

Federal Budget

2026–27

13 May 2026

This document provides a summary of the key measures announced in the 2026–27 Federal Budget; however, the impact of these changes will vary depending on your individual circumstances, so we encourage you to speak with your Euroz Hartleys adviser to understand what they mean for you.

The 2026–27 Budget has been labelled by Treasurer Jim Chalmers as a tax-reform Budget. For financial advisers, the breadth of change is unusual - negative gearing, capital gains tax and discretionary trusts all move in the same Budget, with grandfathering rules that make Budget night itself (7:30pm AEST 12 May 2026) a key date for client records.

Each measure in this summary is identified as either 'legislated' or 'proposed'. Proposed measures do not currently have the force of law and may be amended, deferred or not proceed during the legislative process. Accordingly, the final legislation may differ from the original Budget announcement, and advisers should avoid assuming that a proposed measure will be implemented in its announced form.

Changes at a Glance

- **Working Australians Tax Offset (WATO)** | Proposed \$250 permanent tax offset for income from work from 1 July 2027. Around 13 million workers; 97% receive the full \$250.
- **\$1,000 Instant Tax Deduction** | Proposed work-related expense deduction without receipts from 1 July 2026 (2026–27 income year). Around 6.2 million workers; average benefit \$205.
- **Two further legislated personal income tax rate cuts continue to roll out** | The second-bracket rate drops from 16% to 15% from 1 July 2026, then to 14% from 1 July 2027.
- **Capital gains tax overhaul** | Proposed: 50% CGT discount replaced with CPI cost base indexation plus a 30% minimum tax on real capital gains, from 1 July 2027. SMSFs and complying super funds are excluded. Main residence exemption and small business CGT concessions preserved.
- **Negative gearing** | The proposals depend on when an established residential property was acquired. Changes: clients who buy established residential property after 7:30pm AEST 12 May 2026 can, from 1 July 2027, only offset rental losses against other residential property income (not salary or other income). Unaffected: clients who already owned established residential property at 7:30 pm AEST 12 May 2026 can continue to negatively gear it against salary as now; clients who buy a new build (at any acquisition date) are unaffected; and SMSFs, build-to-rent and government-housing-program investors are excluded from the changes entirely.
- **30% minimum tax on discretionary trusts** | Proposed from 1 July 2028. Three-year window of expanded CGT-free rollover relief from 1 July 2027 to restructure into a company or fixed trust.
- **Foreign-buyer ban extended** | Proposed: ban on foreign purchases of established dwellings extended by 2 years 3 months to 30 June 2029.
- **Permanent \$20,000 instant asset write-off** | Proposed: made permanent for small businesses (turnover under \$10 million) from 1 July 2026.
- **Permanent two-year loss carry-back** | Proposed: for companies with turnover up to \$1 billion from 1 July 2026; loss refundability for small start-ups from 1 July 2028.
- **Div. 296 tax** | Legislated and operative - additional tax on super earnings on the portion of total super balance above \$3 million (and a second threshold at \$10 million). Both thresholds indexed to CPI. Royal Assent 13 March 2026; operates from 1 July 2026, first assessment based on TSB at 30 June 2027.
- **Payday Super** | Legislated and commencing - from 1 July 2026, employers must pay super contributions on payday rather than quarterly.
- **LISTO boost** | Legislated. From 1 July 2027, the Low Income Superannuation Tax Offset income threshold rises from \$37,000 to \$45,000 and the maximum payment from \$500 to \$810.
- **Private Health Insurance Rebate** | Age-based uplift removed - proposed from 1 April 2027. The two age tiers (65–69 and 70+) collapse into the general rebate rate. Approximately 3 million Australians aged 65+ will see net premiums rise.
- **Aged care, personal care fully subsidised** | Proposed: from 2026–27, personal care (including showering) is fully funded by Government for all care recipients in the Support at Home program.

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