

Federal Budget Breakdown 2026

A Comprehensive Summary for Our Valued Clients.

7 BELLS 



Executive Summary

The 2026 Budget focus is on "Sustainability and Simplification."

This year's measures aim to rebalance the tax system by encouraging new housing supply, rewarding working Australians, and providing permanent certainty for small businesses regarding asset investment.



Income Tax: CGT Reform

Indexation Returns

- ✓ From 1 July 2027, the 50% CGT discount will be replaced with cost base indexation for assets held over 12 months.
- ✓ Applies to all CGT assets (except new built homes).
- ✓ Net capital gains taxed at a minimum of 30%.
- ✓ Inflation-adjusted (CPI) indexation to ensure only "real" gains are taxed.





Taxing Discretionary Trusts

From 1 July 2028, a minimum tax rate of 30% will apply to discretionary trust income.

- ✓ **Shift in Entity Status:** Trustees will pay a minimum 30% tax on trust taxable income.
- ✓ **Beneficiary Credits:** Non-corporate beneficiaries receive non-refundable credits for tax paid by the trustee. Strategic Relief: A 3-year rollover relief window starts 1 July 2027 for those wishing to restructure the existing set-up.
- ✓ **Exclusions:** Charitable trusts, unit trust, deceased estates, and special disability trusts remain exempt.



Negative Gearing Update

New Builds Focus

- Negative gearing will be restricted to new builds only from 1 July 2027.
- Existing investments (including contracts exchanged pending settlement) made before 12 May 2026 7.30PM will be grandfathered, retaining their current tax status (out of this new legislation)
- Losses under new regime of negative hearing will only offset positive cash flows from property or future capital gain.
- Existing homes purchased between 12 May 2026 and 01 July 2027 will be allowed to claim negative gearing during such period only.



Working Australians Offset

\$250

Annual Tax Offset

Direct Support

- Commencing in the 2027-28 income tax year, every working Australian taxpayer is eligible for this permanent offset.
- This initiative effectively increases the tax-free threshold by approximately \$1800 for income derived from work.
- Paid automatically via your annual tax return.



Individuals: Health Levies

Medicare Thresholds

- Low-income thresholds increased by 2.9% from 1 July 2025.
 - Singles: \$28,011
 - Families: \$47,238
 - Seniors/Pensioners: \$44,268
 - Family threshold for seniors and pensioners increased from \$59,886 to \$61,623.
 - Family income thresholds increased from \$4,216 to \$4,338 for each dependent child or student

PHI Rebate Adjustments

The age-based uplift of the Private Health Insurance rebate will be removed from 1 April 2027.

This move seeks to simplify the distribution of rebates and ensure equity across all age groups.



Business: Electric Vehicles

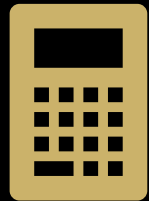
Permanent FBT Discount

- The government is transitioning to a permanent 25% FBT discount for eligible electric vehicles.
- 100% discount retained for EVs < \$75k provided before April 2029.
- Electric cars valued above \$75,000 and up to and including the fuel-efficient LCT threshold that are provided between 1 April 2027 and 1 April 2029 will be eligible for a 25% discount on FBT, implemented through a 15% rate in the FBT statutory formula.
- Promotes affordable sustainable transport for fleets.





Small Business Support



Instant Write-Off

The \$20,000 (per asset) instant asset write-off is now a permanent feature from 1 July 2026.



Eligibility

Available to small businesses with an aggregated annual turnover of less than \$10 Million.



Pooling Assets

Assets over \$20k can be placed into the simplified depreciation pool (15% first year, 30% thereafter).



Permanent Loss Carry Back

Claim Refund for Taxes Paid in Prior Years

Previously

Temporary rule (2019–2023), allowing eligible companies (up to \$5B turnover)

New Permanent Rule

From July 2026, but only for companies under \$1B turnover with 2 year carry back)

For companies with turnover up to \$1 Billion. Revenue losses incurred from 1 July 2026 can be carried back to generate refundable offsets.



Incentives for Start-ups

Loss Refundability

New support for high-growth start-ups in their first 2 years of operation starting 1 July 2028.

- ✓ Turnover: Under \$10 Million.
- ✓ Mechanism: Losses can generate a refundable tax offset.
- ✓ Cap: Limited to the value of FBT and PAYG withholding paid for Australian employees.





Any Questions?

Navigating budget changes is what we do best.

Get in Touch

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