The Professional Super Advisers

Impact of the May 2026 Federal Budget

Item	Description	Impact

This paper includes new policy initiatives announced on Budget Night of 12 May 2026

Taxation		
1. Capital Gains Tax (CGT) Changes **Effective: 1 July 2027**	The 50% CGT discount will be replaced by a return to CPI indexation from 1 July 2027 together with the introduction of a minimum tax rate of 30 per cent on realised gains. This will apply to all assets except new homes, where both new and old arrangements will be available. The replacement of the CGT discount will be prospective, with gains accrued on existing investments prior to the start date to retain the 50 per cent discount. Investors can seek a valuation as at 30 June 2027 or use an estimate as supported by ATO tools. The 30% minimum tax on real capital gains applies to assets held by individuals, trusts and partnerships. Pre 1985 CGT assets will not be exempt, with gains from 1 July 2027 taxed.	• Superannuation funds and companies are exempt and are major beneficiaries of the changes. • Investors, especially retirees, may lean more towards investments that provide a higher proportion of income especially franked dividends. • The strategy of deferring the realisation of capital gains until after retirement will become less effective. • Individuals to consider bringing forward some capital gains before the minimum tax rate of 30% comes into effect. • Individuals will need to record the value of assets as at 1 July 2027. • Income support recipients will be exempt from the 30% tax so there is an additional bonus to qualify for a part pension or other forms of income support. • Small business CGT concessions will also continue unchanged.

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2. Taxing of Family Trust Distributions **Effective: 1 July 2028**	A minimum tax rate of 30% will apply to distributions from a discretionary trust, with some exemptions. The tax will be paid by the trustee. Beneficiaries will still need to declare the income in their tax returns, but beneficiaries, other than corporate beneficiaries, will receive non-refundable credits for the tax payable by the trustee, which can be used to offset current year income tax liabilities. Rollover relief will be provided for three years from 1 July 2027 to assist small businesses and others that wish to restructure into companies or fixed trusts. The new rules will not apply to primary production income and other trusts such as fixed trusts, income from assets of existing discretionary testamentary trusts, deceased estates and superannuation funds. The Government will consult with stakeholders on key details of this policy including the mechanism for collecting the minimum tax on trusts, how trustees use excess franking credits and details of rollover relief for restructuring.	• Consider the ongoing viability of existing family trusts. • Although non refundable, the credits may reduce the tax otherwise payable on other income. • Consider holding assets in individual or joint names. • Fixed trusts may provide an alternative vehicle to access the benefits of succession planning and asset protection. • Consider the ongoing viability of existing and future testamentary trusts.

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<tr><th>Item</th><th>Description</th><th>Impact</th></tr>
<tr>
<td>3. Restrictions on Negative Gearing for Residential Property

Effective: 1 July 2027</td>
<td>Negative gearing on residential property will be restricted to new builds that genuinely add to housing supply.

Existing arrangements will remain unchanged for all properties held as at Budget night.

Investors who buy established housing after Budget night will still be able to deduct losses against residential property income. They will be able to carry forward unused losses to future years but won't be able to deduct them against other income like wages.</td>
<td>• Gearing (and potentially negatively gearing) in other assets such as shares or commercial property is not restricted.
• The use of negative gearing as a wealth creation tool will significantly diminish.
• The demand for and hence the price paid for new builds may obtain a boost.
• The demand for and hence the price paid for existing builds may be stunted to some degree.</td>
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<tr>
<td>4. Personal Income Tax

Effective: 1 July 2026</td>
<td>This table sets out the current personal income tax rates together with the new tax rates from 1 July 2026. These changes were announced in the March 2025 Federal Budget and have since been legislated.

<table>
<tr><th>Income</th><th>2025/26</th><th>2026/27</th></tr>
<tr><td>$0 to $18,200</td><td>Nil</td><td>Nil</td></tr>
<tr><td>$18,201 to $45,000</td><td>16%</td><td>15%[1]</td></tr>
<tr><td>$45,001 to $135,000</td><td>30%</td><td>30%</td></tr>
<tr><td>$135,001 to $190,000</td><td>37%</td><td>37%</td></tr>
<tr><td>$190,001+</td><td>45%</td><td>45%</td></tr>
</table>
[1] Reducing to 14% in 2027/28.</td>
<td>• A modest reduction in the lowest marginal tax rate from 16% to 15% in 2026/27 and to 14% in 2027/28, will bring the following savings to taxpayers on incomes equal or higher than $45,000:

2026/27 $268
2027/28 An additional $268</td>
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5. Reducing Fringe Benefit Tax (FBT) Exemptions for Electric Vehicles (EVs) **Effective: 2026/27 tax year**	Reducing the FBT exemption for EVs by transitioning to a permanent 25 per cent FBT discount on eligible EVs over $75,000 from 1 April 2027 and for all eligible EVs from 1 April 2029. Eligible vehicles are those EVs under the luxury car threshold, currently $91,387.	• The move to EVs will be driven by interest in renewable energy and a move away from petrol / diesel rather than by tax incentives.
6. $250 Working Australians Tax Offset (WATO) **Effective: 2027/28 tax year**	A new tax cut for every working Australian taxpayer through the $250 WATO.	• This increases the effective tax-free threshold by nearly $1,800 to $19,985 for workers (or up to $24,985 for workers eligible for the Low Income Tax Offset). • For older Australians who are also eligible for the Seniors and Pensioners Tax Offset, the new effective tax free threshold including WATO is $38,940 for a single person or $34,726 for a member of a couple. • Sole traders will be able to utilise the tax offset. • This does not apply to individuals earning just passive income from investments.

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7. $1,000 Instant Tax Deduction **Effective: 2026/27 tax year**	Allows workers to claim $1,000 of work related deductions without providing receipts when they lodge their 2026–27 (and future) tax returns. Charitable donations and other non-work related deductions can continue to be claimed on top of the instant tax deduction, as will union or other trade, business or professional association memberships.	• This will help workers cut back on paperwork and save them time and money at tax time. • Tax savings are expected to average around $200 per person. • Eligible taxpayers may wish to submit their 2027 tax return as soon as practicable after the end of the tax year. • Expected to apply only to those showing salary or wages in their tax return (and possibly to sole traders).
8. Other Initiatives	1. Increasing the Medicare levy low-income thresholds by 2.9 per cent for singles, families, and seniors and pensioners from the 2025–26 income year. 2. Making the $20,000 instant asset write-off permanent, to support small businesses to invest. 3. Introducing two-year loss carry back for all companies up to $1 billion in turnover from 1 July 2026. 4. Introducing loss refundability to help start-ups grow in their first two years from 2028/29. Refundability will be capped at the amount of FBT and withholding tax paid on employee wages.	

Superannuation		
1. Taxation of Large Superannuation Balances (previously announced and has since become law). **Effective: Effective from the 2026/27 tax year.**	The tax on large superannuation balances (Division 296) is legislated to commence 1 July 2026. This applies an additional 15% tax on the taxable income (as adjusted) of the members balance in relation to the excess of their superannuation balance over $3m. The additional 15% tax rises to 30% for the proportion of member balances over $10m.	• Affected members should assess their marginal tax rate in super (potentially 30% or 45%) and compare to their marginal tax rate if investments were held in their own name or in a company. • Seek advice if affected as this can be complicated.
2. Other Superannuation Initiatives (including items already announced)	1. "Payday Super" commences on 1 July 2026. Employers will be required to pay superannuation on payday in a similar fashion to how salaries are currently paid. 2. The standard Transfer Balance Cap (ie pension cap) rises from $2.0m to $2.1m as does the cap for making additional Non Concessional Contributions. 3. Other caps and limits have been increased in line with indexation. For example, the Concessional Contribution Cap increases from $30,000 to $32,500 on 1 July 2026.	

Social Security		
1. Other Social Security and Aged Care Initiatives	1. Reforms to the NDIS are expected to save a total of $37.8 billion over the next four years. Failure to achieve these savings could have a significant impact on the Budget. 2. Removal of the Private Health Income Rebate for Australians aged 65 and over so that they instead rely on the lower standard rebate. 3. Securing the future of Medicare Urgent Care Clinics, with $1.8 billion over five years and ongoing funding. 4. $1 billion to fully subsidise and remove co-contributions for personal care services such as showering through the Support at Home program. 5. Investing $11.4 billion to incentivise bulk billing, with a goal of ensuring nine out of ten GP services are bulk billed by 2030.	

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Disclaimer
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