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Accountants & Business Advisers

2026–27 Federal Budget

Your Questions Answered

Plain-English Answers to the Questions We're Hearing Most

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Last night's Budget was one of the most significant in years. We know you will have questions — and we have put together this document to answer the ones we are hearing most. The answers are written in plain English. Where details are still subject to legislation, we have said so clearly. If your question is not covered here, or if you want to talk through what any of this means for your specific situation, please get in touch.

Personal Tax

Q1. I heard there is a new $1,000 tax deduction. How does it work?

From 1 July 2026, if you earn income from work — wages, salary, or your own business as a sole trader — you can claim a flat $1,000 deduction for work-related expenses without needing to keep receipts or itemise individual costs.

This is a choice, not an automatic change. You need to decide which approach puts you in the best position:

- If you normally claim less than $1,000 in work expenses, the flat deduction is likely better — it tops up your deduction at no admin cost.
- If you normally claim more than $1,000, you are better off continuing to claim your actual expenses in the usual way.

Charitable donations, union fees, and professional association memberships can still be claimed on top — they are not affected by this change. We will review both options when preparing your return and apply whichever gives you the better result.

Our response:
We will compare both approaches when we prepare your return and claim whichever gives you the best result. No action is needed from you now — but if you have questions about your work-related expenses in the meantime, give us a call.

Q2. What is the $250 Working Australians Tax Offset and when will I receive it?

The Government is introducing a permanent $250 tax offset for working Australians — people who earn income from wages, salary, or their own business as a sole trader. It reduces the amount of tax you owe each year.

A couple of important things to understand:

- It does not arrive as a payment — it reduces your tax bill. If you have little or no tax to pay, the benefit will be reduced or nil.
- It does not start until the 2027–28 financial year. You will first see it when your 2027–28 tax return is lodged — generally between July and October 2028.
- It is permanent, unlike some previous one-off cost-of-living offsets.

If you have an outstanding tax debt, the offset may be applied to reduce what you owe rather than showing up as a refund. Worth knowing before your 2027–28 return.

> **Our response:**
> *If you have outstanding tax liabilities, we will review your position ahead of your 2027–28 return to make sure you receive the full benefit. Get in touch if you have any concerns.*

Q3. I heard income tax rates are changing — how does that affect me?

Yes — but these changes were confirmed before this Budget and have not been altered. Personal income tax cuts take effect on 1 July 2026 and again on 1 July 2027. The $250 Working Australians Tax Offset from 2027–28 is an additional measure on top of those cuts. If you have questions about how the rate changes affect your specific situation, please contact us.

Q4. I'm on a lower income — will I still have to pay the Medicare levy?

Yes. The Medicare levy low-income thresholds have been increased by 2.9% from 1 July 2025. If your income is below these thresholds, you are exempt from the Medicare levy:

- Singles: threshold increases to $28,011
- Families: threshold increases to $47,238
- Single seniors and pensioners: threshold increases to $44,268
- Family threshold for seniors and pensioners: increases to $61,623

The family threshold increases by $4,338 for each dependent child or student.

Capital Gains Tax

Q5. I keep hearing the CGT discount is being abolished. What is actually happening?

It is being replaced, not simply abolished. From 1 July 2027, the 50% CGT discount will no longer apply to gains that arise on or after that date. Instead, your original cost base will be adjusted for inflation (this is called indexation), and a new 30% minimum tax will apply to the remaining gain.

The important thing to understand is that gains arising before 1 July 2027 are completely unaffected. The 50% discount continues to apply in full to everything up to that date. If you sell an asset before 1 July 2027, the current rules apply.

This change applies to all CGT assets held by individuals, trusts, and partnerships — including shares, investment properties, and business assets.

Our response:
Whether these changes affect you depends on what assets you hold, how long you plan to hold them, and your tax rate. Please contact us before making any decisions — we can model the tax outcome under both the current and new rules for your specific situation.

Q6. Should I sell my investment property or shares before 1 July 2027?

This is the question we are hearing most often, and the honest answer is: it depends entirely on your situation. There is no blanket right or wrong answer.

Selling before 1 July 2027 locks in the full 50% CGT discount on your total gain to date. But it also means paying a potentially large tax bill now, and giving up the future growth of the asset.

Holding beyond 1 July 2027 means the portion of the gain that accrues after that date is taxed under the new, less generous rules. But it also means the asset continues to grow, and you keep the full 50% discount on everything earned up to 30 June 2027.

The right answer depends on: your tax rate, the size of your current gain, how long you plan to hold the asset, and what you would do with the proceeds if you sold. We can model both scenarios for you.

Our response:
Please contact us before making any decision to sell — or to hold. We will run the numbers for your specific assets and tax rate so you can make an informed decision. This is one of the most consequential planning questions this Budget has created.

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Q7. What does the new 30% minimum tax on capital gains mean for me?

For gains arising on or after 1 July 2027, after reducing your gain through cost base indexation, a minimum tax of 30% will apply to the net capital gain. This means that even if your personal tax rate is lower than 30%, you will pay at least 30% on those gains.

Age Pension recipients and income support recipients are exempt from the minimum tax. Investors in newly built residential properties can choose between the 50% CGT discount and the new indexation method — whichever gives them the better result.

Q8. Are any of my investments or assets protected from the CGT changes?

Yes. The following are either unaffected or have special rules:

- Any asset sold before 1 July 2027 — the current 50% discount applies in full.
- The pre-1 July 2027 portion of any gain — even if you sell later, the gain up to that date is still subject to the 50% discount.
- New residential property investments — investors can choose the 50% discount or indexation, whichever is better.
- Age Pension and income support recipients — exempt from the 30% minimum tax.
- Pre-1985 assets — gains arising before 1 July 2027 remain fully CGT exempt.

Negative Gearing

Q9. I have an investment property that is negatively geared. Will I be affected?

If you owned your investment property before 7:30pm AEST on 12 May 2026, nothing changes for you. Your existing negative gearing arrangements are fully protected for as long as you hold that property. You can continue to offset rental losses against your salary and other income exactly as you do now.

The change only applies to established residential properties purchased after Budget night. For those properties, from 1 July 2027, rental losses can only be offset against rental income or capital gains from residential properties — not against your salary or other income. Any excess losses carry forward to future years.

If you entered into a contract to buy a property before 7:30pm on 12 May 2026 — even if settlement hasn't happened yet — you are covered by the grandfathering provisions.

Our response:
If you are considering purchasing another investment property, please contact us before you commit. The rules have changed materially and the comparison between a new build and an established property is now very different. We can model the after-tax return for both options.

Q10. What if I buy a new build investment property?

Newly constructed properties — those that genuinely add to Australia's housing supply — are fully exempt from the negative gearing changes. Full deductibility of losses against all income remains available for new builds.

This means that if you are considering a new investment property, a new build offers two advantages the Budget specifically preserves: full negative gearing deductions and the ability to choose between the 50% CGT discount or indexation when you eventually sell.

Our response:
The tax advantages of a new build versus an established property have shifted significantly in this Budget. Talk to us before making any property purchase decision so we can compare the full after-tax picture.

Trust Distributions

Q11. I receive income from a family trust. How will the new trust tax affect me?

The Government has announced a new 30% minimum tax on discretionary trust distributions, proposed to start from 1 July 2028. Here is how it would work:

Currently, when a family trust distributes income to you, you pay tax at your own marginal rate. If your rate is below 30%, you pay less than 30%.

Under the proposed change, the trustee pays a minimum of 30% on the trust's income before it is distributed. You receive a non-refundable credit for that tax — similar to a franking credit on a share dividend. If your personal tax liability on the distribution is less than 30%, the difference is permanently lost — it cannot be refunded to you.

For example: if you receive a $20,000 distribution and your total tax on that income is $288, the trustee has already paid $6,000 minimum tax. You receive a $6,000 credit against your $288 liability — but approximately $5,712 is gone permanently.

Important: This is an announcement only. No legislation has been released. The final rules may differ from what has been announced, and we will update you as the detail becomes clear.

Our response:
We cannot give you definitive advice on this measure until the legislation is released — expected in the second half of 2026. In the meantime, do not change your trust arrangements based on the announcement alone. We will be in touch as soon as the detail is confirmed.

Q12. What if trust distributions go to a company rather than an individual?

This is one of the most significant unresolved issues in the Budget announcement, and one that business owners using family trusts with a corporate beneficiary need to watch closely.

The Budget announcement states that corporate beneficiaries will not receive the same credits as individual beneficiaries. If that is confirmed in legislation, it means:

- The trust pays 30% minimum tax on the income it distributes to a company.
- The company then pays company tax — 25% or 30% — on the same income.
- With no credit passed through, the same income could be taxed twice — once in the trust and again in the company — resulting in a combined effective rate approaching 60%.

This would represent a dramatic change to the tax treatment of trust-to-company distributions and could fundamentally alter how many businesses and family groups structure their affairs.

> **⚠ Important warning — corporate beneficiaries:**
> If your family trust currently distributes income to a company beneficiary, the proposed trust minimum tax could result in that income being taxed twice — in the trust at 30% and again in the company at up to 30% — with no credit to offset one against the other. This is not yet law, but the consequences if it proceeds as announced are serious. Please contact us urgently so we can review your arrangements and model the potential impact.

Q13. Does this apply to all types of trusts, or just family discretionary trusts?

No. The following types of trusts are excluded from the proposed minimum tax:

- Fixed trusts and widely held trusts (including fixed testamentary trusts)
- Complying superannuation funds
- Special disability trusts
- Deceased estates
- Charitable trusts

Certain types of income within discretionary trusts are also excluded, including primary production income and income relating to vulnerable minors. The precise definitions of these exclusions will be confirmed in legislation.

Q14. Should I be doing anything now to prepare for these trust changes?

The Budget confirms a three-year rollover relief window from 1 July 2027. This allows businesses and families to restructure out of a discretionary trust into another entity type — such as a company or fixed trust — without triggering a capital gains tax liability on the transfer. The window runs until 30 June 2030.

This could be a genuinely valuable opportunity for anyone whose trust structure is no longer the most appropriate one. However, stamp duty on the transfer of assets will still apply in most states, and that cost needs to be factored in.

We recommend reviewing your trust arrangements now — before the legislation is released — so that we can act quickly once the full picture is clear.

Our response:
Early engagement here will genuinely maximise your options. Please do not wait to hear from us if you have concerns — contact us directly and we will start reviewing your situation.

Superannuation

Q15. I have more than $3 million in superannuation. What changes for me?

From 1 July 2026 — which is already law — if your total superannuation balance exceeds $3 million, the earnings on the portion above that threshold are taxed at higher rates. The tax is tiered: earnings on the portion between $3 million and $10 million attract an additional 15% tax, bringing the total rate to 30%. Earnings on the portion above $10 million attract an additional 25%, bringing the total rate to 40%.

There are two important things to understand about how this works in practice:

- The tax is calculated on the fund's adjusted taxable income — not on unrealised gains. An earlier version of the legislation proposed taxing unrealised gains, but this was removed before the law passed.
- The ATO will calculate and issue the assessment each year. You have 84 days to pay, and you can choose to release funds from your super account to meet the liability rather than paying from personal funds.

The $3 million threshold is indexed to CPI, so it will increase over time in line with inflation.

Our response:
If your balance is approaching or over $3 million, please contact us now — before 1 July 2026. We can review your fund's assets, model the likely earnings tax, and help you consider whether any action makes sense before the measure takes effect.

Q16. I have heard the transfer balance cap is increasing. What does that mean?

The transfer balance cap — the maximum amount you can hold in a tax-free retirement phase pension account — increases from $2.0 million to $2.1 million from 1 July 2026.

This matters if you have previously been limited in how much of your super you could move into retirement phase, or if you are planning to start a retirement pension in the near future. The extra $100,000 capacity may allow you to move more into the tax-free environment.

> **Our response:**
> *If you are near the current cap or planning to start a retirement phase pension, contact us before 1 July 2026. There may be a planning opportunity worth acting on.*

Q17. I run a small business with employees. What do I need to know about payday super?

From 1 July 2026, super contributions must be paid at the same time as wages — not quarterly as currently allowed. Contributions must reach your employee's fund within seven business days of each pay date.

This is a significant operational change if you currently manage cash flow by paying super quarterly. Your payroll system will need to be updated before 1 July 2026. Please do not leave this until the last week of June.

> **Our response:**
> *Contact your payroll software provider now to confirm your system will be compliant by 1 July. If you are unsure, please call us and we can help you work through what needs to change.*

Business

Q18. My small business buys equipment regularly. How does the $20,000 instant asset write-off affect me?

The $20,000 instant asset write-off is now permanently legislated for small businesses with annual turnover under $10 million, from 1 July 2026. You can immediately deduct the full cost of any eligible asset under $20,000 in the year you first use or install it — rather than depreciating it over multiple years.

The $20,000 limit applies per asset, so multiple assets can each be written off in the same year. Assets costing $20,000 or more continue to go into the small business simplified depreciation pool.

The uncertainty that has surrounded this concession for years is now gone — you can plan equipment purchases with confidence.

Our response:
If you have been holding off on equipment purchases waiting for clarity on the write-off, that clarity is now here. Contact us before making significant purchases so we can confirm eligibility and consider the timing relative to your financial year end.

Q19. My company paid tax last year but is now struggling. Is there any relief available?

Yes — and this is one of the most valuable measures in the Budget for businesses going through a difficult period. From 1 July 2026, companies with aggregated annual global turnover under $1 billion can carry back a current year tax loss against tax paid in either of the two previous financial years and receive a cash refund from the ATO.

If your company paid tax in 2024–25 or 2025–26 and is now in a loss position, you may be entitled to a refund — rather than having to carry the loss forward and wait years for a benefit.

The carry-back applies to revenue losses only (not capital losses) and is limited by your company's franking account balance.

Our response:
Please contact us urgently if your company has paid tax in recent years and is now experiencing or expecting a loss. A cash refund may be available sooner than you think — this is time-sensitive planning.

Q20. My business claims the R&D Tax Incentive. Are there changes I should know about?

Yes — significant changes take effect from 1 July 2028. The most important change for most claimants is that supporting R&D expenditure will no longer be eligible. Only core R&D expenditure will qualify from 2028.

On the positive side: offset rates for core R&D increase by 4.5 percentage points, the R&D intensity threshold drops from 2% to 1.5% (meaning more businesses qualify for higher rates), and the turnover threshold for the refundable offset rises from $20 million to $50 million. The minimum expenditure threshold increases from $20,000 to $50,000.

If your business currently claims a significant amount of supporting R&D expenditure, your eligible expenditure base will likely decrease under the new rules. We recommend reviewing your claim structure well ahead of 2028.

Our response:
If you claim the R&D Tax Incentive, get in touch so we can review how your current claim is structured and assess the impact of the 2028 changes on your eligible expenditure. Planning ahead here will make a meaningful difference.

Other Common Questions

Q21. I have an electric vehicle through my employer's salary packaging. What changes?

The full FBT exemption for electric vehicles provided through novated lease or salary packaging is being wound back. The key dates are:

- Until 31 March 2027: full FBT exemption continues for all eligible EVs.
- From 1 April 2027: full exemption only for EVs priced at $75,000 or less. EVs above $75,000 but below the Luxury Car Tax threshold receive a 25% FBT discount only.
- From 1 April 2029: all EVs below the LCT threshold receive the 25% discount only.

Importantly, existing arrangements are grandfathered — if your current EV arrangement commenced while the full exemption applied, that full exemption continues for the life of that existing arrangement. The new rules apply to new arrangements and renewals entered into from the relevant dates. If you are considering renewing or entering a new EV arrangement, please speak with us first.

Our response:
If you have an EV under a salary packaging arrangement — particularly one valued above $75,000 — please contact us before making any changes or entering new arrangements. The rules are changing in ways that could significantly affect your after-tax cost.

Q22. I noticed petrol prices were lower recently — is that ending?

The Government temporarily reduced the excise rate on fuel by 26.3 cents per litre for three months from 1 April 2026. This measure has not been extended. The full excise rate returns from 1 July 2026.

If your business has high fuel costs, factor the return to full excise rates into your budgeting from July. If you use fuel for business purposes, you may be eligible to claim fuel tax credits — please ask us if you are unsure.

Q23. My family member lives overseas and wants to buy a property here. Is that still allowed?

The temporary ban on foreign purchases of established residential dwellings has been extended to 30 June 2029. Foreign persons are generally prohibited from purchasing established residential properties during this period.

Exemptions continue to apply — including for permanent residents and New Zealand citizens. Foreign persons can still invest in newly built properties. If you have a specific transaction in mind involving a foreign person, please seek advice before proceeding as the rules are detailed and specific.

When Do These Changes Take Effect?

Here is a quick reference for when key measures apply:

Already law: Tax on superannuation balances over $3 million

1 July 2025: Medicare levy low-income threshold increase

1 July 2026: $1,000 instant tax deduction, payday super, permanent instant asset write-off, company loss carry-back, transfer balance cap increase, fuel excise restoration

1 April 2027: EV FBT changes begin (EVs over $75,000 lose full exemption)

1 July 2027: CGT changes, negative gearing restrictions for post-Budget properties, rollover relief window for trust restructures opens

2027–28 income year: $250 Working Australians Tax Offset

1 July 2028: Discretionary trust minimum tax (30%), R&D Tax Incentive changes, start-up loss refundability

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We are available to discuss any of these changes and what they mean for your specific situation. Please do not hesitate to get in touch.

Regards,
PENDER & ASSOCIATES PTY LTD

Tom Pender **FCPA**

Disclaimer: This document 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 and final details may differ from what has been announced. Please seek advice specific to your situation before taking any action.