

2026 FEDERAL BUDGET

Insights and advice considerations



12 May 2026

The 2026 Federal Budget provides modest cost-of-living relief, and significant reforms impacting housing and the taxation of investments.

Note: These changes are proposals only and may or may not be made law.

Summary of key measures

- Changes to capital gains tax and negative gearing
- Amendments to the tax treatment of discretionary trusts
- Changes to tax offsets and instant tax deduction for workers, and
- More support for disabled and elderly Australians.

Disclaimer and important information

© 2026 IOOF Service Co Pty Ltd. All rights reserved.

For financial adviser use only – it is not to be distributed to clients. The information in this communication is factual in nature. It reflects our understanding of existing legislation, proposed legislation, rulings etc as at the date of issue, and may be subject to change. While it is believed the information is accurate and reliable, this is not guaranteed in any way. Examples are illustrative only and are subject to the assumptions and qualifications disclosed. Whilst care has been taken in preparing the content, no liability is accepted for any errors or omissions in this communication, and/or losses or liabilities arising from any reliance on this communication.



2026 FEDERAL BUDGET ADVISER ANALYSIS



Taxation

Changes to CGT

From 1 July 2027

The current 50% capital gains tax (CGT) discount will be replaced with a CPI-based cost base indexation method for gains made from 1 July 2027. Under the proposed indexation method, where an asset has been held for at least 12 months, the asset’s cost base will be increased by CPI before calculating the capital gain, so that only real gains are taxed.

This will apply to all assets owned by individuals, trusts and partnerships, including property, shares and pre-1985 assets. A summary of the CGT treatment based on acquisition date is below:

Asset acquired	Asset sold	CGT implications
Pre-1985	Before 1 July 2027	Current rule – generally no CGT applies
	On or after 1 July 2027	No CGT on gain accrued prior to that date Indexation method for gain accrued from that date*
Post-1985 – Pre-21/9/1999	Before 1 July 2027	Current rules – choice of 50% discount or indexation
	Sold on or after 1 July 2027	Current rules for gain prior to date Indexation method for gain accrued from that date*
Post-21/9/1999-30 June 2026	Before 1 July 2027	50% discount (if held for at least 12 months)
	Sold or on after 1 July 2027	50% discount for gain accrued up to that date (if eligible) Indexation method for gain accrued after that date*
On or after 1 July 2027	Anytime	Indexation method for gain accrued after that date*

Note: Indexation is only available if the asset is held for at least 12 months. Capital gains accrued from 1 July 2027 is taxed at a minimum of 30% (see below) unless an exemption exists.



2026 FEDERAL BUDGET ADVISER ANALYSIS



Minimum 30% tax on capital gains

A minimum tax rate of 30% will apply to real capital gains accrued from 1 July 2027. Clients already paying tax at 30% or more would not be further impacted by the minimum tax.

An exception applies for clients receiving a means-tested income support payment, such as Age Pension or JobSeeker Payment, in the income year the gain is realised. In these cases, the capital gain would continue to be taxed at the client's marginal tax rate rather than being subject to the 30% minimum tax.

Exclusions

A number of exclusions apply to these changes, including:

- companies and super funds (including SMSFs) are not impacted by these changes and gains continue to be taxed under current rules, and
- no changes to the main residence exemption and small business CGT concessions.

Investors in newly built residential property can choose between retaining the current 50% CGT discount or applying the new CPI-indexation method with the minimum 30% tax (see above).

Example 1 – transitional arrangements

John bought an established property on 1 July 2017 for \$500,000 and sells it on 1 July 2032 for \$1 million. The property is worth \$800,000 on 1 July 2027.

Under the proposal, the gain from 1 July 2017 to 30 June 2027 would continue to be assessed the current CGT rules, including the 50% discount.

Taxable capital gain using 50% method (1 July 2017 to 1 July 2027):

$$\begin{aligned} &= 50\% \times (\$800,000 \text{ less } \$500,000) \\ &= \$150,000 \text{ (The minimum tax of 30\% does not apply to this amount)} \end{aligned}$$

The gain from 1 July 2027 to 1 July 2032 would be assessed under the new indexation method, using \$800,000 as the starting cost base for that period.

Taxable capital gain using indexation method (1 July 2027 to 1 July 2032):

$$= \$1\text{m less indexed cost base of } \$800,000 \text{ using future CPI indexation}$$

If John is not receiving a means-tested income support payment in the year of sale, the minimum 30% tax could apply to the post-1 July 2027 component of the gain.



2026 FEDERAL BUDGET ADVISER ANALYSIS



Example 2 – minimum tax

Jack has a taxable income before capital gains of \$25,000 in 2029/30 and realises a capital gain of \$10,000 on an asset that he purchased in 2027/28. Jack does not receive an income support payment so is not exempt from the minimum 30% tax rate.

The tax on Jack's capital gain of \$10,000 is \$1,400, or a tax rate of 14% (excluding the Medicare levy). As this is lower than 30%, Jack pays an additional \$1,600 in tax to bring the tax rate on his capital gain up to 30%. Jack may have tax offsets available to reduce the minimum tax and would be exempt from the minimum tax if he received an income support payment in that year.

Source: Budget 2026-27 Fact Sheet – Negative Gearing and Capital Gains Tax Reform

Advice tip

The proposal may reduce the relative attractiveness of investing in growth assets held under an individual's name. Shares with franking credits may become more favourable. Furthermore, the changes may favour other strategies, including super, investment bonds and debt reduction.

Advisers may wish to review ownership structures across super, personal names, trusts and companies, and whether the client's asset location remains appropriate. Depending on the client's objectives and risk profile, it may be worth considering whether growth assets are better held in super and more defensive assets outside super.

Clients with pre-1985 assets may also wish to review whether action should be taken before 1 July 2027, given the proposal would remove the full exemption for future gains from that date.

It may also be worth revisiting dividend reinvestment plans and dollar-cost averaging arrangements. While these strategies may still be appropriate, any new parcels acquired from 1 July 2027 could be subject to the new CGT methodology.

Restrictions with negative gearing and residential property

From 1 July 2027

Negative gearing will be unavailable from 1 July 2027 for established residential properties acquired from 7.30pm AEST 12 May 2026. Any residential property acquired between these dates can be negatively geared up to 30 June 2027, but cannot be negatively geared after this time.

This means that losses from a rental property cannot be used to reduce other forms of taxable income. Any losses can be carried forward to offset future residential property income including capital gains.



2026 FEDERAL BUDGET ADVISER ANALYSIS



Certain newly built residential properties and established properties acquired prior to this time (including contracts entered into but not yet settled) are excluded from these changes. An eligible newly built residential property generally means a property that genuinely adds to housing supply, such as a newly built dwelling on vacant land or a development that increases the number of homes.

These changes apply to individuals, partnerships, companies and most trusts (excluding widely held trusts and super funds). The restrictions will not apply to commercial property and other asset classes such as shares.

Advice tip

The proposal reduces the tax incentive to borrow to invest in established residential property acquired from Budget night. As the restriction on negative gearing only applies to established residential property, using negative gearing with other growth assets including Australian and international shares may become relatively more attractive. Clients with suitable risk profiles may wish to consider gearing into managed funds and EFTs with exposure to other asset classes. The proposed changes to CGT should also be considered.

Changes to the tax treatment of discretionary trusts

From 1 July 2028

Trustees of discretionary trusts will pay a minimum tax rate of 30% on the taxable income. Beneficiaries (other than corporate beneficiaries) will receive non-refundable credits for tax paid by the trustee. The beneficiary's other (non-trust) income would continue to be taxed under normal marginal tax rates. There will be no overall increase in tax paid by non-corporate beneficiaries with a tax rate at least 30%. The change ensures that at least a minimum 30% tax is paid by those with a tax rate of less than 30%, reducing the tax benefit of discretionary distributions to low-income earners.

Corporate beneficiaries will not receive non-refundable credits for tax payable by the trustee. This ensures that the minimum tax cannot be avoided by distributing income to a 'bucket' company. Rollover relief (including capital gains tax) is available for three years from 1 July 2027 to assist small businesses and others to restructure out of a discretionary trust into another type of entity (eg company or fixed trust).



2026 FEDERAL BUDGET ADVISER ANALYSIS



Small businesses that restructure into a company will benefit from access to dividend imputation and a lower 25% corporate tax rate where aggregated annual turnover is less than \$50m and no more than 80% of their assessable income is passive income.

The proposal does not apply to:

- fixed trusts and widely held trusts
- fixed testamentary trusts
- discretionary testamentary trusts established prior to budget night (7.30pm AEST 12 May 2026)
- deceased estates
- special disability trusts
- charitable trusts
- complying super funds
- certain types of income such as primary production income, certain income relating to vulnerable minors and amounts to which non-resident withholding tax applies.

Advice tip

Clients should review the tax implications of impacted trusts and may need to explore alternative strategies. Depending on the type of trust, there may be restrictions on moving assets out of trust. Furthermore, transferring assets out of trust or winding up a trust may have tax implications and the proposed rollover relief may assist. The trust may still provide benefits such as control, asset protection and pooling of assets. You may need to work with your client's legal and tax advisers to identify potential solutions.

Working Australians tax offset

From 1 July 2027

A non-refundable tax offset of \$250 is proposed for working income, known as the Working Australians tax offset (WATO). The tax offset is not means tested and only applies to income from working, such as salary or business income of sole traders. The tax offset is available regardless of age and is permanent.

This is in addition to the modest tax cuts from 1 July 2026 for all taxpayers. The tax cuts are already law and were reaffirmed in the Budget. The lowest marginal tax rate (MTR) of 16% on taxable income between \$18,201 and \$45,000 will reduce to 15% from 1 July 2026, and 14% from 1 July 2027. There will be no changes to the other MTRs and thresholds.



2026 FEDERAL BUDGET ADVISER ANALYSIS



Advice tip

The tax offset provides a tax incentive for individuals to earn working income. The proposal may also be a further incentive for clients from age 67 (and generally under age 75) who must satisfy the work test to make personal deductible contributions.

\$1,000 instant tax deduction for work-related expenses

From 1 July 2026

A tax deduction of \$1,000 is proposed for eligible taxpayers for work-related expenses, without the need to provide receipts. Individuals can still claim work-related expenses above this limit, but evidence is required to support the full deduction.

Eligible taxpayers must be a tax resident and receive 'labour income'. Certain expenses do not count towards the \$1,000 limit and continue to be deductible. Examples include charitable giving, union or other trade expenses, business or professional association memberships and other non-work related deductions.

The proposed deduction covers work-related expenses, including work from home expenses. Therefore, an individual cannot simultaneously claim the proposed deduction and a deduction for work from home expenses using the ATO's fixed rate method or actual cost method.

Advice tip

Although the proposal aims to simplify and streamline the completion of the tax return, clients may still wish to retain receipts for all eligible expenses if they expect a work-related deduction above \$1,000.

Small business instant asset write-off extension

From 1 July 2026

The instant asset write-off threshold of \$20,000 will be made permanent. The threshold was set to reduce to \$1,000 from 1 July 2026. Small businesses with aggregated annual turnover below \$10 million can immediately deduct the full cost of eligible assets costing less than \$20,000. The threshold applies on a per asset basis. Assets valued at \$20,000 or more can continue to be placed into a depreciation pool and depreciated at 15% in the first income year and 30% thereafter.

Advice tip

Small business clients can benefit from improved cash flow, as they can claim an immediate deduction rather than spreading deductions over several years.



2026 FEDERAL BUDGET ADVISER ANALYSIS



Tax loss carry back for companies

From 1 July 2026

A loss carry back tax offset is available to companies with an aggregated annual global turnover of less than \$1 billion. It allows these companies to offset current year income losses against profits from up to two prior years, and obtain a tax refund.

The loss carry back offset will apply to revenue losses and be limited by the company’s franking account balance. The offset is a refundable tax offset and represents tax the company would save if it deducted the income loss in the earlier year.

Tax loss refund for start-up companies

From 1 July 2028

Start-up companies with aggregated annual turnover of less than \$10 million that generate a tax loss in their first two years of operation can get a refund for tax losses in their first two years of operation up to the value of fringe benefits tax and withholding tax paid on employee wages in the loss year.

Reduced private health insurance rebate for older Australians

From 1 April 2027

The higher rates of private health insurance rebate for older Australians will reduce to the standard rate, regardless of age. Income tiers will still apply.

The table below summarises the current rebate rates based on age and income. From 1 April 2027, all ages will receive the same lower rebate, however the rebate percentages that will apply are not yet known.

Table: Current rebate rates

Age	Base Tier	Tier 1	Tier 2	Tier 3
Under 65	24.118%	16.079%	8.038%	0%
Age 65–69	28.139%	20.098%	12.058%	0%
Age 70+	32.158%	24.118%	16.079%	0%



2026 FEDERAL BUDGET ADVISER ANALYSIS



Advice tip

The proposed changes mean higher premiums for older Australians, which may impact those on low income, particularly Age Pensioners and retirees. For clients already managing cost-of-living pressures, this could lead to downgrading or cancelling private health insurance altogether, even though older clients are more likely to need timely medical care. In some cases, taking out private health insurance again in the future could result in a Lifetime Health Cover loading which increases premiums. Changes to cover may also affect the types of policies or benefits available when you return, so it's worth considering both short-term savings and longer-term costs.

Changes to FBT concessions for electric vehicles (EVs)

From 1 April 2029

The current fringe benefits tax (FBT) exemption for EVs will be progressively scaled back and replaced with a permanent 25% FBT discount. Currently, EVs up to the fuel-efficient vehicle Luxury Car Tax Threshold (LCT) are fully exempt from FBT when provided through novated leasing. The reforms have three stages as follows.

Date	Details
Until 31 March 2027	<ul style="list-style-type: none">• Full FBT exemption will remain unchanged• Existing EV leases are not affected
From 1 April 2027 to 31 March 2029	<ul style="list-style-type: none">• Full exemption continues to apply to EVs costing up to \$75,000• Higher-priced EVs below the luxury car tax threshold receive a 25% FBT discount
From 1 April 2029	All eligible EVs receive the 25% FBT discount

Advice tip

Employees who currently have an EV novated lease are not affected by these changes. Employees entering into a new EV novated lease before 31 March 2027 can access the full FBT exemption, regardless of the vehicle's price provided it remains under the fuel-efficient vehicles LCT. When the FBT concessions for EVs reduce in coming years, clients may wish to consider alternative options to manage pre-tax income, for example, salary sacrifice contributions to super.



2026 FEDERAL BUDGET ADVISER ANALYSIS



Increase in Medicare levy low-income thresholds

From 1 July 2025

The Medicare levy low income thresholds for the current financial year increase as follows:

Family situation	2024/25	2025/26
Not eligible for seniors and pensioners tax offset		
Single	\$27,222	\$28,011
Family*	\$45,907	\$47,238
Eligible for seniors and pensioners tax offset		
Single	\$43,020	\$44,268
Family*	\$59,886	\$61,623
* Plus amount per dependent child	\$4,216	\$4,338

Social Security and Aged Care

NDIS reforms

Effective dates: See table below

The National Disability Insurance Scheme (NDIS) provides Government funding and support to people with permanent and significant disabilities and is aimed at providing improved independence and quality of life.



2026 FEDERAL BUDGET ADVISER ANALYSIS



Eligibility for NDIS has become broader than originally intended and will be reformed as follows.

Date	Measure
No date assigned	Provide a shortlist of providers to choose from.
7 days following Royal Assent	Tighten the criteria for unscheduled plan reassessments – often at the request of plan managers.
1 October 2027 – 6 month transition period.	Address pricing, design and delivery of plan management. The average plan spend this year is about \$31,000 and will reduce over the next two years to about \$26,000.
From 1 January 2028	Restrict access to individuals with a significant reduction in functional capacity that impacts their day-to-day living, moving away from a diagnosis-based entry – otherwise known as ‘access lists’. There are currently 760,000 people on the NDIS. By the end of the decade, it’s estimated to reduce to around 600,000 rather than 900,000 without these changes.
From 1 January 2028	Reinforce the boundary between the NDIS and mainstream services for prospective participants. Current participants will be reassessed over a transition period.
By the end of 2030	Improve oversight of providers and claims, and strengthen controls, to protect participants and the NDIS from exploitation. This includes the development of a new enrolment system providing information on NDIS providers and improving the NDIS claims and payments system .

2026 FEDERAL BUDGET ADVISER ANALYSIS



Improved Support at Home

From 1 July 2026

More packages will be released for Support at Home and access will be expanded.

From 1 October 2026, certain personal care services (eg showering and dressing) will be reclassified as clinical care, thus making it free of charge. Until this time, fees will continue to be assessed the same way.

The table below shows the typical co-payment percentage (the share of the provider's price paid by the person receiving support). The Government pays the remaining cost.

Income support status	Clinical support	Independence support	Everyday living support
Full Age Pension (excluding Blind Pensioners)	0%	5%	17.5%
Part Age Pension or Commonwealth Seniors Health Card	0%	5%–50%*	17.5%–80%*
Self-funded (not eligible for Commonwealth Seniors Health Card)	0%	50%	80%

* The exact percentage within these ranges depends on income and assets.

Expanded residential aged care

From 1 July 2026

A package will be introduced that will provide an additional 5,000 residential aged care beds a year, including:

- additional funding to assist aged care providers to expand or build new aged care homes, and
- an increase to the Accommodation Supplement, structural changes to introduce new tiers and additional payment for homes with more than 60% low-means residents.



2026 FEDERAL BUDGET ADVISER ANALYSIS



Pension Supplement for recipients overseas

From 20 September 2026

For recipients temporarily overseas, the maximum rate of Pension Supplement will be payable for 12 weeks (increased from six weeks). However, the Pension Supplement will cease to be paid to those permanently residing overseas or temporarily overseas for longer than 12 weeks.

Age Pensioners and Disability Support recipients moving overseas permanently may see a slight reduction in their payments as the Pension Supplement (Basic amount) will no longer be payable (previously paid indefinitely with the primary payment).

Superannuation

There were no new key superannuation measures announced in the Budget but acknowledgement of measures already legislated.

Division 296 tax

From 1 July 2026

Division 296 tax is an additional personal tax levied on the proportion of taxable super earnings above the individual's large super balance thresholds and commences from 1 July 2026. Existing tax arrangements on super earnings remain unchanged. It's levied on the proportion of earnings above the large super balance thresholds as follows:

Total super balance	Division 296 tax rate
Up to \$3 million	Nil
Above the large super balance (\$3 million in 2026/27)	15%
Above the very large super balance (\$10 million in 2026/27)	An additional 10% (ie total Division 296 tax of 25%)



2026 FEDERAL BUDGET ADVISER ANALYSIS



TechConnect comment

The Regulations supporting the legislation, which are not yet finalised, will contain a number of measures relating to the operation of the legislation, including impacts upon a member’s death.

Low Income Superannuation Tax Offset increase

From 1 July 2027

The maximum amount of the Low Income Superannuation Tax Offset and income eligibility threshold will increase from 1 July 2027 as follows:

	Current	From 1 July 2027
LISTO	\$500	\$810
Cut-out income* threshold	\$37,000	\$45,000

* Adjusted taxable income includes taxable income (excluding assessable amount of First Home Super Saver released amount), adjusted fringe benefits, target foreign income, total net investments, tax free pension or benefits, reportable super contributions less deductible child maintenance.

TechConnect comment

LISTO is automatically determined by the ATO and paid directly into the recipient’s superannuation fund.

Any questions?

Please contact MLC TechConnect on 1800 645 597 weekdays, between 9am and 5.30pm (AEST).

Want to find out more about how you can access TechConnect support? Speak to your BDM or RTM, or email advisoryrelationships@insigniafinancial.com.au