expected to come in at A\$28.3bn, narrower than the \$A36.8 billion tipped in December. This is projected to widen again slightly to A\$31.5bn in the 2026-27 year.

Inflation is forecast to hit 5% by June as the Middle East conflict drives up energy costs, way above the central bank's target band of 2% to 3%. That will keep the RBA wary, raising the risk interest rates will stay high for longer.

Markets are wagering there is an 18% probability that the RBA will have to raise rates a fourth time in June, while a move by September has been fully priced in.

Higher interest rates are expected to weigh on the economy, with the Budget projecting growth slowing to a subpar rate of 1.75% next financial year. The unemployment rate, which has held low at 4.3%, is seen drifting up to 4.5%.

Treasury also studied a more severe scenario where the oil price peaks at \$200 and takes 3 years to fall back.

"We would still avoid a recession, but unemployment would spike to pre-pandemic levels and inflation would peak above 7%," said Chalmers. "Australians have been paying a hefty price for this war, at the bowser and beyond."

[Return to Top](#)

MAJOR CGT, TRUSTS & NEGATIVE GEARING REFORMS

[315] CGT: discount replaced; min 30% tax on net capital gains; pre-1985 assets caught; new property carve out

As widely anticipated, the Government will replace the current 50% CGT discount with inflation-adjusted indexation from 1 July 2027. What was perhaps not expected was that the changes will include a minimum tax rate of 30% on realised gains and that the CGT net will be broadened to include pre-1985 assets (for disposals from 1 July 2027).

These changes will apply to all CGT assets held by individuals, trusts and partnerships for more than 12 months.

The changes take effect from 1 July 2027. They will be prospective, ie with gains accrued on existing investments prior to the start date to retain the 50% discount up to the start date. Transitional arrangements will ensure the changes only apply to gains arising on or after 1 July 2027, ie the 50% CGT discount will continue to apply to gains arising before 1 July 2027.

Although not spelt out in the Budget papers, presumably the changes will work something like this. Assume that an individual purchased an asset in May 2016 and sells it in May 2031, ie 15 years in total. The capital gain for the first 11 years would be calculated under the 50% CGT discount (ie 2016 to 2027) and the final 4 years under the indexation model (ie 2027 to 2031). There appears to be no scope to allow taxpayers to revalue assets as at 1 July 2027.

Similarly, if an asset is acquired say in 2020 and sold before 1 July 2027, the CGT discount will be applied in full and no indexation will apply.

Capital gains on pre-1985 assets arising before 1 July 2027 will remain exempt from CGT.

New property assets: option to choose

There will be an exception for new builds, ie investors in new residential properties, will be able to choose either:

- the 50% CGT discount; or
- cost base indexation and the minimum tax. Income support payment recipients, including Age Pension recipients, will be exempt from the minimum tax.

This is designed to maintain incentives for the construction of new housing. The issue of what may qualify as new residential premises is discussed under the negative gearing changes discussed elsewhere in this *Bulletin*.

Proposed minimum tax rate on realised gains

There is scant detail on the proposed minimum tax rate of 30% (to be imposed after indexation has been applied). The Budget Papers state that "a minimum tax rate on capital gains will reduce the incentive to hold onto an asset to realise a gain when it's most tax advantageous and ensure a fair amount of tax is paid on capital gains, in line with lifetime incomes". Income support recipients, including pensioners, will be exempt from the minimum rate.

It will be interesting to see how the minimum tax rate interacts with carry forward capital loss rules, as well as to those taxpayers with a loss on other income-related activities in the same income year.

Background to the indexation rules

Indexation is effectively an allowance for inflation so that only real gains in excess of the inflation rate will be taxed. It involves the comparison of index numbers determined at 2 points of time in order to arrive at an indexation factor, which is applied to the element of the cost base being indexed. Subdivision 960-M of the ITAA 1997 sets out the method of indexation.

Index numbers are calculated by reference to the all groups consumer price index number being the weighted average of the 8 capital cities published by the Australian statistician each quarter: s 960-280(1). Note that the ATO issues the CPI rates on its [website](#).

Currently, the assessable capital gain may be reduced by the CGT discount in Div 115.

Note that no changes to the eligibility rules were flagged in the Budget papers, eg rules such as the asset must be held by the taxpayer for at least 12 months, access is restricted for foreign residents, the treatment for beneficiaries of a trust etc appear to be unchanged.

Example of calculation

The following is a simplified example of how the pre-1999 method of indexation is currently applied. It is provided to illustrate how the indexation factor is determined.

Assume that a taxpayer purchased an asset in July 1997 for \$200,000. The asset was sold in September 2025 for \$300,000. According to the ATO table, the CPI for the September 1997 quarter was 119.7, while for September 2025 it was 143.6. However, under the current rules, indexation is frozen at 21 September 1999 (121.3).

- The indexation factor is $\text{CPI (Sale Quarter but currently frozen at 21-9-1999)/CPI (Purchase Quarter)}$, ie $121.3/119.7 = 1.0134$.
- The indexed cost base is \$202,673 ie $\$200,000 \times 1.0134$.
- Under the indexation method, the capital gain is \$97,327, ie $\$300,000 - \$202,673$.

Under the discount method, the capital gain is \$50,000, ie $(\$300,000 - \$200,000) \times 50\%$.

Implications for superannuation funds

While not specifically mentioned in the Budget Papers, a Treasury official confirmed in the Budget Lockup that complying superannuation funds, including self-managed superannuation funds (SMSFs), will continue to receive a CGT discount percentage of 33 1/3% under the current operation of s 115-100(b)(i) of the ITAA 1997. Likewise, for complying approved deposit funds (ADFs) and pooled superannuation trusts (PSTs). Of course, the potential implications for super funds will need to be confirmed against the proposed legislation when available.

Currently, only two-thirds of any net gain on disposal or a CGT event is included in the complying fund's assessable income, provided that the asset has been held for over 12 months. As a result, a complying superannuation fund, ADF or PST entitled to the CGT discount on the disposal of an asset or a CGT event will continue to be taxed at an effective rate of 10% (ie two-thirds of the 15% concessional tax rate for complying super funds).

Date of effect

The operative date for the CGT changes is 1 July 2027, ie there will be no changes for disposals before that date.

The Media Release states that further consultation will be undertaken with stakeholders to settle the details for implementation, including the treatment of early-stage and start-up businesses "given the unique features of the tech and start-up sector".

Source: *Treasurer's media release, 12 May 2026; Budget Paper No 2 [p 21]*

[Return to Top](#)

[316] Minimum tax of 30% on discretionary trust taxable income from 1 July 2028: new rollover provisions proposed

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:

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

Exclusions for some types of income are also proposed, including:

- 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.

There are no further details provided in the Budget Papers.

Note: non-refundable credits for beneficiaries

The Budget Papers state that beneficiaries, other than corporate beneficiaries, will receive **non-refundable** credits for the tax payable by the trustee. If implemented as described, this would mean the withholding would operate more like the MIT final withholding tax for non-residents - ie a minimum floor tax - rather than like the existing s 98 and s 98A credit mechanism where the beneficiary can get a refund if the trustee overpaid.

The marginal rate of 30% applies to taxable income in the range of \$45,000 to \$135,000. This means that beneficiaries who have taxable income of less than \$45,000 would end up paying tax at a higher rate on the trust distribution (ie 30%) than they would on the rest of their taxable income (ie currently 0% or 16%).

The proposal would likely bring forward the collection of the new tax from a timing perspective, as the trustee would presumably have to withhold the tax from distributions and pay that tax to the ATO in a more timely manner than having the tax assessed and collected after the beneficiary lodges their tax return. Perhaps it may be implemented in similar circumstances to the withholding required under s 98 of the ITAA 1936, which requires a trustee to pay tax on behalf of a beneficiary who is presently entitled to trust income but is under a legal disability or is a non-resident.

Without doubt, this is a major change and the draft legislation will be eagerly anticipated.

Restructure roll-over relief proposed

The Government states that it will provide expanded rollover relief 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".

The Papers note that the number of discretionary trusts has more than doubled over the past 20 years.

Date of effect

The measure will apply from 1 July 2028. It is estimated to increase receipts by \$4.5bn over the 5 years from 2025-26.

The ATO will receive \$66.0m over the 5 years from 2025-26 to support implementation of the measure, with funding from 2027-28 to be held in the Contingency Reserve.

Source: Treasurer's media release, 12 May 2026; Budget Paper No 2 [p 22]

[Return to Top](#)

[317] Negative gearing: limited to new builds from 2027, currently owned residential properties excluded

The Government proposes to restrict negative gearing deductions to newly constructed dwellings from 1 July 2027, with a carve-out for currently owned properties.

From 1 July 2027, 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. However, there will be no restrictions affecting investment properties owned at Budget time (ie 7:30 pm AEST 12 May 2026), until they are sold.

There are a number of broad exemptions, discussed below - notably for new residential property investments.

There appears to be no limitation on the number of properties that an investor can negatively gear. Although not addressed in the Budget Papers, it will be interesting to see if the tax "loss" arising on a particular residential property investment will be tied to that property, ie it will not be able to be offset against rental income from other investment properties the taxpayer may own or own in the future.

Background

Negative gearing occurs when the costs of owning a rental property exceed the rental income it generates, resulting in a net rental loss. These costs can include loan interest, rates, insurance, maintenance and other expenses.

The net rental loss can be offset against other income derived by the taxpayer, notably salary and wage income. According to the Budget papers, this will not change for established residential properties owned at 12 May 2026.

Negative gearing can apply to any type of investment, eg shares. However, the Government's proposal will only apply to investment properties used for residential purposes.

Exclusions for certain residential premises

There are 3 broad exclusions from the proposed negative gearing restrictions:

- residential properties owned at Budget time (discussed above);
- eligible new builds of residential premise (designed to ensuring the benefits of negative gearing are directed to investment that increases the housing stock). There is no indication of how long such an exception will run for (eg multiple ownership); and
- properties in widely held trusts and superannuation funds (alongside targeted exemptions for build-to-rent developments and private investors supporting government housing programs).

It should be noted that the terms "residential premises" and "new residential premises" are defined in the GST Act. Although there is no indication that the Government will use the GST definitions for the purposes of the proposed negative gearing restrictions, the following is provided to provide background as to what may be involved.

Definition of residential premises

The following provides an outline of how s 195-1 of the GST Act defines residential premises. It can be seen that the definition is much broader than might be expected. It has been subject to some litigation in the GST sphere.

For GST purposes, residential premises means land or a building that:

- is occupied as a residence or for residential accommodation; or
- is intended to be occupied, and is capable of being occupied, as a residence or for residential accommodation.

The definition states that the term (or period) of occupancy or intended occupancy is not relevant in determining whether premises are to be treated as residential premises. The definition includes a floating home.

It can be seen that the definition incorporates the terms "residence" and "residential accommodation" – neither of which is defined in the GST Act. Combined with the fact that the period of occupancy is to be disregarded, the ATO considers that the definition of "residential premises" has a broader meaning for GST purposes than it would otherwise ordinarily have: GSTR 2012/5, para 74.

Further, the ATO does not consider the term "residential premises" to be restricted to extended or permanent occupation – it can incorporate lodging, sleeping or overnight accommodation: GSTR 2012/5, para 14. Rather, it states that premises must provide shelter and basic living facilities to satisfy the definition. Put conversely, premises that do not have the physical characteristics to provide shelter and basic living facilities are not residential premises: para 15.

The ATO considers that the issue of whether premises are "residential premises" is determined by the physical characteristics of the premises, ie not through an examination of the subjective intentions behind the actual or intended use: GSTR 2012/5, para 10. This means that a property can be sold as residential premises even if the purchaser will apply it for a totally different use.

This does not mean that the residence has to be occupied (either currently or in the future) for it to qualify as residential premises. To repeat the views of the ATO – the physical characteristics of the property, not its actual or intended use, is what is crucial: GSTR 2012/5, para 7 and para 9. This means that premises do not have to be used as residential premises while occupied to qualify. For example, premises may be used as a business office but still qualify as residential premises: GSTR 2012/5, para 10.

Other points of interest include the following.

- Premises must be fit for human habitation in order to be suitable for, and capable of, being occupied as a residence or for residential accommodation: GSTR 2012/5, para 20.
- Whether an area in which a premise is located is zoned for residential premises is relevant as an objective factor in determining the status of premises: GSTR 2012/6, paras 10, 87 and 192.
- The Commissioner accepts that there is no specific restriction on the area of land that can be included with a building (ie within the definition of "residential premises"): GSTR 2012/5, para 46. As a result, the extent to which land forms part of residential premises is a question of fact and degree in each case.

Definition of "new residential purposes" (for GST purposes)

The definition of what qualifies as "new residential premises" in s 40-75 of the GST Act contains 3 limbs, namely residential premises that:

- have not previously been sold as residential premises (other than commercial residential premises) and have not been subject to a long-term lease: s 40-75(1)(a);
- have been created through a substantial renovation of the existing building: s 40-75(1)(b); or
- have been built to replace demolished premises on the same land, or which contain a building that has been built for

that purpose: s 40-75(1)(c).

Section 40-75(1)(b) and s 40-75(1)(c) have effect subject to s 40-75(1)(a). This ensures premises that become new residential premises as a result of substantial renovations or because they have been built to replace demolished premises cease to be new residential premises once they are sold or supplied by way of long-term lease as residential premises.

Date of effect

The restrictions will apply to properties for the 2027-28 year, subject to the transitional provisions for established properties and new build properties discussed above.

Source: Treasurer's media release, 12 May 2026; Budget Paper No 2 [p 21]

[Return to Top](#)

PERSONAL TAXATION

[318] \$250 working Australians tax offset (WATO) from 1 July 2027

A new working Australians tax offset (WATO) will be introduced to provide a permanent annual \$250 tax offset from 1 July 2027 to all eligible Australian workers for their income derived from work (such as wages and salaries and the business income of sole traders).

The WATO will increase the effective tax-free threshold for income derived from work by nearly \$1,800 to \$19,985 (or up to \$24,985 for workers eligible for the low income tax offset (LITO)). The Treasurer said this is the largest permanent increase in the effective tax-free threshold since 2012-13. The offset will apply for income earned from work for the second half of 2027 and will automatically reduce workers' tax liability for the 2027-28 income year.

The WATO is in addition to the already-legislated tax cuts (reported in this *Bulletin*) that apply from 1 July 2026 and 1 July 2027, and the previously-announced \$1,000 instant tax deduction for work-related expenses from the 2026-27 income year. The Government believes that the combined benefit to a worker on average earnings of the 3 tax cuts, new tax offset and instant tax deduction will be up to \$2,816 from 2027-28 (or \$54 per week).

The WATO is expected to cost \$6.4bn over 5 years. The ATO will receive \$10m to implement the measure.

Date of effect

The WATO will be available for all workers for tax years starting on or after 1 July 2027, paid automatically in workers' tax returns at the end of the year.

Source: Treasurer's media release, 12 May 2026; Budget Paper No 2 [p 16-17]

[Return to Top](#)

[319] Personal tax rates: existing (modest) cuts for 2026-27 and 2027-28 unchanged

In the Budget, the Government did not announce any further changes to the personal tax rates. However, the proposed new \$250 working Australians tax offset (WATO) from 1 July 2027 (reported in this *Bulletin*) is expected to increase the effective tax-free threshold for income derived from work by nearly \$1,800 to \$19,985 (or up to \$24,985 for workers eligible for the low income tax offset (LITO)).

The already-legislated tax cuts announced in the 2025-26 Budget will apply from 1 July 2026 and 1 July 2027. Under the *Treasury Laws Amendment (More Cost of Living Relief) Act 2025*, the resident personal income tax rate for the taxable income bracket from \$18,201 to \$45,000 will reduce from 16% to 15% for the 2026-27 income year, and then to 14% for the 2027-28 and later income years.

The changes reduce tax payable by up to \$268 from 1 July 2026, rising to up to \$536 from 1 July 2027, for resident taxpayers with sufficient taxable income to obtain the full benefit.

Resident tax rate changes - summary

The tax rates and income thresholds for residents are as follows:

Taxable income (\$)	2024-25 & 2025-26	2026-27	2027-28
0 - 18,200	0%	0%	0%
18,201 - 45,000	16%	15%	14%
45,001 - 135,000	30%	30%	30%
135,001 - 190,000	37%	37%	37%
190,001+	45%	45%	45%

Resident rates and thresholds 2025-26

The 2025-26 tax rates and income thresholds for residents (unchanged from 2024-25) are as follows.

Tax rates and income thresholds 2025-26	
Taxable income (\$)	Tax payable (\$)
0 - 18,200	Nil
18,201 - 45,000	Nil + 16% of excess over 18,200
45,001 - 135,000	4,288 + 30% of excess over 45,000
135,001 - 190,000	31,288 + 37% of excess over 135,000
190,001+	51,638 + 45% of excess over 190,000

Resident rates and thresholds 2026-27

The 2026-27 tax rates and income thresholds for residents are as follows.

Tax rates and income thresholds 2026-27	
Taxable income (\$)	Tax payable (\$)
0 - 18,200	Nil
18,201 - 45,000	Nil + 15% of excess over 18,200
45,001 - 135,000	4,020 + 30% of excess over 45,000
135,001 - 190,000	31,020 + 37% of excess over 135,000
190,001+	51,370 + 45% of excess over 190,000

Resident rates and thresholds 2027-28

The 2027-28 tax rates and income thresholds for residents are as follows.

Tax rates and income thresholds 2027-28	
Taxable income (\$)	Tax payable (\$)
0 - 18,200	Nil
18,201 - 45,000	Nil + 14% of excess over 18,200
45,001 - 135,000	3,752 + 30% of excess over 45,000
135,001 - 190,000	30,752 + 37% of excess over 135,000
190,001+	51,102 + 45% of excess over 190,000

Foreign residents

Note that the reduced resident income tax rates for the income threshold (\$18,200 - \$45,000) do not flow through to the income tax rates for foreign residents. This is because foreign residents are not entitled to the tax-free threshold and are subject to a separate non-resident rate scale, which starts at 30% from the first dollar of taxable income.

For 2026-26, the tax rates for foreign residents (unchanged since 2024-25) are:

- \$0 - \$135,000 - 30%;
- \$135,001 - \$190,000 - 37%;
- \$190,001+ - 45%.

Working holidaymakers

For 2026-27, the rates of tax for working holiday makers (unchanged since 2024-25) are:

- \$0 - \$45,000 - 15%;
- \$45,001 - \$135,000 - 30%;
- \$135,001 - \$190,000 - 37%;
- \$190,001+ - 45%.

Low income tax offset (unchanged)

No changes were made to the low income tax offset (LITO) in the 2026-27 Budget.

For completeness, and as a reminder, while the LMITO ceased from 1 July 2022, low and middle income taxpayers remain entitled to the low income tax offset (LITO).

Taxable income (TI)	Amount of offset
\$0 - \$37,500	\$700
\$37,501 - \$45,000	\$700 - ([TI - \$37,500] x 5%)
\$45,001 - \$66,667	\$325 - ([TI - \$45,000] x 1.5%)
\$66,668 +	Nil

The maximum amount of the LITO is \$700. The LITO is withdrawn at a rate of 5 cents per dollar between taxable incomes of \$37,500 and \$45,000 and then at a rate of 1.5 cents per dollar between taxable incomes of \$45,000 and \$66,667.

Source: *Treasurer's media release, 12 May 2026; Budget Paper No 2 [p 16-17]*

[Return to Top](#)

[320] **Standard \$1,000 deduction for work-related expenses confirmed from 2026-27**

The Budget confirmed that the proposed \$1,000 standard deduction for work-related expenses will apply from the 2026-27 income year, subject to enacting legislation. The measure, originally announced on 13 April 2025 as part of Labor's 2025 election policy, will provide eligible taxpayers with a simpler way to claim a standard deduction of up to \$1,000 without needing to incur or substantiate work-related expenses covered by the standard deduction.

While legislation to implement the measure was yet to be introduced as at 12 May 2026, the [Exposure Draft - Treasury Laws Amendment Bill 2026 \(standard deduction for work-related expenses\)](#) proposes to introduce an optional \$1,000 standard deduction for work-related expenses for individuals who are Australian tax residents at any time during the income year and derive "assessable labour income". Broadly, assessable labour income includes amounts included in assessable income from which PAYG withholding is required, even if no amount is actually withheld, including salary and wages, directors' fees, office-holder payments, certain termination or retirement payments and parental leave pay.

The standard deduction will be capped at the lesser of \$1,000 and the taxpayer's total assessable labour income. It will be reduced dollar-for-dollar by covered work-related deductions claimed, including certain general deductions, car expenses, travel between workplaces, repair deductions, capital allowance deductions, balancing adjustment deductions and COVID-19 test deductions. This ensures taxpayers do not receive a double benefit.

In practical terms, taxpayers with covered work-related deductions of less than \$1,000 may claim the standard deduction instead of itemising those expenses, or may claim their actual covered deductions and receive a residual standard deduction so that the combined amount equals up to \$1,000. If an individual's total covered deductions exceed \$1,000, the taxpayer will not receive any standard deduction and will instead claim their actual work-related deductions under the ordinary rules.

The draft legislation provides for some deductions to still be claimed separate to and independent of the standard deduction. These include:

- deductions unconnected with assessable labour income (eg interest income deductions);
- specific deductions such as for gifts or contributions;
- costs of managing tax affairs;
- income protection, personal sickness and accident insurance premiums; and
- union or professional association membership fees.

The instant \$1,000 deduction is expected cost \$2.4bn and increase payments by \$183.9m over 4 years. The measure was provisioned for by the Government in the 2025-26 MYEFO.

Capital allowances

Depreciating assets that a taxpayer reasonably expects to use mainly to produce assessable labour income cannot be

allocated to a low-value pool from 1 July 2026. Where a balancing adjustment event occurs for a depreciating asset that has been used to produce assessable labour income, a taxpayer who has received the standard deduction for one or more income years overlapping with the asset's effective life may choose to reduce the balancing adjustment amount by 50%. Related amendments will also address CGT event K7 calculations for depreciating assets used partly for non-taxable purposes.

Substantiation provisions to be repealed

The standard deduction will replace the existing \$300 no-receipt threshold and the \$150 laundry expense concession, with corresponding provisions and definitions repealed from Divs 900 and 995 of the ITAA 1997. The award transport payment substantiation concession and related car expense rule are also proposed to be repealed.

Interaction with FBT

Where an expense payment fringe benefit is covered by the standard deduction and provided under a salary packaging arrangement, the otherwise deductible rule will not apply to reduce the taxable value. The employer will therefore be assessed on the full taxable value of the benefit, provided no other exemption or reduction otherwise applies.

The s 58X FBTAA exemption for eligible work-related items will be limited to benefits provided outside salary packaging arrangements. The existing restriction on substantially identical items in the same FBT year will be repealed.

Date of effect

The income tax amendments will apply to assessments for the 2026-27 income year and later years. The FBT amendments will apply to FBT years from 1 April 2027.

Source: Budget Paper No 2 [p 19]

[Return to Top](#)

[321] Medicare levy low-income thresholds for 2025-26

For the 2025-26 income year, the Medicare levy low-income threshold for singles has been increased to \$28,011 for 2025-26 (up from \$27,222 for 2024-25). For couples with no children, the family income threshold is \$47,238 (up from \$45,907 for 2024-25). The additional amount of threshold for each dependent child or student is \$4,338 (up from \$4,216).

For single seniors and pensioners eligible for the SAPTO, the Medicare levy low-income threshold is \$44,268 (up from \$43,020). The family threshold for seniors and pensioners is \$61,623 (up from \$59,886), plus \$4,338 for each dependent child or student.

Date of effect

The increased thresholds will apply to the 2025-26 and later income years. Note that legislation is required to amend the thresholds and a Bill should be introduced shortly.

Source: Budget Paper No 2 [p 13]

[Return to Top](#)

[322] Private health insurance rebate cut for those aged 65 and over

The Budget confirmed the Government's previous announcement that the private health insurance rebate will be reduced for those aged 65 and over.

In a speech to the National Press Club on 22 April 2026, the Minister for Health and Ageing, Mark Butler, said the Government would return the private health insurance rebate for older Australians to the level paid for those under age 65. Mr Butler said the Howard Government increased the private health insurance rebate in 2004 for those aged 65 and over, but that the policy was harder to defend in 2026 and that the savings should be redirected into aged care. The changes are expected to save \$3bn over 4 years from 2026-27 (and \$1bn per year ongoing).

In practical terms, the Budget changes will remove the higher age-based private health insurance rebate tiers that currently apply where the oldest person covered by the policy is aged 65-69 or 70 and over.

Under the current rebate percentages applying from 1 April 2026 to 31 March 2027, and the income thresholds applying from 1 July 2026, the base-tier rebate - for singles with income of \$105,000 or less and families with income of \$210,000 or less - is 24.118% for those aged under 65, 28.139% for those aged 65-69, and 32.158% for those aged 70 and over. The Budget measure will flatten the higher older-age rebates back to the under-65 rate.

Date of effect

1 April 2027.

Source: [Minister for Health and Ageing speech on 22 April 2026](#); Budget Paper No 2 [p 101]

Industry concerns

Private Health Australia said the proposed cut to the rebate will increase the out-of-pocket cost for more than 3 million people aged 65 and over, including more than 400,000 pensioners with health insurance. The industry body warned that those aged 70 and above with Gold hospital cover could see premiums increase 21% from April 2027. This translates to an annual premium increase of about \$807 for an individual and \$1614 for a couple. (Source: [Private Health Australia media release, 8 May 2026](#))

[Return to Top](#)

[323] Income tax exemption for NRL players and staff of the PNG Chiefs

As part of the Government's measures to enhance engagement with the Pacific, the tax law will be amended to ensure that income tax exemptions provided by Papua New Guinea for players and staff of the PNG Chiefs National Rugby League (NRL) team operate as intended. This is expected to decrease tax receipts by \$5.4m over 4 years from 2026-27.

Source: Budget Paper No 2 [p 91]

[Return to Top](#)

BUSINESS TAXATION

[324] Reintroduction of the loss carry-back regime

The Government will reintroduce the loss carry-back regime for most businesses and start-ups "to encourage investment and improve resilience through temporary shocks". From 1 July 2026, companies with aggregated annual global turnover of less than \$1bn will be able to carry back a tax loss and offset it against tax paid up to 2 years earlier. Loss carry-back will apply to revenue losses only and will be limited by a company's franking account balance.

The loss carry-back was originally introduced as a part of the 2020 Budget and eligible companies could carry back tax losses from the 2019-20, 2020-21 and 2021-22 income years against previously taxed profits from the 2018-19 income year or later. The 2021 Budget then extended temporary loss carry-back by one year. After that extension, eligible companies could also carry back 2022-23 tax losses, again against taxed profits from 2018-19 or later.

Reintroducing loss carry-back regime is expected to directly benefit up to 85,000 companies each year. It is estimated to decrease receipts by \$2.3bn over the 5 years from 2025-26.

Source: *Budget Paper No 2 [p 20]*

[Return to Top](#)

[325] Instant asset write-off for small businesses – permanently extended

The Government will permanently extend the \$20,000 instant asset write-off for small businesses with a turnover of up to \$10m. The current \$20,000 threshold was set to expire on 30 June 2026, with the threshold then reverting back to the \$1,000 threshold. However, with this permanent extension, small businesses will have more certainty over asset purchases going forward.

Assets valued \$20,000 or more can continue to be placed into the small business simplified depreciation pool. Pool deductions are broadly 15% in the first year an asset is added to the pool and 30% for later years. The provisions that prevent small businesses from re-entering the simplified depreciation regime for 5 years after opting out will also continue to be suspended until 30 June 2027.

Source: *Budget Paper No 2 [p 20]*

[Return to Top](#)

[326] Venture capital tax incentives: asset size caps to be increased from 1 July 2027

The venture capital tax incentives will be expanded to better facilitate venture capital investment and support early stage and growth businesses by global and local investors, including super funds. From 1 July 2027, certain asset caps that have not adjusted for over 20 years will be increased, including the:

- **venture capital limited partnership (VCLP) cap** on the asset size of the investee business at the time of investment will be increased to \$480m from \$250m;
- **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 \$80m from \$50m;

- **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 \$420m from \$250m; and
- **Maximum fund size of ESVCLPs** will be increased to \$270m from \$200m.

The proposed 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) on 12 May 2026.

The Department of Industry, Science and Resources (DISR) will receive \$3.6m in 2026-27 to support growth of the programs. Treasury and DISR will jointly undertake a departmental impact assessment of these programs in 2032-33 to ensure that they remain well-targeted and appropriate.

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*. It is expected to cost \$10m and increase payments by \$14.7m over 5 years.

Date of effect

1 July 2027.

Source: Treasurer's media release, 12 May 2026; Budget Paper No 2 [pp 18-19]

[Return to Top](#)

[327] R&D tax incentive overhaul

The Research and Development Tax Incentive (R&DTI) encourages innovative activities that support Australia's productivity. However, the current program is complex and expensive. Over the five years from 2019-20, the cost of the R&DTI has grown by around 70% to be \$4.4bn in 2023-24. The Government is reforming the R&DTI to simplify and better target Government support for business R&D. 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 (eg literature review and equipment maintenance) 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 \$20m to \$50m;
- For firms below the \$50m 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 \$150m to \$200m; and
- 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.

As a part of the overhaul, the ATO will also receive \$2.8m in funding over 3 years from 2027-28 to support the implementation of these changes.

Source: Budget Paper No 2 [p 17-18]

[Return to Top](#)

[328] Loss refundability for small start-up companies

The Government will introduce loss refundability for small start-up companies. For tax years commencing on or after 1 July 2028, start-up companies with aggregated annual turnover of less than \$10m that generate a tax loss in their first 2 years of operation will be able to utilise the loss to generate a refundable tax offset. 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.

This measure is expected to support up to 25,000 new businesses each year. It is estimated to increase administered payments by \$410.0 million over the 5 years from 2025-26.

Source: Budget Paper No 2 [p 20]

[Return to Top](#)

[329] Expansion of dynamic monthly business tax payments from 1 July 2027

As part of its package of measures to reduce red tape, the Government will work with the ATO to expand its pilot of dynamic pay as you go (PAYG) instalment calculations and expand access to monthly business tax payments.

From 1 July 2027, small and medium businesses will be able to opt into reporting and paying PAYG instalments monthly and to using an ATO-approved calculation embedded in accounting software to calculate and vary their instalments. The Government said this will support businesses by enabling tax instalments to better reflect real time business activity each month. Taxpayers with a demonstrated history of non-compliance will be required to report and pay PAYG instalments monthly.

The Government will provide \$10.9m to the ATO to implement this measure.

Date of effect

1 July 2027.

Source: Treasurer's media release, 12 May 2026; Budget Paper No 2 [p 20]

[Return to Top](#)

[330] FBT exemption for EVs: full exemption to be phased out; temporary \$75,000 threshold proposed

The Budget confirmed the proposed changes to the FBT exemption for electric vehicles.

The changes will be phased in over the next 3 years until a permanent 25% discount is operating from 1 April 2029 for all eligible EVs. There will be no changes in the current FBT year, ie the one ending 31 March 2027. Further, for those EVs costing less than \$75,000, there will be no changes until 1 April 2029.

Current law

By way of reminder, car benefits are currently exempt from FBT if the car is a zero or low emissions vehicle, provided the value of the car at the first retail sale was below the luxury car tax threshold for fuel efficient vehicles (below). This applies to benefits provided on or after 1 July 2022 if the car is first held and used on or after that date.

Broadly speaking, a vehicle is a zero or low emission vehicle if it is a battery electric vehicle or a hydrogen fuel cell electric vehicle. So, while the press release references "electric vehicles", the exemption is broader than that. The car also must be a passenger vehicle designed to carry a load of less than one tonne and fewer than 9 passengers. Note that plug-in hybrid electric vehicles are not zero or low emission vehicles for the purposes of the FBT definition (subject to some transitional provisions which spanned 1 April 2025).

Treasury report on electric vehicles

The changes were announced at the same time as Treasury released its [***final report of the Treasury review of the electric car discount***](#) (ie presumably in response to this report).

In December 2025, the Government issued the terms of reference in relation to the statutory review of the electric car discount. The review's main purpose was to evaluate the effectiveness of the electric car discount (which includes FBT exemption and tariff exemption for eligible electric cars) in encouraging the uptake of zero or low emissions vehicles in Australia, and how it contributes to reducing carbon emissions.

The review itself was a result of horse-trading undertaken to get the *Treasury Laws Amendment (Electric Car Discount) Bill 2022* through the Senate. This involved putting a sunset clause in for plug-in hybrids and a legislative requirement that a review be undertaken in 3 years.

Proposed changes

Details of the changes are as follows (references are to the FBT year, ie 1 April to 31 March).

- **2026-27:** no change.
- **2027-28 and 2028-29** (ie 2 FBT years): full discount for EVs costing \$75,000 or less to continue. EVs costing more than \$75,000 but less than the luxury car tax threshold (below) will receive a 25% discount on their payable FBT.
- **2029-30 onwards:** all EVs below the luxury car tax threshold will receive a 25% discount on payable FBT (ie rather than the full discount).

Note that the LCT threshold for 2025-26 is \$91,387. This is reviewed annually (and in a period of higher inflation would be expected to increase).

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

Source: [Treasurer's media release, 5 May 2026](#); Budget Paper No 2 [p 11]

[Return to Top](#)

[331] More funding for ATO: compliance activities and combatting fraud

\$86.3 million will be provided over 4 years commencing 1 July 2026 to the ATO to counter fraud and modernise the detection and prevention of fraud in tax and super systems. An additional \$9.7m per year ongoing from 2030-31 will also be provided as a part of these activities.

The funding will enhance ATO's ability to detect and prevent fraud in real time including the expansion of live monitoring of account access for tax agents, businesses and "high-risk" superannuation changes.

The ATO is expected to undertake additional targeted compliance activities over the two years from 2026–27 to further address fraud in the system, including in relation to the R&D Tax Incentive.

In addition, the ATO will also be given powers to pause the recovery of tax debts of taxpayers who are victims of fraud by tax intermediaries, and waive those debts in appropriate circumstances, and to 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.

As a part of the funding package, the government will continue to pursue 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 [p 14]

[Return to Top](#)

[332] Improving Australia's business registers – second tranche

The Government will provide \$136.1m 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 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.

Source: Budget Paper No 2 [p 140]

[Return to Top](#)

[333] Small business debt helpline extended

The Government will provide \$8.2m 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.

Source: Budget Paper No 2 [p 144]

[Return to Top](#)

[334] More additions to charities register

The Government 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:

- CEW Bean Foundation
- Council of First Nations Ltd
- Hakoah Club Ltd (for gifts received after 30 June 2025 and subject to maintaining tax exempt status as a not-for-profit sporting organisation)
- 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 Australian Taxation Office (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 [p 15]

[Return to Top](#)

INTERNATIONAL TAXATION

[335] GloBE (Pillar Two) side-by-side package implementation

The Government 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.

Broadly, the side-by-side package introduces new safe harbours and extends existing transitional measures to reduce the compliance burden for in-scope multinational enterprises (MNEs) by reducing duplication where domestic minimum tax regimes already apply.

By implementing the side-by-side package, the Government will ensure that Australia's global minimum tax rules remains consistent with other implementing jurisdictions and support the OECD/G20 efforts to reform the international corporate tax

system.

Date of effect: Proposed to apply from 1 January 2026.

Source: Budget Paper No 2 [p 12]

[Return to Top](#)

[336] Foreign resident CGT concession: investment in renewables

As a part of 2024-25 Budget measure to strengthen the foreign resident capital gains tax regime, from 1 January 2025, the withholding rate for foreign residents disposing all relevant property was increased to 15% and the former \$750,000 threshold was removed, so withholding can apply to all relevant disposals unless the vendor provides a valid ATO clearance certificate or obtains a variation.

However, to support the Government's practical action on climate change, a targeted limited-time CGT concession has been announced and will be available for foreign investors disposing of certain renewable energy infrastructure assets. In conjunction with this limited-time CGT concession, the Government will also ensure the concept of "real property" in Australia is determined by Commonwealth legislation rather than State or Territory laws, which will apply retrospectively from 12 December 2006.

Date of effect: Proposed to apply from the first day of the next quarter after the Bill receives Royal Assent to 30 June 2030.

Source: Budget Paper No 2 [p 14-15]

[Return to Top](#)

[337] Streamlining foreign investment framework

The Government will provide \$47.5m over 4 years from 2026-27 and \$3.9m per year ongoing, to Treasury and the ATO to strengthen and streamline Australia's foreign investment framework. This includes a new performance target to decide all low-risk applications within 30 days from 1 January 2027, removal of ineffective conditions on existing approvals and reforms to foreign investment laws and the Register of Foreign Ownership of Australian Assets.

Source: Budget Paper No 2 [p 58]

[Return to Top](#)

[338] Extending access to indirect tax concessions - diplomatic and consular

The Government will extended access to refunds of indirect tax, including GST, fuel and alcohol taxes under the Indirect Tax Concession Scheme (ITCS) to certain countries.

New access to refunds has been provided to the European Union, Italy and Chile relating to the construction and renovation of their current and future diplomatic missions and consular posts. Tuvalu will also have ITCS access extended to its High

Commission, current and future consular posts and applicable accredited staff.

Source: *Budget Paper No 2* [p 13]

[Return to Top](#)

SUPERANNUATION

[339] No major new super measures announced

The Government did not announce any new major superannuation measures in the Budget.

Nevertheless, the super industry has enough on its plate ahead of the 1 July 2026 start date for the following measures (as already legislated):

- **Payday Super reforms** - requires employers to pay super guarantee (SG) contributions to employees within 7 business days of the employee's payday; and
- **Division 296 regime** - for superannuation account balances above \$3m. Note that taxpayers expecting to be impacted by Div 296, and considering whether to withdraw funds from super, will now need to also consider the implications of the proposed changes to the CGT discount in the 2026-27 Budget for those assets once outside super.

Complying super funds continue to receive 33 1/3% CGT discount

While not specifically mentioned in the Budget Papers, a Treasury official confirmed in the Budget Lockup that complying superannuation funds, including self-managed superannuation funds (SMSFs), are not expected to be directly impacted by the proposed abolition of the 50% CGT discount (as reported in this *Bulletin*). Rather, complying super funds (including SMSFs) are expected to continue to receive a CGT discount percentage of 33 1/3% under the current operation of s 115-100(b)(i) of the ITAA 1997.

[Return to Top](#)

OTHER MEASURES

[340] Fuel excise and road user charge temporary reduction: already implemented

In the Budget Papers the Government noted the already implemented temporarily reduction to 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.

This measure is estimated to decrease receipts by \$3.8 billion and decrease payments by \$1.3 billion over the five years from 2025-26. There is no indication in the Budget Papers that this measure will be extended further beyond the already announced

3-month period.

Source: *Budget Paper No 2 [p 16]*

[Return to Top](#)

[341] Eligibility for pension supplement changes

The Government will amend eligibility for the pension supplement by ceasing the pension supplement for those recipients who are residing permanently overseas or who are temporarily absent from Australia for longer than 12 weeks. However, the payment of the full rate of pension supplement will be extended from 6 weeks to 12 weeks for recipients who are temporarily absent from Australia.

Source: *Budget Paper No 2 [p 137]*

[Return to Top](#)

[342] Supervision funding for MIS sector

The Government will provide \$17.8m over 4 years from 2026-27 (and \$1.4m per year ongoing) to strengthen governance requirements, supervision and enforcement in relation to managed investment schemes (MIS), including:

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

Source: *Budget Paper No 2 [pp 143-144]*

[Return to Top](#)

[343] Strengthening child support system

The Government will provide \$22m over 4 years from 2026-27, and \$600,000 ongoing to various departments including Services Australia, ATO and Department of Social Services to improve the accuracy of child support assessments by strengthening tax lodgement enforcement and extending Single Touch Payroll data sharing arrangements.

\$39.6m over four years from 2026-27 will also be provided to ensure more child support is paid in full and on time by expanding the use of employer withholding and enabling faster disbursements of payments to child support recipients through legislative and system changes.

Additionally, \$18.4m over 4 years from 2026-27 and \$2.6m per year ongoing will be provided to increase the use of Departure

Prohibition Orders to recover child support debts from payer parents with large arrears.

Source: *Budget Paper No 2 [p 136]*

[Return to Top](#)

[344] Fighting SMS scams

The Government will introduce a user charge to recover the cost of operating the SMS Sender ID Register from 2026-27, which is estimated to increase receipts by \$8.6m over 4 years from 2026-27 and \$2.2m per year ongoing from 2030-31.

Source: *Budget Paper No 2 [p 126]*

[Return to Top](#)

[345] Rental income supplement – Youth Allowance and ABSTUDY

The Government will provide \$59.4m over 4 years from 2026-27 to provide States and Territories with funding for community housing providers to supplement rental income for social housing for over 4,000 eligible young people, aged 16-24, who are in receipt of the Away from Home rate of Youth Allowance or ABSTUDY and who are at risk of, or experiencing, homelessness.

Source: *Budget Paper No 2 [p 144]*

[Return to Top](#)

[346] Increasing withdrawal limit for estate expenses

The Government will make managing bereavement costs easier for families by increasing the bank account withdrawal limit for deceased persons' estate related expenses from \$15,000 to \$30,000 including funeral expenses, and expressly provide for the payment of court filing fees from an account.

Source: *Budget 2026-27 Whole-of-Government Regulatory Reform Agenda Fact sheet*

[Return to Top](#)

[347] Reducing reporting burden for large proprietary companies

The Government will relieve the reporting burden for large proprietary companies by increasing monetary thresholds from \$50m to \$100m of consolidated revenue and \$25m to \$50m of consolidated gross assets. Australian businesses that cease to meet these new thresholds would no longer need to lodge an annual audited financial report, directors' report or sustainability report.

Source: *Budget 2026-27 Whole-of-Government Regulatory Reform Agenda Fact sheet*

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