

# Federal Budget 2026-2027

May 2026

---

## Important Updates

Kristy will be away for a week from 9<sup>th</sup> June – 12<sup>th</sup> June.

### Staff movement

Jayden has decided to pursue an exciting new opportunity, and we wish him every success. He will continue to work with us until July and will still be conducting client reviews during this time. Over the coming weeks, we will be in touch with all clients currently working with Jayden to discuss options and ensure a smooth transition.

Kelli will be retiring at the end of June. After nearly 10 years of dedicated service, she is looking forward to a well-earned next chapter. We are incredibly grateful for her contribution and know many of you will join us in wishing her all the very best.

---

### New Advice Document Look

We have now rolled out our new document look so look forward to that for those expecting a review soon.

---

## Let's talk about the federal budget update!

This has been handed down last Tuesday with a strong focus on cost of living relief, tax reform and housing. They have made significant changes on how investments and property are taxed so let's unpack the main points and how it might affect you.

### 1. Cost-of-living and tax changes

#### Working Australians tax offset – \$250 per year

- **What's changing:** From the 2027–28 income year, more than 13 million workers will receive an ongoing \$250 tax offset each year.
- **Who it helps:** Employees who earn income from wages or salary (not investment income).
- **When you feel it:** From July 2028 onwards, when you lodge your 2027–28 tax return.

**What this means for you:** Think of this as a small, permanent tax cut designed to help with everyday cost-of-living pressures. It won't solve inflation, but it does slightly improve after-tax income for workers.

#### \$1,000 instant work-related deduction

- **What's changing:** From 2026–27, workers can claim an instant deduction of up to \$1,000 for work-related expenses without itemising every receipt.
- **Who it helps:** Employees who usually claim work-related deductions (e.g. tools, uniforms, professional subscriptions).

**What this means for you:** Tax time should be simpler, many people will just claim the flat \$1,000 instead of tracking lots of smaller expenses.

### Health insurance rebate changes over 65

- **What's changing:** The Government has extended the freeze on private health insurance rebate income thresholds. While the rebate hasn't been removed, the freeze means the rebate effectively reduces over time as premiums rise.
- **Who it helps:** This measure does not benefit older Australians; those aged 65+ are most affected as they already face higher premiums.

**What this means for you:** Older Australians may see their private health costs increase as their rebate gradually declines. The rebate structure itself remains in place, but its value is eroded each year due to the threshold freeze.

### \$20,000 Instant Asset Write-Off (Small Business)

- **What's changing:** From 1 July 2026, the \$20,000 instant asset write-off becomes a permanent tax concession for small businesses with turnover under \$10 million. Eligible assets costing less than \$20,000 can be immediately deducted rather than depreciated over several years.
- **Who it helps:** Sole traders, tradies, family businesses and small companies looking to invest in tools, equipment, technology or other business assets.

**What this means for you:** More certainty and improved cash flow, with simpler tax planning for asset purchases.

## **2. Big changes to property, investments and tax**

This is the area with the most impact for investors, especially those with property portfolios or plans to invest in the coming years.

### Negative gearing – restricted to new builds

- **What's changing:** From 1 July 2027, negative gearing for residential property will be limited to newly built properties.
- **Existing investments:** Properties held at 7:30pm AEST, 12 May 2026 are grandfathered so you can keep claiming negative gearing as you do now.
- **New existing properties:** For established properties bought after the announcement, rental losses can no longer be offset against salary/wage income, only against other rental income.

### **What this means for you:**

- If you already own investment property, your current negative gearing benefits are protected.
- If you're planning to invest, new builds become more attractive from a tax perspective than existing properties and strategy and property selection will matter more.

### Capital gains tax (CGT) – discount replaced

- **What's changing:** From 1 July 2027, the 50% CGT discount is replaced.
  - The new system will use indexation so that only the real (inflation-adjusted) gain is taxed; and apply a minimum 30% tax rate on real capital gains (with pensioners and income-support recipients exempt).
  - The 50% discount still applies to gains made before 1 July 2027.

### **What this means for you:**

- For long-term investors, outcomes will depend on inflation and your marginal tax rate.
- Some people may pay more tax than under the old 50% discount, others slightly less.
- Record-keeping and timing of asset sales (before vs after July 2027) will become more important.

### Trusts – new 30% tax on some income

- **What's changing:** From 1 July 2028, certain trust distributions will face a 30% tax rate, aimed at reducing the use of trusts purely for tax minimisation.

#### **What this means for you:**

- If you use **family trusts** or other structures, your overall tax position may change.
- It will be important to review distribution strategies, beneficiaries and structures before these rules start.

### **3. Housing and infrastructure**

The Budget is also trying to tackle housing affordability and supply.

- **Housing infrastructure:** Around \$2 billion over four years for local infrastructure (roads, water, power, sewerage) to support new housing developments.
- **Home ownership:** The Government expects its housing and tax changes to support around 75,000 additional homeowners over the next decade.

#### **What this means for you:**

- First-home buyers may face less competition from investors.
- For investors, the tax system is being reshaped to favour new housing supply rather than existing stock.

### **4. Health, care and support systems**

#### Healthcare

- **Hospitals:** States and territories will receive **\$220 billion over five years** for public hospitals under a renewed funding agreement.
- **Medicines and vaccines:** Additional funding to improve access to medicines and vaccines, including RSV vaccines and the National Immunisation Program.

**What this means for you:** Better-funded hospitals and improved access to medicines should support long-term health outcomes, particularly for families and older Australians.

#### NDIS and disability support

- **NDIS savings:** Tightened eligibility and reforms are expected to reduce participant numbers and save around \$37.8 billion over four years, while some funding is redirected to support, fraud detection and early-intervention programs for children.

**What this means for you:** If you or a family member are on (or applying for) the NDIS, the system may become stricter, but there is also more focus on safeguards and early support.

### **5. The bigger economic picture**

- The Budget forecasts an underlying cash deficit of around \$28–31 billion in 2026–27, with gradual improvement over time.
- Inflation is expected to remain elevated in the near term, partly due to global oil prices and geopolitical tensions.

**What this means for you:** Interest rates and inflation remain key risks. The Government is trying to balance relief now with long-term budget repair, which will influence markets, rates and confidence over the coming years.

These changes, especially to negative gearing, CGT and trusts are some of the most significant tax reforms in more than two decades. They won't affect everyone the same way.