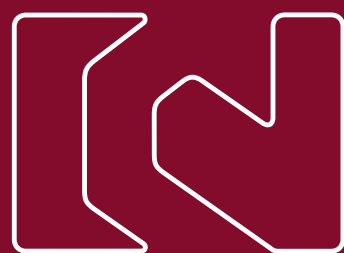


2026-2027 Federal Budget Summary



FOR INDIVIDUALS
AND BUSINESSES



TOP 15 BUDGET MEASURES FOR INDIVIDUALS & BUSINESSES

1. CGT DISCOUNT TO BE REPLACED FROM 1 JULY 2027

From 1 July 2027, the 50% capital gains discount (CGT discount) will be replaced with cost base indexation for assets held for more than 12 months, with a 30% minimum tax on net capital gains applying from that date. This will apply to all CGT assets except new homes, including pre-CGT assets, held by individuals, trusts and partnerships.

Importantly, a minimum tax of 30% will be applicable to realised capital gains accrued from 1 July 2027, after indexation has been applied.

Transitional arrangements will apply to existing investments. Existing assets purchased and sold before 1 July 2027 will still be eligible for the CGT discount. The CGT discount will also continue to apply to gains accrued until 1 July 2027 for assets purchased prior to that date, regardless of when the actual CGT event is triggered. The difference will be calculated by reference to the difference in the asset's cost base and its value as at 1 July 2027. Indexation and the minimum 30% tax will be used to calculate CGT on gains accruing from 1 July 2027 (using the asset's value at 1 July 2027 as the asset's cost base).

An asset's value at 1 July 2027 will be determined by taxpayers as part of their tax return in the year the asset is realised. Taxpayers can either:

- seek a valuation of the asset as at 1 July 2027, which will include using quoted prices for assets such as shares, or
- use a specified apportionment formula that estimates the asset's value on 1 July 2027, based on its growth rate over the asset's holding period. The ATO will provide tools to estimate this value for taxpayers.

These transitional arrangements also apply to legacy assets, including pre-CGT assets. Capital gains arising on pre-CGT assets before 1 July 2027 will remain exempt from CGT.

Owners of new builds will be able to choose either the CGT discount or cost base indexation (with the 30% minimum tax still applicable). New builds include dwellings constructed on vacant land, or where existing properties are demolished and replaced with a greater number of dwellings. Knock down rebuilds or substantial renovations are not considered new builds and therefore will not be eligible. A new build cannot have been previously sold, unless first owned by the builder and not occupied for more than 12 months.

TOP 15 BUDGET MEASURES FOR INDIVIDUALS & BUSINESSES

2. DISCRETIONARY TRUSTS TO BE TAXED AT MINIMUM 30%

A minimum tax rate of 30% has been introduced on discretionary trusts from 1 July 2028.

Under the new measure, trustees will pay a minimum tax of 30% (unless higher rates apply) on the taxable income of discretionary trusts from 1 July 2028. Beneficiaries (other than corporate beneficiaries) will receive non-refundable credits for any tax payable by the trustee.

Trustees will be required to calculate, report and pay the minimum tax, as well as to notify beneficiaries of their entitlements and associated tax credits. The mechanism for collecting the minimum tax will be subject to consultation, but is expected to be consistent with established collection mechanisms. Trustees that receive franked dividends will be required to use their franking credits to pay the minimum tax.

The minimum tax will not be applicable to:

- other types of trusts (eg unit trusts or widely-held trusts)
- complying superannuation funds
- special disability trusts
- deceased estates, and
- charitable trusts.

Importantly, income from assets of discretionary testamentary trusts existing as at 7:30pm (AEST) on 12 May 2026 will be excluded from the minimum tax. Some other types of income such as primary production income, certain income relating to vulnerable minors and amounts to which non-resident withholding tax applies, will also be excluded.

Expanded rollover relief provisions will be available for 3 years from 1 July 2027 to support taxpayers that wish to restructure out of discretionary trusts to another entity type (such as a company or fixed trust).

TOP 15 BUDGET MEASURES FOR INDIVIDUALS & BUSINESSES

3. NEGATIVE GEARING RESTRICTED TO NEW BUILDS FROM JULY 2027

Negative gearing for residential property will be limited to new builds from 1 July 2027.

Under the new measures, negative gearing will be limited to eligible new builds only. This means that investors in new builds will still be able to deduct rental losses against other assessable income, such as their salary. New builds include dwellings constructed on vacant land, or where existing properties are demolished and replaced with a greater number of dwellings.

Knock-down rebuilds or substantial renovations are not considered new builds and therefore will not be eligible for negative gearing.

A new build cannot have been previously sold, unless first owned by the builder and not occupied for more than 12 months.

The measure will apply to individuals, partnerships and most trusts. Widely-held trusts (eg most managed investment trusts) and superannuation funds (including self-managed superannuation funds) will be excluded.

Losses incurred from established residential properties will only be deductible against rental income or capital gains arising from residential properties. Any excess losses will be able to be carried forward and offset against income from residential property in future years.

These changes will apply to any established residential properties acquired from 7:30pm (AEST) on 12 May 2026. Any residential properties acquired prior to this time (including any contracts entered into but not settled) will be grandfathered, and will therefore be exempt from the changes until disposed of. Residential properties acquired between 7:30pm (AEST) on 12 May 2026 and 30 June 2027 may be negatively geared during this period, but not from 1 July 2027.

Properties held in widely-held trusts and superannuation funds will be excluded from these measures, with exemptions for build-to-rent developments and private investors supporting government housing programs.

Changes to negative gearing only apply to residential properties. Commercial property and other asset classes, such as shares, will remain eligible for negative gearing. Exemptions to negative gearing will also be available for private investors who support government housing programs (through the provision of affordable housing).

TOP 15 BUDGET MEASURES FOR INDIVIDUALS & BUSINESSES

4. SMALL BUSINESS DEPRECIATION — INSTANT ASSET WRITE-OFF OF \$20,000 MADE PERMANENT

The instant asset write-off threshold of \$20,000 for small businesses applying the simplified depreciation rules has been extended permanently from 1 July 2026.

Small businesses (aggregated annual turnover less than \$10 million) may choose to calculate capital allowances for depreciating assets under a simplified regime in Subdiv 328-D of ITAA 1997. Under these simplified depreciation rules, an immediate write-off applies for low-cost depreciating assets. A \$20,000 threshold currently applies for the immediate write-off, applicable to eligible assets costing less than \$20,000.

5. PERMANENT 2-YEAR LOSS CARRY BACK RULES INTRODUCED

From 1 July 2026 companies with aggregated annual global turnover of less than \$1 billion will be able to use their current year tax losses to claim a refund for taxes paid in the prior 2 income years.

The loss carry back tax offset was a temporary measure which applied from the 2019–20 to 2022–23 income years. Broadly, it allowed certain eligible companies to choose to carry back income tax losses incurred in those specific income years and apply them against their taxed profits in a previous income year. The benefit generated by this loss carry back was received in the form of a refundable tax offset (called the loss carry back tax offset). The offset effectively represented the tax that the company would have saved if it had been able to deduct that loss in the earlier year using the loss year tax rate.

The measure essentially re-introduces the loss carry back offset permanently for eligible companies and allows them to carry back tax losses and offset them against taxes paid up to 2 years earlier.

As with the previous temporary measure, the loss carry back tax offset will apply to revenue losses only and will be limited to the company's franking account balance.

TOP 15 BUDGET MEASURES FOR INDIVIDUALS & BUSINESSES

6. LOSS REFUNDABILITY INTRODUCED FOR SMALL START-UPS

Small start-up companies that generate a tax loss in their first 2 years of operation will be able to utilise that loss to generate a refundable tax offset. The measure will apply for tax years commencing on or after 1 July 2028 to start-up companies with aggregated annual turnover of less than \$10 million.

Importantly, 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.

7. TRANSITIONING TO A PERMANENT 25% FBT DISCOUNT FOR CERTAIN ELECTRIC VEHICLES

Australia will transition to a permanent 25% discount on FBT for certain electric vehicles (EVs).

From 1 April 2029, a permanent 25% discount on FBT will be available for all electric cars valued up to and including the fuel-efficient luxury car tax (LCT) threshold, implemented through a 15% rate in the FBT statutory formula.

The following transitional arrangements will be adopted:

- all eligible electric cars will retain the FBT discount rate that was in place when the arrangement commenced
- all electric cars valued up to and including \$75,000 that are provided before 1 April 2029 will continue to be eligible for a 100% discount on FBT, implemented through a 0% rate in the FBT statutory formula, and
- 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.

The existing 20% statutory rate will continue to apply for all other cars, including electric cars costing more than the fuel-efficient LCT threshold.

Reportable fringe benefits will continue to be determined for eligible electric cars as if a 20% FBT statutory formula rate or cost basis method applied.

TOP 15 BUDGET MEASURES FOR INDIVIDUALS & BUSINESSES

8. REFORMS TO R&D TAX INCENTIVE ANNOUNCED

The Research and Development (R&D) Tax Incentive will be reformed to make it easier to use, increasing the incentive for new businesses to invest in R&D activities.

From 1 July 2028, the measure proposes to:

- increase the offset for experimental “core” R&D expenditure from 25% to 50% through a 4.5 percentage point increase in core R&D offset rates
- remove the eligibility of supporting R&D expenditure for the R&D tax incentive
- reduce the intensity threshold from 2% to 1.5%, enabling more firms to qualify for higher offset rates
- allow greater access to the highest refundable tax offset for businesses younger than 10 years by increasing the turnover threshold from \$20 million to \$50 million, with an equivalent non-refundable offset available for eligible businesses older than 10 years
- lift the maximum R&D tax incentive expenditure threshold from \$150 million to \$200 million, and
- lift the minimum expenditure threshold from \$20,000 to \$50,000, with smaller R&D projects valued below \$50,000 required to be undertaken with a recognised research organisation to support quality research outcomes.

9. NEW WORKING AUSTRALIANS TAX OFFSET FROM 2027–28

Each working Australian taxpayer will receive a \$250 Working Australians Tax Offset from the 2027–28 income tax year.

From 1 July 2027, the Working Australians Tax Offset (WATO) will provide a permanent annual tax offset for Australians for their income derived from work; such as wages, salaries and the business income of sole traders. It 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)). It will be paid automatically via workers’ tax returns at the end of the year.

The offset is in addition to the proposed \$1,000 instant tax deduction for resident individuals who earn income for work from 1 July 2026 and the legislated 2025–26 Budget measure to reduce the personal income tax rates for individuals from 1 July 2026 and 1 July 2027.

TOP 15 BUDGET MEASURES FOR INDIVIDUALS & BUSINESSES

10. INTRODUCTION OF A \$1,000 INSTANT TAX DEDUCTION

The Government will introduce an instant tax deduction of up to \$1,000 from the 2026–27 income tax year to make the tax system simpler while also delivering more cost-of-living relief.

Australian tax residents who earn income from work will be eligible for the instant tax deduction and will not need to itemise and claim work-related expenses if claiming less than \$1,000.

Individuals who incur work-related expenses greater than the instant tax deduction can continue to claim their deductions in the usual way. Charitable donations, union and professional association membership fees and other non-work-related deductions can still be itemised separately and claimed on top of the instant tax deduction.

11. ACCESS TO MONTHLY BUSINESS TAX PAYMENTS AND DYNAMIC CALCULATIONS FOR SMALL AND MEDIUM BUSINESSES

Small and medium businesses will be able to choose to report and make business tax payments monthly from 1 July 2027. These businesses will also be able to use an ATO-approved calculation embedded in accounting software to dynamically calculate and vary their PAYG instalments on a monthly basis.

Interest charges levied on businesses that accidentally get their instalment variation incorrect when using ATO-approved calculators will be removed by the ATO.

Monthly reporting and payment of PAYG instalments will be mandatory for taxpayers with a demonstrated history of non-compliance.

12. PROTECTING AND STRENGTHENING THE TAX SYSTEM AGAINST FRAUD

The government will provide funding of \$86.3 million over 4 years from 1 July 2026 and \$9.7 million per year ongoing from 2030–31 to deliver Phase 2 of the Counter Fraud Strategy to modernise the prevention and detection of fraud in the tax and superannuation systems.

The proposal will enhance the ATO's ability to detect and prevent fraud in real time, provide additional fraud protections for individuals and expand live monitoring of fraudulent account access to tax agents, business and for high-risk superannuation changes.

TOP 15 BUDGET MEASURES FOR INDIVIDUALS & BUSINESSES

13. RESTRICTIONS ON FOREIGN OWNERSHIP OF HOUSING AND STRENGTHENING THE FOREIGN INVESTMENT FRAMEWORK

The temporary ban on foreign purchases of established residential dwellings will be extended by 2 years and 3 months until 30 June 2029. The ban, which was announced as a measure in the 2025–26 Budget, was originally implemented for 2 years from 1 April 2025.

Current limited exceptions to the ban for purchases of established dwellings that support housing supply will continue. General exemptions from foreign investment screening will also continue to apply for purchases of established dwellings, including for permanent residents and New Zealand citizens.

14. MEDICARE LEVY LOW-INCOME THRESHOLDS TO BE INCREASED

The Medicare levy low-income thresholds for singles, families, and seniors and pensioners will be increased by 2.9% from 1 July 2025.

The threshold for singles will be increased from \$27,222 to \$28,011. The family threshold will be increased from \$45,907 to \$47,238. For single seniors and pensioners, the threshold will be increased from \$43,020 to \$44,268. The family threshold for seniors and pensioners will be increased from \$59,886 to \$61,623. The family income thresholds will increase by \$4,338 for each dependent child or student, up from \$4,216.

15. AGE-BASED UPLIFT OF PRIVATE HEALTH INSURANCE REBATE TO BE REMOVED

The age-based uplift of private health insurance rebate (the PHI rebate) will be removed from 1 April 2027.

This measure will enable a simplified and more equitable distribution of the PHI rebate. Funding of \$3.2 million will be provided over 2 years from 2025–26 for implementation and to undertake consultation on further reforms.

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