

2026–27 Federal Budget

A Special Briefing for Business Owners

What the 2026–27 Budget Means for Your Business, Your Structure, and Your Future

13 May 2026

Good morning

Last night's Budget contains some of the most significant tax changes for business owners in a generation. Whether you operate through a company, trust, or as a sole trader — and whether you are in growth mode, planning your exit, or somewhere in between — there are measures in this Budget that directly affect you.

We have prepared this briefing specifically for business owners, because the implications of these changes are more complex than a general summary can capture. Some changes offer genuine opportunities — particularly for businesses that have struggled recently or are planning for growth. Others, particularly the CGT and trust changes, require careful structural thinking before they take effect.

Here is what you need to know.

1. Capital Gains Tax — A Major Change for Business Owners

The most significant change in this Budget for business owners is the replacement of the 50% CGT discount with cost base indexation, plus a 30% minimum tax on net capital gains — effective for gains arising from 1 July 2027.

For property investors this is significant. For business owners, it is potentially transformational — because of one specific issue: goodwill.

The goodwill problem.

When you build a business from scratch, the goodwill that develops over time has a cost base of zero. You did not pay for it — you created it. Under the current rules, the 50% CGT discount applies when you sell, meaning half of the goodwill gain is tax-free. Under the new rules, cost base indexation adjusts your original cost base for CPI — but if the cost base is zero, there is nothing to index. Every dollar of goodwill gain arising after 1 July 2027 is fully taxable, subject to the 30% minimum tax.

In practical terms: the tax on goodwill that accrues after 1 July 2027 is roughly double what it would have been under the current rules.

Small Business CGT Concessions still apply — but are worth less.

The Small Business CGT Concessions — the 50% active asset reduction, the \$500,000 lifetime retirement exemption, and the 15-year exemption — remain available. However, because the new rules result in a larger starting gain (particularly on zero-cost goodwill), the concessions are applied to a higher base. Their effective value is eroded.

The transitional rules.

Gains accruing up to 30 June 2027 are still subject to the current rules — including the 50% discount. If you are considering selling your business in the next 1 to 3 years, the timing of that sale relative to 1 July 2027 could make a material difference to your tax position.

What this means for you:

If you are thinking about selling your business — whether in the next year or the next five — the CGT changes make it more important than ever to model the tax outcome under different timing scenarios. Please contact us to begin that analysis.

2. Is Your Business Structure Still Right for You?

The CGT changes, combined with the proposed discretionary trust minimum tax (see below), make the question of business structure more important than it has been in 25 years. Two questions are worth asking now:

Are you operating through the right entity?

If you run your business as a sole trader or through a discretionary trust, the combination of the CGT changes and the trust minimum tax may mean a company or fixed trust structure produces a significantly better outcome at the point of sale — and potentially before it.

For businesses with growing goodwill value, this is not a minor consideration. The difference in tax between the right and wrong structure, over a 10-year holding period, can be very large.

The rollover relief window — a genuine, time-limited opportunity.

The Budget confirms expanded rollover relief for three years from 1 July 2027. This allows businesses to restructure out of a discretionary trust into a company or fixed trust without triggering a CGT liability at the time of the transfer. The window runs from 1 July 2027 to 30 June 2030.

This is a genuine opportunity — but there are important caveats:

- Stamp duty on the transfer of business assets remains a state-based tax and will still apply in most cases. In some states this is a meaningful upfront cost.
- The restructure decision needs to be made before the window opens — the analysis, modelling, and planning must happen now.
- Rollover relief removes the immediate CGT consequences of restructuring, not the long-term tax obligations of the new entity.

What this means for you:

If you operate through a discretionary trust or as a sole trader, please contact us to arrange a structure review. We can assess what your business is worth today, model the tax outcomes under different structures, and help you determine whether acting in the rollover relief window from 1 July 2027 is the right move.

3. The Discretionary Trust Minimum Tax — What We Know

⚠ Important: This is an announcement only — no legislation has been released.

From 1 July 2028, the Government has announced that trustees of discretionary trusts will pay a 30% minimum tax on the taxable income of the trust. Beneficiaries (other than corporate beneficiaries) will receive non-refundable credits for the tax paid.

The practical effect is significant for businesses that distribute income to low-income beneficiaries — including adult children, non-working spouses, or retirees. Any beneficiary with a total tax liability below 30% on their distribution will see the excess credit permanently lost.

What we do not yet know.

A number of critical details will only be confirmed in draft legislation, which is expected during the second half of 2026:

- How the credit mechanism will work for corporate beneficiaries — the announcement suggests they may not receive the same credits as individuals, which could result in double taxation.
- The precise definition of income types excluded from the measure (primary production income, vulnerable minor income, and others).
- Whether there are any transitional concessions for distributions already committed.

We will update you as soon as the legislation is available. In the meantime, no changes to your trust arrangements should be made on the basis of the announcement alone.

What this means for you:

Begin thinking now about which beneficiaries currently receive distributions below the 30% effective rate, and what the impact would be if those distributions became significantly less tax-efficient. We are reviewing all client trust structures proactively and will reach out when we have specific recommendations.

4. Good News — Immediate Relief and Opportunities

\$20,000 instant asset write-off is now permanent.

The \$20,000 instant asset write-off for small businesses with annual turnover under \$10 million is now permanently legislated from 1 July 2026. You no longer need to wait for annual confirmation. If you have been holding off on equipment or other asset purchases, that uncertainty is now gone.

Company loss carry-back — from 1 July 2026.

ACTION REQUIRED: If your company has paid tax in recent years and is now in a loss — contact us urgently.

From 1 July 2026, companies with aggregated annual global turnover under \$1 billion can carry back a tax loss and offset it against tax paid in either of the two previous financial years — generating a cash refund from the ATO.

This is a high-value, time-sensitive opportunity for businesses that were profitable in 2024–25 or 2025–26 but are now experiencing a downturn. The carry-back applies to revenue losses only and is limited by the company's franking account balance.

Payday super — action required before 1 July 2026.

From 1 July 2026, employers must pay superannuation at the same time as wages. Contributions must reach the employee's fund within seven business days of each pay date. If your payroll system currently pays super quarterly, this needs to be updated before 1 July 2026. Please do not leave this until the last week of June.

PAYG instalment modernisation.

From 1 July 2027, small and medium businesses can opt in to monthly PAYG instalment payments calculated using ATO-approved accounting software. This allows tax instalments to better reflect real-time business activity and can smooth cash flow management. We will advise you closer to the time on whether this is right for your business.

What this means for you:

If your company has paid tax in either of the past two years and is now in a loss position — please contact us immediately. The loss carry-back measure could generate a meaningful cash refund. On payday super, talk to your payroll provider now to confirm your system will be compliant by 1 July 2026.

5. Other Measures That May Affect Your Business

R&D Tax Incentive — significant changes from 2028.

If your business claims the R&D Tax Incentive, the rules change from 1 July 2028. Supporting R&D expenditure will no longer be eligible — only core R&D expenditure qualifies. The minimum expenditure threshold also rises from \$20,000 to \$50,000. On the positive side, offset rates increase by 4.5 percentage points and the turnover threshold for the refundable offset rises from \$20 million to \$50 million. Review your claim structure well ahead of 2028.

Electric vehicle salary packaging — changes ahead.

If your business offers EV salary packaging to employees, the full FBT exemption begins winding back from 1 April 2027. EVs over \$75,000 will lose the full exemption first. Review any existing arrangements and consult us before renewing or entering new leases.

Fuel excise.

The temporary 26.3 cents per litre fuel excise reduction expires 30 June 2026. If your business has high fuel costs, adjust your budgeting from 1 July. Check whether you are eligible for fuel tax credits.

What to Do Next

This Budget has created both urgent obligations and genuine planning opportunities for business owners. Our recommendation is:

- Contact us now if your company has paid tax in recent years and is in a loss — a cash refund may be available.
- Review your payroll systems for payday super compliance before 1 July 2026.
- Arrange a structure review meeting with us if you operate through a trust or as a sole trader — the restructure planning must begin before the rollover window opens in July 2027.
- Do not make any immediate changes to trust distributions or arrangements pending release of the trust minimum tax legislation.

We will be in touch with clients we believe are most directly affected. Please do not wait to hear from us if you have questions or want to talk through your situation.

Regards,
PENDER & ASSOCIATES PTY LTD

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Disclaimer: This communication provides general information only based on the 2026–27 Federal Budget announcements of 12 May 2026. It is not a substitute for professional advice tailored to your individual circumstances. Many measures are subject to draft legislation not yet released. Final details may change. Please seek independent professional advice before taking any action.