2026 FEDERAL BUDGET

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Today's Presenter

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Using Teams Features

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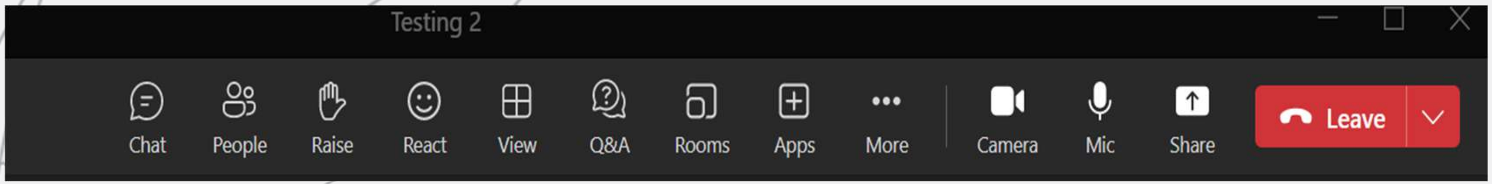

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What we will cover

- General Summary
- Individuals
- Business taxpayers & Investors
- MT Wealth Budget Wrap Up
- Questions

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General Summary

- Focus on cost of living relief measures, and also the desire to keep reducing inflation and interest rates.
- Major changes for investors, tax on trusts
- Minor changes to tax incentives for Individuals

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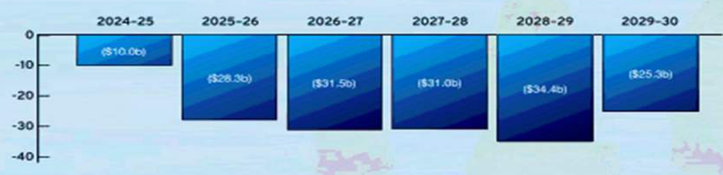
The Economy

The 2026–27 Financial Outlook

Underlying cash balance



Gross debt

Investments

Health
$136.9b

Education
$57.3b

Social Security and Welfare
$308.7b

Defence
$51.2b

Key tax measures

- The 50% CGT discount will be replaced by cost base indexation, with a 30% minimum tax on net capital gains from 1 July 2027. This applies to all CGT assets, including pre-1985 CGT assets, held by individuals, trusts and partnerships, except for new residential properties.
- Negative gearing for residential properties will be limited to new builds. From 1 July 2027, losses from established residential properties purchased from 7:30pm (AEST) on 12 May 2026 will only be deductible against rental income or the capital gains from residential properties.
- Taxable income of discretionary trusts will attract a minimum 30% tax rate from 1 July 2028.

Key economic data

Real GDP

2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
1.30%	2.25%	1.75%	2.25%	2.50%	2.50%

Inflation (CPI)

2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
2.10%	5.00%	2.50%	2.50%	2.50%	2.50%

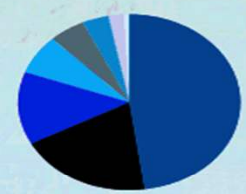
Unemployment

2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
4.20%	4.25%	4.50%	4.50%	4.50%	4.25%

Wage growth (WPI)

2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
3.40%	3.25%	3.50%	3.50%	3.50%	3.75%

Government revenue sources



2026-27	
Individual income tax	$390.9b
Company and resource rent taxes	$159.0b
GST	$109.2b
Non-tax revenue	$59.0b
Excise and customs duty	$41.0b
Superannuation taxes	$31.6b
Other taxes	$18.9b
FBT	$5.8b

Individual Taxpayers

- No changes in tax cuts for 2027 and 2028
- New Working Australians Tax Offset
- Standard deduction for work-related expenses

Previously Announced Tax Cuts

Thresholds	2025 and 2026 income years	2027 income year	2028 income year
$0 – $18,200	Tax-free	Tax-free	Tax-free
$18,201 – $45,000	16%	**15%**	**14%**
$45,001 – $135,000	30%	30%	30%
$135,001 – $190,000	37%	37%	37%
$190,001+	45%	45%	45%

By way of example, a taxpayer earning between $18,201 and $45,000 will get a tax cut of up to $268 in the 2027 income year and up to $536 from the 2028 income year.

Medicare Exemption Thresholds

The changes to the Medicare levy low-income thresholds are as follows:

Medicare low-income threshold	Threshold as at 30 June 2025	Threshold from 1 July 2025
Singles	$27,222	$28,011
Families	$45,907	$47,238
Single – seniors and pensioners	$43,020	$44,268
Family – seniors and pensioners	$59,886	$61,623
Family – for each dependent child or student[71]	$4,216	$4,338

The increase to the thresholds ensures that low-income individuals continue to be exempt from paying the Medicare levy or pay a reduced levy rate.

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Working Australians Tax Offset

- Permanent $250 offset to apply in tax returns of individuals from the 2028 tax year
- Business (sole trader) and employment income

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Standard Deduction for Work Related Expenses

- Applies from the 2027 tax year
- Up to $1,000 for work-related expenses, without the requirement to keep receipts
- Optional if expenses exceed $1,000
- Excludes donations, union, memberships

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Business Taxpayers

- Permanent instant asset write off (<$20,000)
- FBT on electric cars
- Loss carry back for companies
- Loss refunds for small start up companies
- PAYG Instalments
- R & D Tax Incentive changes

Small Business Instant Asset Write-Off

- $20,000 write-off legislated for 30 June 2026
- Proposed to be permanent going forward
- Small businesses (Turnover < $10M)
- Immediate write-off in year of purchase

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FBT on Electric Cars

- Gradually scaled back
- From 1 April 2027 to 31 March 2029 full exemption for vehicles up to $75,000
- 25% FBT discount for vehicles up to LCT threshold
- From 1 April 2029 all EV's up to LCT 25% discount

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Loss Carry Back for Companies

- Start date 1 July 2026
- Global turnover <$1 Billion
- Carry back a loss against tax paid for up to 2 years
- Refund limited to company franking account

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Loss Refunds for Small Start Ups

- Start Date 1 July 2028
- Annual turnover < $10M
- Losses in first 2 years of operation
- Limited to FBT & PAYGW paid for employees

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PAYG Instalments

- Start Date 1 July 2027
- Small & medium businesses (up to $50M turnover)
- Opt in to reporting and paying PAYG instalments monthly

R & D Tax Incentive Changes

- Start Date 1 July 2028
- Increase the offset for core R&D expenditure
- Remove eligibility of supporting R&D expenditure
- Increase turnover threshold from $20M to $50M
- Increase maximum expenditure - $150M to $200M

Changes for Investors

- CGT changes
- Limiting negative gearing
- Minimum tax on trusts

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CGT Changes

- Start Date 1 July 2027
- 50% discount to be replaced by cost base indexation
- Pre-CGT (Sep85) assets will come into the net
- 30% minimum tax to apply to capital gains

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Limiting Negative Gearing

- Start Date 1 July 2027
- Apply only to established (2nd hand) properties acquired from 7.30pm 12/5/26 (Budget Night)
- Apply only to residential properties
- Losses will be quarantined and only able to apply against future rental income and capital gains
- Eligible new builds will be exempt from changes

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Minimum Tax on Trusts

- Start date 1 July 2028
- Minimum 30% tax on the income of discretionary trusts (taxed to trustee)
- Beneficiaries to receive non-refundable offset
- Corporate beneficiaries will not receive offset
- Primary production income exempt from tax
- Rollover relief available for 3 years to 30/6/30

Wealth

Budget Wrap Up

Jules McBean

Partner

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Superannuation

Superannuation thresholds from 1 July 2026 to 30 June 2027
(Changes Only)

Concessional Contribution Cap (pre-tax)	$32,500
Non-concessional Contribution Cap (Post-tax)	$130,000 or $390,000 over 3 years
Superannuation Guarantee	12%
General Transfer Balance Cap / Total Super Balance cap	$2,100,000

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Superannuation: CGT Discount – No Change

Superannuation funds not impacted

- Superannuation funds will not be affected by the proposed Capital Gains Discount (CGT) changes.
- Superannuation funds will continue to be eligible for the one-third CGT discount on assets held for more than 12 months.

Superannuation: Division 296

From 1 July 2026

The new ‘Division 296’ tax on the superannuation earnings of individuals with balances exceeding $3 million will commence.

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- An additional 15% tax will apply to the portion of a member’s earnings above $3 million.
- A further 10% will be applied to the portion of a members balance above $10 million.
- The additional tax will be levied on individuals (not their super fund), with affected individuals having the option to pay the liability personally or elect to have the amount released from their superannuation.

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Investments: Protecting Investors

From 1 July 2026

The Government will provide $17.8 million over four years to strengthen governance standards, supervision, and enforcement relating to managed investment schemes, including funding for:

- ASIC to enhance its capability to use data more effectively in overseeing the managed investment scheme sector.
- ASIC, the Office of the Australian Auditing and Assurance Standards Board, and the Treasury to improve governance requirements for managed investment schemes
- Public consultation on introducing new data collection powers for managed investment schemes

ASIC will partially fund this measure through a cost recovery program, funded by the financial planning industry.

Aged Care: Residential Care Supply

From 1 July 2026

- The Government will provide additional funding to increase the number of aged care beds by 5,000 each year, primarily for those with limited financial means.
- This will be supported through building subsidies, along with an increase and restructure of the Accommodation Supplement, to help protect equitable access for supported residents.
- Additional funding will be provided for dementia care supports, including the expansion of the Hospital to Aged Care Dementia Support program.

Aged Care: Access to Home Care

From 1 July 2026

The Government will take steps to make home care services more affordable and easier to access, including:

- Covering the full cost of personal care services—such as assistance with showering, dressing, and incontinence aids—for all participants in the Support at Home program, consistent with the way clinical care is funded.
- Improving access to Support at Home places by reducing wait times, streamlining assessments and hardship processes, and enhancing end-of-life care pathways.

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Questions

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