



On May 12, 2026, at 7:30 pm (AEST), the Federal Treasurer, Dr. Jim Chalmers, delivered the 2026–27 Federal Budget.

The 2026 Federal Budget is a direction setting reform budget with delayed but significant implications for property, tax structuring and intergenerational advice. If you have any questions in relation to your personal situation, please contact your financial adviser.

Housing & investment property reform (future dated but material)

Negative gearing – proposed changes from 1 July 2027

- Negative gearing for residential property proposed to be limited to new builds only.
- Existing properties held at Budget night are expected to be grandfathered.
- Investors who buy existing homes after budget night will still be able to deduct losses against residential property income. They will also be able to carry forward losses to future years to deduct against residential property income.
- Combined with changes to the capital gains tax, this measure is expected to raise an estimated \$3.6 billion over five years from 2025–26, and is expected to help 75,000 Australians buy their own home over the next decade.
- The government expects these changes to increase rents by \$2 a week.

Capital Gains Tax (CGT) reform – proposed from 1 July 2027

- Proposed replacement of the 50% CGT discount with cost base indexation and a minimum effective tax rate.
- Investors will always pay at least 30 per cent tax on gains under a new minimum rate designed to avoid people holding on to assets until years when their income is low.
- Pensioners and people on income support will be exempt from the 30 per cent minimum rate.

- The new reforms will only apply to gains made after July 1, 2027, with any made before that date still qualifying for the 50 per cent discount.
- To aim to encourage investment in new housing, investors who purchase new builds can choose from the 50 per cent CGT discount or the new settings when they sell their properties.
- The new rules will also partially end an exemption for assets purchased before 1985. Those Australians holding pre-1985 assets may be required to pay tax on gains made after July 1, 2027, using the new inflation rules.
- Combined with changes to negative gearing, this measure is estimated to raise \$3.6 billion over five years from 2025–26, and is expected to help 75,000 Australians buy their own home over the next decade.

Tax on Discretionary Trusts – proposed from 1 July 2028

- Labor will introduce a minimum 30 per cent tax on discretionary trusts.
- Trustees are required to pay the tax, and beneficiaries will need to declare the income in their tax returns.
- Small businesses and other taxpayers will be given three years from July 1, 2027, to restructure out of discretionary trusts into companies or fixed trusts.
- The minimum tax will not apply to other types of trusts, such as fixed trusts, super funds, deceased estates and charitable trusts. Other exemptions include primary production income of farms and certain income relating to vulnerable young people.
- The measure is expected to raise \$4.5 billion over the next four years, with the extra revenue funding tax cuts for workers.

Personal tax & cost of living measures

Working Australians Tax Offset (WATO)

- New \$250 Working Australians Tax Offset for income earned from employment or business.
- Benefit applies from the 2027–28 income year onward (received on assessment, not via payroll).
- Not available to retirees or clients without earned income.

\$1,000 instant tax deduction (from 1 July 2026)

- Employees and sole traders can claim up to \$1,000 of work related deductions without receipts.
- Clients claiming more than \$1,000 can still use traditional substantiation.
- About 6.2 million workers (42 per cent of taxpayers) are expected to benefit from the change, saving an average of \$205.

Superannuation – stability with known changes proceeding

- No material new super tax changes announced for the majority of clients in this Budget.
- Previously legislated measures remain key:
 - SG increase to 12% from 1 July 2026
 - Payday super commencement (employers paying SG with wages)

Electric Vehicles – from 1 April 2027

- The government is winding back the EV discounts, saving the budget \$1.7 billion over four years.
- From April 2027, the tax exemption will still apply to electric vehicles costing less than \$75,000, but those above that threshold will only get a 25 per cent discount on the fringe benefits tax.
- From April 2029, all electric vehicles below the luxury car tax threshold will receive a 25 per cent tax discount.

Older clients & aged care planning

Aged care funding boost

- From 1 July 2027 ~\$3.7bn committed to:
 - 5,000 additional residential aged care beds
 - Additional Support at Home packages
 - Expanded dementia specific services
- Expected to help states and territories move the elderly out of hospital beds.
- The government has also reversed its decision to remove government funding for some in-home aged care services after older Australians were left paying up to \$50 an hour for help with showering and other daily tasks.

NDIS & disability support

- Government progressing reforms to:
 - Tighten eligibility
 - Standardise functional assessments
 - Reduce fraud and cost escalation
- Cost-saving measures include pushing more than 160,000 participants off the NDIS and onto state-run support programs by 2030.
- Changes expected to be staged and consultative.

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