



SHERIDANS ACCOUNTANTS & FINANCIAL PLANNERS

BUILD YOUR BUSINESS & GROW YOUR WEALTH

FEDERAL BUDGET ANALYSIS

Australian Federal Budget 2026–27

A comprehensive summary of key measures, their impact on individuals and businesses, and actionable strategies to consider in response.

DELIVERED 12 May 2026

TREASURER Jim Chalmers

GOVERNMENT Albanese Labor (2nd Term)

PREPARED BY Sheridans Private Wealth

Key themes at a glance: Five rounds of income tax cuts · CGT discount replaced with inflation model · Negative gearing limited to new builds (from July 2027) · Minimum 30% tax on discretionary trusts (from July 2028) · \$1,000 instant work deduction · Permanent \$20k small business instant asset write-off · Record defence and healthcare spending · NDIS reforms saving \$37.8bn.

1

INDIVIDUALS

Income Tax Cuts & Worker Benefits

\$268

Tax saving per worker from 1 July 2026

\$536

Annual saving per worker from 1 July 2027

\$1,978

Total saving 2026–27 for avg earner (\$81,245)

\$2,816

Maximum annual saving from 2027–28

TAX RATE CHANGE — 1 JULY 2026

Lower 16% Tax Bracket

The 16% rate on \$18,201–\$45,000 drops to **15%** from 1 July 2026, then to **14%** from 1 July 2027. Every taxpayer benefits regardless of income level.

NEW OFFSET — FROM 2027–28

Working Australians Tax Offset (WATO)

A permanent annual offset of up to **\$250** for all 13M+ workers. Effective tax-free threshold rises to **\$19,985** (up to \$24,985 with LITO). 97% receive the full amount.

NEW DEDUCTION — FROM 2026–27

\$1,000 Instant Tax Deduction

Workers can claim a **\$1,000 deduction without receipts**. 6.2M workers benefit; average saving of \$205. Keep records if work-related expenses exceed \$1,000.

Income Level	Combined Annual Saving (from 2027–28)	Notes
\$40,000	~\$1,529 + WATO \$250	Includes 3 rounds of prior cuts
\$70,000	~\$1,965 + WATO \$250	+ up to \$224 from instant deduction
\$81,245 (avg)	\$2,496 + WATO \$250	\$2,816 with max deduction benefit
\$120,000+	Up to \$536 + WATO \$250	Deduction benefit depends on actual expenses

Long-term outlook: An average earner is projected to pay up to \$38,977 less tax over 2024–25 to 2036–37 relative to 2023–24 settings — across five rounds of cuts.

2

PROPERTY & INVESTMENT

CGT, Negative Gearing & Housing

⚠ Significant Change: CGT and negative gearing reforms are the most consequential structural changes for property investors. Grandfathering applies to pre-Budget night holdings — urgent review recommended.

CGT REFORM — FROM 1 JULY 2027	NEGATIVE GEARING — FROM 1 JULY 2027	HOUSING SUPPLY
<p>Capital Gains Tax Discount Replaced</p> <p>The 50% CGT discount is replaced with an inflation-adjusted discount and a minimum 30% tax rate on gains. Only post-July 2027 gains are affected. New build investors may choose either model.</p>	<p>Limited to New Builds Only</p> <p>Losses offset against other income only for new builds purchased after Budget night. Established properties: losses only offset rental income and carry forward — not claimable against wages.</p>	<p>\$2B Local Infrastructure Fund</p> <p>New \$2B fund for housing-enabling infrastructure. Supports up to 65,000 new homes. Foreign buyer ban on established homes extended to mid-2029.</p>

Scenario	Old Treatment	New Treatment (post July 2027)
Property held before Budget night	50% CGT discount; full negative gearing	Grandfathered — no change
Established property bought after Budget night	50% CGT; full negative gearing	Inflation-adjusted CGT; losses only offset rental income
New build purchased after Budget night	50% CGT; full negative gearing	Choice of 50% or new model; full negative gearing retained

3

BUSINESS & STRUCTURES

Trusts, Small Business & Corporate Tax

DISCRETIONARY TRUSTS — FROM 1 JULY 2028	SMALL BUSINESS — PERMANENT FROM JULY 2026	COMPANIES — FROM 2026–27
<p>Minimum 30% Tax on Trust Distributions</p> <p>A minimum 30% tax applies to discretionary trust distributions from July 2028. Three-year rollover relief from July 2027 for restructuring. Significantly impacts income splitting strategies.</p>	<p>\$20,000 Instant Asset Write-Off</p> <p>Made permanent for businesses with turnover under \$10M. Each asset must cost under \$20,000. Estimated ~\$890M cash-flow improvement over five years.</p>	<p>Loss Carry-Back Reintroduced</p> <p>Eligible companies can carry losses back to receive a refund against tax paid in the prior two years. Benefits up to 85,000 companies, mostly small businesses.</p>

<p>START-UPS — FROM 2028–29</p> <p>Loss Refundability</p> <p>New companies in their first two years can receive a refund for losses up to the value of FBT and PAYG withholding on wages. Up to 25,000 companies per year.</p>	<p>PAYG — FROM 1 JULY 2027</p> <p>Flexible PAYG Instalments</p> <p>Businesses can opt into monthly PAYG instalments. Dynamic ATO pilot expanded using business software for more accurate calculations and better cash flow.</p>	<p>R&D — FROM 1 JULY 2028</p> <p>Improved R&D Tax Incentive</p> <p>Core R&D offset increased by ~25–50%. Refundable offset threshold rises to \$50M turnover. Maximum expenditure cap increased to \$200M.</p>
---	---	---

Trust Restructure Window: The three-year rollover relief from 1 July 2027 is a critical opportunity. Clients with discretionary trusts should begin reviewing structures now to determine whether restructuring ahead of the 30% minimum tax is appropriate.

4

FUEL, EVS & TRANSPORT

Fuel Excise Relief & Electric Vehicle FBT

<p>TEMPORARY — APRIL TO JULY 2026</p> <p>Fuel Excise Cut</p> <p>Excise cut from 52.6c to 20.6c per litre for three months from 1 April 2026. Saves ~\$14 per 40L fill. Total package: \$2.9B. ACCC provides weekly price reporting.</p>	<p>EV FBT CHANGES</p> <p>EV Exemption Transitioning</p> <p>EVs under \$75,000 retain full FBT exemption if arrangements commence before 1 April 2029. EVs over \$75,000 move to a 25% FBT discount from 1 April 2027. All eligible EVs to 25% from 1 April 2029.</p>	<p>BUSINESS ATO RELIEF</p> <p>Temporary Tax Relief to 30 June 2026</p> <p>Payment plans, interest remission and PAYG variation for eligible businesses. Debt collection may be paused in worst-affected industries until 30 June 2026.</p>
---	---	--

5

HEALTHCARE & SOCIAL PROGRAMS

Medicare, NDIS, Aged Care & PBS

<p>PBS — ONGOING</p> <p>\$5.9B in New PBS Medicines</p> <p>New treatments for cystic fibrosis, chronic kidney disease and cancers. COVID-19 oral antivirals permanently subsidised. RSV vaccine listed on the National Immunisation Program.</p>	<p>HOSPITALS</p> <p>Record \$220.3B Hospital Funding</p> <p>Additional \$25B for public hospitals over five years. 137 Medicare Urgent Care Clinics made permanent with \$1.8B. Bulk billing target: 9 in 10 GP services by 2030.</p>	<p>NDIS REFORM</p> <p>\$37.8B in NDIS Savings</p> <p>Reforms to eligibility, plan management and fraud prevention. \$2B Thriving Kids foundational supports program established alongside NDIS.</p>
<p>AGED CARE — \$3.7B PACKAGE</p> <p>More Beds & Home Care Packages</p> <p>\$1.7B to incentivise up to 5,000 aged care beds per year. \$1B to fully subsidise personal care through Support at Home. \$389.8M to accelerate package releases.</p>	<p>FAMILY PAYMENTS</p> <p>6 Months PPL from July 2026</p> <p>Government-funded Paid Parental Leave increases to a full six months from July 2026. 3 Day Guarantee entitles eligible families to three days of subsidised childcare per week.</p>	

6

MACRO & NATIONAL INVESTMENT

Defence, Infrastructure & Economic Outlook**\$53B**

Additional defence spending over 10 years

\$120B+

Infrastructure pipeline over 10 years

\$10.2B

Regulatory burden reduction per year

\$36.8B

Projected deficit (MYEFO forecast)

Key macro measures include a domestic gas reservation (20% of LNG export volumes reserved for Australian users from July 2027), a Critical Minerals Strategic Reserve, \$70M in AI Accelerator grants, energy market modernisation, and abolition of a further 497 tariffs saving businesses \$157M per year.

7

ACTION PLAN

Recommended Client Strategies

The following strategies are general in nature and are suggested discussion points only. Suitability depends on your individual circumstances — please contact us before acting.

ACT NOW — BEFORE BUYING**1. Review Property Investment Decisions Before Purchasing Established Homes**

Any established residential property purchased after Budget night (12 May 2026) will no longer receive full negative gearing benefits against other income from 1 July 2027. Clients considering property investment should model the post-July 2027 tax position carefully. New builds retain full negative gearing and may offer CGT flexibility.

ACT NOW / 2026–27 RETURN**2. Claim the \$1,000 Instant Work Deduction — Keep Records if Expenses Exceed \$1,000**

The instant deduction applies from the 2026–27 tax return without receipts. If work-related expenses are expected to exceed \$1,000, continue keeping records to claim the higher actual amount. Those with under \$1,000 in expenses benefit from zero record-keeping compliance.

ACT BEFORE 1 APRIL 2029**3. Secure EV Novated Lease Arrangements While Full FBT Exemption Applies**

EVs under \$75,000 retain a full FBT exemption if arrangements commence before 1 April 2029. Initiate salary packaging arrangements well before this date. For vehicles over \$75,000, the shift to a 25% discount occurs earlier — from 1 April 2027.

PLAN IN 2026–27**4. Review Discretionary Trust Structures Before the 2028 Minimum Tax**

The 30% minimum tax on discretionary trust distributions takes effect from 1 July 2028, with rollover relief available from 1 July 2027 for three years. Clients using trusts for income splitting should model the impact and consider restructuring into alternatives during the relief window.

PLAN IN 2026–27**5. Small Businesses: Combine Loss Carry-Back with Instant Asset Write-Off**

From 2026–27, small businesses can combine the permanent \$20,000 instant asset write-off with reintroduced loss carry-back. A business investing in assets that creates a tax loss in 2026–27 can carry that loss back to reclaim tax paid in prior years — a powerful cash-flow opportunity.

PLAN AHEAD — 2026 TO 2027**6. Consider New Build Investment Properties to Retain Negative Gearing Benefits**

Investors wanting to maintain full negative gearing after 1 July 2027 should focus on new construction. New build investors also have the choice to elect the 50% CGT discount or the new inflation-indexed arrangement — providing flexibility depending on expected hold period and capital gain profile.

MEDIUM-TERM PLANNING**7. Maximise Superannuation Contributions Given the Changing CGT Landscape**

With CGT on assets held outside super becoming less advantageous from 2027, the superannuation environment (where capital gains are taxed at 10% for assets held over 12 months) becomes relatively more attractive. Review concessional and non-concessional contribution strategies before caps are reached.

MEDIUM-TERM PLANNING**8. Assess Whether Realising Capital Gains Before 1 July 2027 Is Beneficial**

For assets with significant unrealised gains held outside superannuation, consider whether triggering a CGT event under the current 50% discount before 1 July 2027 is preferable. This analysis depends on asset type, hold period, expected future growth and marginal tax rate — individual modelling is essential.

ONGOING**9. Start-Up Founders: Note Loss Refundability Available from 2028–29**

New companies in their first two years from 2028–29 can receive refunds for tax losses up to the value of FBT and PAYG withholding paid on wages. Structure and timing of incorporation will matter — discuss with us when planning a new business launch.

8

QUICK REFERENCE

Key Implementation Dates

Date	Measure	Who is Affected
1 April 2026 (active)	Fuel excise cut to 20.6c/litre (3 months)	All motorists, transport businesses
1 July 2026	Tax rate: 16% to 15% on \$18,201–\$45,000	All individual taxpayers
1 July 2026	\$1,000 instant work deduction (no receipts required)	All workers
1 July 2026	\$20,000 instant asset write-off made permanent	Small businesses (turnover under \$10M)
1 July 2026	Paid Parental Leave extended to 6 months	New parents
2026–27 (FY)	Loss carry-back reintroduced	Eligible companies
1 April 2027	EV FBT 25% discount for vehicles over \$75,000	Employers with EV salary packaging
1 July 2027	CGT discount replaced with inflation model + 30% min tax	Investors selling assets
1 July 2027	Negative gearing limited to new builds only	Residential property investors
1 July 2027	Trust restructure rollover relief commences (3 years)	Discretionary trust holders
1 July 2027	Tax rate: 15% to 14% on \$18,201–\$45,000	All individual taxpayers
2027–28	Working Australians Tax Offset (\$250) permanent	All 13M+ Australian workers
1 July 2028	Minimum 30% tax on discretionary trust distributions	Discretionary trust beneficiaries
2028–29	Loss refundability for new start-ups	Companies in first 2 years of operation
1 April 2029	Full EV FBT exemption ends (25% discount for all EVs)	Employers with EV salary packaging



General Advice Warning

General Advice Only: This document has been prepared by Sheridans Private Wealth and contains general advice only. It has been prepared without taking into account your personal objectives, financial situation or needs. Before acting on any information, consider whether it is appropriate to your circumstances.

Personal Advice: You should read any relevant Product Disclosure Statement and seek personal financial advice from a licensed and qualified financial adviser before making any investment or financial planning decisions. The strategies outlined are illustrative only and are not a recommendation to act.

Legislative Risk: Tax laws and budget measures are subject to legislative passage and may change. Individual tax outcomes vary significantly. Always obtain personalised, current advice before acting.

Accuracy: All figures sourced from budget.gov.au (accessed 13 May 2026). While every care has been taken, Sheridans Private Wealth does not warrant the completeness or accuracy of the information and accepts no liability for any loss arising from reliance on this material.