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Federal Budget 2026-27

Balancing today's pressures
against tomorrow's future

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Economic overview

Snapshot

The Federal Treasurer handed down the 2026-27 Budget on 12 May 2026 framed around a package of savings initiatives, tax reform, productivity and investment. The Budget partially delivered on those worthy goals but ultimately fell short of fully realising big reform ambitions.

Tax reforms in the Budget included changes to the capital gains tax discount, negative gearing, and the taxation of discretionary trusts, while introducing a modest income tax offset worth up to $250 per worker. The increased appetite for change is a step in the right direction, but the package is far from the scale needed to be counted as ambitious tax reform.

The Treasurer's focus on spending constraint will deliver $63.8 billion in gross savings over the forward estimates. But it is net savings, rather than gross savings, that is the ultimate test of fiscal discipline. And on this measure, the Budget underperformed. After accounting for new spending commitments, policy decisions reduced spending by only $1.2 billion over the forward estimates but managed to substantially add to spending in the near term.

Overall, Australia's medium-term budget outlook, despite an improvement, still needs work. The underlying cash deficit is forecast to be $31.5 billion in 2026-27, or 1.0% of gross domestic product (GDP). The headline deficit is expected to reach $64.1 billion. Net debt is projected to rise from 18.8% of GDP in 2025-26 to 21.9% in 2029-30.

Economic pain, budget gain

The 2026-27 Budget has been delivered at a time of heightened economic uncertainty. Conflict in the Middle East has disrupted energy flows, lifted input costs, and added to inflationary pressures, while undermining the outlook for global growth. Even before the conflict, inflation in Australia had started to re-accelerate as demand outpaced a sluggish supply-side expansion late last year.

The inflation resurgence has prompted a sharp return to monetary tightening, with the Reserve Bank of Australia (RBA) hiking rates three times already this year. Household consumption, business investment and broader economic growth are all expected to weaken as a result. The economic forecasts in the Budget show real GDP growth slowing from 2.25% in 2025-26 to 1.75% in 2026-27, and real wages slipping substantially in 2025-26.

The stagflationary combination of higher inflation and weaker growth poses a substantial challenge for the coherence of fiscal and monetary policy. On balance, this Budget will be modestly inflationary in the near term. The combination of new policy decisions and economic developments is expected to see government spending growth lift to 5.3% in 2026-27, compared to the 3.1% projected in the 2025-26 Mid-Year Economic and Fiscal Outlook (MYEFO).

Resurgent inflation grows the pie

While high inflation is a drag on household budgets, it is good news for the Federal Budget, where the tax take is closely tied to the nominal economy. When prices rise, the overall economic 'pie' grows, typically lifting tax receipts even if real activity slows.

The 2026-27 Budget projects nominal GDP growth to improve to 6.75% in 2025-26 and 4.25% in 2026-27, well above the forecasts in the 2025-26 MYEFO released in December 2025, although growth has been downgraded in later years.

The forecasts suggest the nominal economy will be $43.0 billion larger in 2025-26 and $78.0 billion larger in 2026-27, compared to MYEFO, but still ends up $9.0 billion smaller by 2029-30 which reflects the medium-term growth challenges facing Australia's supply-constrained economy.

Another revenue surprise

In net terms, global disruptions to energy markets are expected to boost the Federal Budget. Compared to the forecasts in the 2025-26 MYEFO, 'parameter variations' – changes to the budget caused by updated economic conditions and forecasts, rather than policy decisions – have added $27.6 billion in receipts over the four years to 2029-30. Higher prices for Australia's commodity exports, combined with higher inflation across the economy, drive the revenue windfall.

On the policy front, the halving of the fuel excise will reduce receipts by $2.9 billion in 2025-26. Reforms to capital gains tax (CGT) and negative gearing are forecast to add $3.6 billion in receipts over four years, while the minimum tax on discretionary trusts will add $4.5 billion. The Budget also introduced the $250 Working Australians Tax Offset, expected to reduce receipts by just over $3 billion a year in 2028-29 and 2029-30. Overall, policy decisions have increased receipts by $2.2 billion in 2026-27 and $12.3 billion over four years.

Unfortunately for the bottom line, parameter variations are also expected to add $4.7 billion to payments over the next four years, primarily driven by higher prices, wages and unemployment benefits.

Despite the Treasurer's emphasis on gross savings of $64 billion, the 2026-27 Budget contains substantial new spending, including an additional $14 billion for Defence over the forward estimates.

Overall, both policy decisions and parameter variations have seen payments revised up by $3.5 billion over the four years to 2029-30, while receipts have been revised $39.9 billion higher, resulting in an improvement in the underlying cash balance.

While global conflict is still helping the Budget, the impact is nowhere near as large as the windfalls received in the Government's first term.

Front loaded spending, slow burn savings

The Government unveiled $63.8 billion in gross savings over the forward estimates, largely driven by long overdue changes to the NDIS. That decision alone is expected to reduce payments by a total of $37.8 billion over the forward estimates.

While the scale of gross savings is significant, what matters to the bottom line is net savings, after accounting for the cost of new policy decisions.

On this basis, the Budget performs less convincingly. Policy decisions have reduced spending by just $1.2 billion over the forward estimates. These savings are heavily skewed toward the latter years of the forward estimates and continue to build into the years beyond. That mismatch means fiscal settings will continue to stimulate demand – and inflation – over the coming year, at a time where inflation is already too high.

A welcome change of pace

Deloitte Access Economics has long called for meaningful tax reform to tackle Australia's structural deficits, unlock higher productivity and improve intergenerational equity.

This Budget marked a welcome change of pace in the pursuit of difficult reform. The tax package included a return to the indexation mechanism for discounting capital gains, an end to negative gearing of investment properties (excluding new builds, and grandfathered to exclude existing investments), and a higher tax rate on trusts. Productivity focused policies included making permanent the $20,000 instant asset tax write-off for small businesses, as well as the re-introduction of loss carry back provisions and changes to the R&D tax incentive.

The renewed appetite for change is welcome, and the proposals are generally sensible. But the package does not go far enough to be counted as ambitious tax reform. The new CGT discount will be slow to generate material revenue upgrades, while the package as a whole lacks the structural changes required to reduce Australia's costly reliance on income taxes in place of a more efficient tax base.

More substantial reform will ultimately be needed to fix Australia's productivity challenge, including shifting the tax mix from income and investment and towards more efficient consumption-based taxes, including through a higher and broader GST.

The dire state of Australia's economic outlook means the need for serious reform has only grown larger in recent months. A decade of lost productivity growth has left the economy unable to support even relatively modest growth, as was evident in the second half of 2025.

The scale of Australia's economic growth challenge means more ambitious tax reform is critical.

The bottom line(s)

Overall, an underlying cash deficit of $31.5 billion is forecast for 2026-27. That represents a modest $2.8 billion improvement compared to the 2025-26 MYEFO forecasts produced in December last year.

While deficits are still projected across the forward estimates, the forecast underlying cash balance is a cumulative $36.4 billion smaller between 2026-27 and 2029-30, primarily owed to a windfall revenue gain of $27.6 billion over the same period.

But the underlying cash deficit does not tell the full picture of Australia's fiscal position. Recent years have seen more and more spending move 'off-budget' – a category that has expanded far beyond its original intentions over time. This is why it's critical to assess Australia's headline cash balance, which includes 'off-budget' spending. The headline cash deficit is expected to be $64.1 billion in 2026-27, a $1.4 billion increase from MYEFO, even though the underlying cash balance has improved.

Structural imbalance

The gap between the headline and underlying cash balances has widened substantially in recent years, and they are now further apart than ever. While on-budget, off-budget trickery can obscure the budget debate at a political level, there is really only one measure that taxpayers need to form a robust view on the sustainability of Australia's finances: net debt.

The 2026-27 Budget projects net debt to rise from 18.8% of GDP in 2025-26 to 21.9% by 2029-30, signaling a weaker budget position over the forward estimates.

Even so, net debt has been revised down since the 2025-26 MYEFO over the medium term, suggesting that savings and reform efforts are expected to make a difference.

Next steps

Overall, the 2026-27 Budget delivered an encouraging first step for politically difficult tax reforms and savings measures. These two objectives had been on the backburner for far too long, and the mindset shift will hopefully lead to more ambitious economic reforms in coming years.

There is plenty more to do. The Budget still contains an excess of spending that is either unnecessary or poorly designed. Fringe benefits tax exemptions for electric vehicle leases, although slowly being eased back, are a clear example of the fiscal frivolity that should have been stamped out.

Tax reform has also barely scratched the surface. While the measures in this Budget are a start, they fall short of the broader reforms needed to fix the budget's structural deficits and make sure the tax system does less damage to Australia's economic growth prospects.

In the wake of five years defined by big economic shocks, the value in shoring up Australia's budget position is obvious. It's critical that the government has the fiscal capacity to respond flexibly to the challenges Australia will face in the future.

The conversation about economic reform has intensified over the past year. It's critical that this is only the start of the Government's renewed appetite for change.

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Individuals

Key announcements

No further individual tax cuts announced

Government will introduce a new $250 Working Australians Tax Offset

Negative gearing will be limited to new residential buildings from 1 July 2027

The 50 percent CGT discount for individuals and trusts will be replaced with cost base indexation and a 30 percent minimum tax rate on capital gains

A minimum tax of 30 percent on distributions from discretionary trusts will apply from 1 July 2028

Personal taxation

Modest tax cuts from 1 July 2026

As previously announced in the 2025-26 Federal Budget, the Government will provide modest tax cuts for resident taxpayers from 1 July 2026. The rate applicable to the income band from $18,201-$45,000 will decrease by 1 percent from 1 July 2026 and a further 1 percent from 1 July 2027 as shown below.

Income range ($)	Rates in 2025-26 (percent)	Rates in 2026-27 (percent)	Rates in 2027-28 (percent)
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
> 190,000	45	45	45

The Government will also increase the Medicare levy low-income thresholds by 2.9 percent from 1 July 2025.

Working Australians Tax Offset

The Government will introduce a new permanent $250 Working Australians Tax Offset (WATO) from the 2027–28 income tax year. The WATO will be available automatically after lodgement of the income tax return. It will be available to Australian resident individuals for their income derived from work such as salaries and wages and business income from sole traders.

It will increase the effective tax-free threshold by nearly $1,800 to $19,985 (or up to $24,985 for workers eligible for the Low Income Tax Offset).

Foreign Investment - extending the ban on foreign purchases of established dwellings

The Government will extend the temporary ban on foreign purchases of established residential dwellings by two years and three months until 30 June 2029. The ban was originally implemented for two years from 1 April 2025.

Current limited exceptions to the ban for purchases of established dwellings that support housing supply will continue. General exemptions from foreign investment screening will also continue to apply for purchases of established dwellings, including for permanent residents and New Zealand citizens.

Broader tax reform initiatives affecting individuals and other entities

Changes to capital gains tax

CGT discount

Currently the CGT discount is broadly set at the following rates:

Entity	Rate (percent)
Individual	50
Superannuation fund	33.3
Company	0
Trust	50

From 1 July 2027, the 50 percent CGT discount will be replaced by cost base indexation for assets held for more than 12 months. Indexation will be calculated using CPI in a similar manner to arrangements previously in place between 1985 and 1999.

Applicable CGT assets/entities

These changes will apply to all CGT assets including pre-20 September 1985 CGT assets held by individuals and trusts. There are no changes to the taxation settings for superannuation funds.

Minimum tax rate

A minimum tax rate of 30 percent will apply to net capital gains accruing from 1 July 2027. The Government considers that the introduction of the minimum tax reduces the benefit of taxpayers deferring capital gain realisation to years where their marginal tax rates are low.

Recipients of means-tested income support payments, such as the Age Pension or JobSeeker, will be exempt from the minimum tax.

The following example has been provided in the Budget paper documents:

> Jack has a taxable income before capital gains of $25,000 in 2029–30 and realises a capital gain of $10,000 on an asset that he purchased in 2027–28. Jack does not receive an income support payment so is not exempt from the minimum tax.
>
> The tax on Jack's capital gain of $10,000 is $1,400, or a tax rate of 14 percent (excluding the Medicare levy). As this is lower than 30 percent, Jack pays an additional $1,600 in tax to bring the tax rate on his capital gain up to 30 percent. Jack may have tax offsets available to reduce the minimum tax and would be exempt from the minimum tax if he received an income support payment in that year.

Transitional arrangements – new residential properties
To maintain incentives for new housing supply, investors in new residential properties will be able to choose either:

- The 50 percent CGT discount; or
- Cost base indexation and the minimum tax.

It is unclear whether the transitional arrangements apply to housing purchased before and/or after 1 July 2027 which meets the definition of new housing supply.

Transitional arrangements – discount
For eligible CGT assets other than new residential properties:

- There will be no changes in arrangements for assets purchased and sold prior to 1 July 2027.
- Assets purchased after 1 July 2027 will be treated wholly under the new arrangements.
- Assets owned prior to 1 July 2027 and sold after 1 July 2027 will be treated under current arrangements on gains made prior to this date, and under the new arrangements for gains made after this date (with no impact until gains are realised).
  - The 50 percent CGT discount will apply to the difference between the asset's cost base and its value at 1 July 2027.
  - Indexation and the minimum tax will be used to calculate the CGT on gains accruing from 1 July 2027 (using the asset's value at 1 July 2027 as the asset's cost base).
- Capital gains on pre-20 September 1985 CGT assets arising before 1 July 2027 will remain exempt from CGT.

Market valuations at 1 July 2027
An asset's value at 1 July 2027 will be determined as part of the tax return in the year the asset is realised. Taxpayers can either:

- Seek a valuation of the asset as at 1 July 2027, which will include using quoted prices for assets such as shares; or
- Use a specified apportionment formula that estimates the asset's value on 1 July 2027, based on its growth rate over the asset's holding period. The ATO will provide tools to estimate this value for taxpayers.

Deloitte comment

The CGT discount interacts with many other provisions within the Income Tax Assessment Acts. The removal of the discount coupled with the minimum 30 percent tax rate is likely to affect investors investment choices, structures and transaction timetables.

Changes to negative gearing

Under the current tax framework, negative gearing allows losses from investments (typically due to financing costs such as interest) to be used to reduce other forms of taxable income, such as salary and wages.

From 1 July 2027, losses from established residential properties will only be deductible against rental income or the capital gains from residential properties. Excess residential property losses will be carried forward and will be offset against residential property income or gains in future years.

Eligible new builds are exempt from this change and can continue to be negatively geared before and after 1 July 2027. Eligible new build investors will still be able to use losses to reduce other taxable income such as salary and wages.

These changes will apply to established residential properties acquired from 7:30PM (AEST) on 12 May 2026.

Which types of assets are affected?

Changes to negative gearing will only apply to residential property. Commercial property and other asset classes, such as shares, will remain subject to existing arrangements.

What are eligible new builds?

Eligible new builds are residential properties which "genuinely add to supply". This will include dwellings constructed on vacant land, or where existing properties are demolished and replaced with a greater number of dwellings.

Eligible new builds include:

- A newly constructed apartment bought off-the-plan;
- A duplex constructed through a knock-down rebuild replacing a single, free-standing house;
- Any residential construction on previously vacant land; or
- A newly built property which is occupied for less than 12 months before being first sold.

Not an eligible new build:

- An established property that has recently been extended to add additional bedrooms;
- A free-standing house constructed through a knock-down rebuild replacing an older, smaller free-standing house;
- A granny flat built adjacent to an established property; or
- A newly built property which is occupied for more than 12 months before being sold to a subsequent investor.

Who does it apply to?

These changes will apply to individuals, partnerships, companies and most trusts. Widely held trusts (for example, most managed investment trusts) and superannuation funds (including SMSFs) will be excluded.

Further exclusions will also be available for private investors who support government housing programs, for example, through the provision of affordable housing.

Transitional arrangements

The transitional arrangements applicable to established residential properties are summarised in the table below:

Timing of property purchase	Negative gearing allowed?	Treatment
Held at announcement (including contracts entered into but not yet settled)	Yes	Negative gearing **allowed** indefinitely (until disposal), preserving investment decisions based on existing rules
Purchased between announcement date and 30 June 2027	Partially	Negative gearing **allowed** up to 30 June 2027; **disallowed** from 1 July 2027 onwards
Purchased from 1 July 2027	No	Negative gearing **disallowed**

Introducing a minimum tax on discretionary trusts

From 1 July 2028, trustees will pay a minimum tax of 30 percent on the taxable income of discretionary trusts.

The minimum tax will not apply to:

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

Some types of income such as primary production income, certain income relating to vulnerable minors, amounts to which non-resident withholding tax applies, and income from assets of discretionary testamentary trusts existing at announcement will also be excluded.

Individuals and non-corporate beneficiaries will receive a non-refundable tax credit for tax payable by the trustee.

Corporate beneficiaries will not be eligible to receive the credit, and will be assessed based on the trust income which they are entitled. This will effectively result in double taxation.

Trustees that receive franked dividends will be required to use their franking credits to pay the minimum tax (that is, the minimum tax will flow to beneficiaries rather than franking credits, which would be refundable).

The Government will also provide expanded rollover relief for three years from 1 July 2027 to support small businesses and others that wish to restructure out of discretionary trusts into another entity type, such as a company or a fixed trust. This will provide expanded relief from income tax consequences, including capital gains tax, for those who choose to restructure, and will be available for three years from 1 July 2027.

There are significant uncertainties as to how the new measures will work in practice. Key aspects of the changes will be finalised following consultation with stakeholders. As well as the mechanism for collecting the minimum tax, stakeholder views will also be sought on how the trustee uses franking credits that exceed the minimum tax liability, and on the rollover relief provided to support restructuring.

Deloitte comment

The measure aims to ensure that discretionary trust distributions are taxable at a minimum tax of 30 percent irrespective of the tax rate of the beneficiary. This will reduce the attractiveness of trusts as a tax planning vehicle.

Where a trust is already distributing to non-corporate beneficiaries with a tax rate of 30 percent or higher, there will be no overall increase in tax paid.

Superannuation

The Budget contained no new measures of significance this year with respect to superannuation.

Superannuation funds are exempted from changes to the CGT discount and will continue to enjoy a 33.3 percent capital gain discount on assets held for more than 12 months. The minimum 30 percent tax rate on net capital gains will also not apply to superannuation funds.

Properties held in superannuation funds will also be excluded from the announced changes to negative gearing.

The announced minimum tax on discretionary trusts will also not apply to complying superannuation funds.

Immigration

Focus on high-skilled, better qualified migrants with onshore prioritisation

The Permanent Migration program is to be set at 185,000 with over 70 percent (132,240 places) allocated to the Skill Stream. Onshore migrants will be prioritised, with 129,590 places allocated to migrants already living in Australia, with an additional 300 places allocated to Special Eligibility. The remaining 55,110 offshore places will predominantly be allocated to high-skilled migration that helps address Australia's long-term skill needs.

The permanent migration points test is to be reformed to select better educated, higher-skilled and younger migrants overall and to better identify migrants who drive productivity and Australia's long-term prosperity.

Net overseas migration is forecast to be 225,000 in 2028-29 and 2029-30.

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Business taxes

Key announcements

The Pillar Two side-by-side package is to be implemented and will apply from 1 January 2026

Replacement of the 50 percent CGT discount with cost base indexation and a 30 percent minimum tax on net capital gains from 1 July 2027

Reforms to negative gearing for residential property from 1 July 2027

A minimum tax of 30 percent on distributions from discretionary trusts will apply from 1 July 2028

Making the $20,000 instant asset write-off for small businesses permanent from 1 July 2026

Delivering a permanent two-year loss carry back for all companies with less than $1 billion in aggregated global annual turnover from 1 July 2026

Introducing loss refundability to support small start up businesses invest and grow in their first two years of operation from 1 July 2028

Expanding tax incentives for venture capital

Phased reductions to the electric vehicle Fringe Benefits Tax discount

Reforming the Research and Development Tax Incentive

Changes to the capital gains tax regime, negative gearing and trusts

The Government has announced extensive changes to the capital gains tax regime, negative gearing of residential property and taxation of discretionary trusts. For further detail on these announced changes, please refer to the *Individuals* chapter.

International taxation developments

Global Anti-Base Erosion Rules (Pillar Two) Side-by-Side Package Implementation

The Government will amend Australia's global and domestic minimum tax legislation to implement the side-by-side package agreed by the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting on 5 January 2026.

The amendments will ensure Australia's global minimum tax rules are consistent with those of other implementing jurisdictions.

The side-by-side package will apply from 1 January 2026.

Small and medium business tax measures

Instant asset write-off to be made permanent

From 1 July 2026, the Government will permanently extend the $20,000 instant asset write-off for small businesses with turnover up to $10 million.

Assets valued at $20,000 or more can continue to be placed into the small business simplified depreciation pool.

The provisions that prevent small businesses from re-entering the simplified depreciation regime for five years after opting out will continue to be suspended until 30 June 2027.

Dynamic PAYG instalments

The Government will provide $10.9 million to the ATO to expand its pilot of dynamic pay as you go (PAYG) instalment calculations and expand access to monthly payments.

From 1 July 2027, small and medium businesses will be allowed to change their PAYG instalments when business conditions change to better reflect real time business activity, by:

- Opting in to reporting and paying PAYG instalments monthly; and
- Opting in to dynamic PAYG instalment calculations i.e. using an ATO-approved calculation embedded in accounting software to calculate and vary their instalments.

Taxpayers with a demonstrated history of non-compliance will be required to report and pay PAYG instalments monthly.

Innovation

Reforms to the Research and Development Tax Incentive

The Government has implemented some of the recommendations from the Ambitious Australia: Strategic Examination of Research and Development final report by making some significant changes to the R&D Tax Incentive (R&DTI).

From 1 July 2028, the Government will:

- Increase the R&D premium by 4.5 percentage points, applied to all current R&D offset rates;
- Reduce the R&D intensity threshold from 2 percent to 1.5 percent of Total Expenses;
- Remove eligibility for Supporting R&D Activities for the R&DTI;
- Increase the turnover threshold for accessing the refundable R&D tax offset from $20 million to $50 million;
- Limit access to the refundable tax offset to firms under 10 years of age;
- Lift the maximum R&DTI expenditure cap from $150 million to $200 million; and
- Lift the minimum expenditure threshold from $20,000 to $50,000 for amounts not spent with registered Research Service Providers or Cooperative Research Centres.

The proposed changes can be summarised as follows:

	Current	Post 1 July 2028
'SME' R&D tax offset		
Turnover threshold	Less than $20 million turnover	Less than $50 million turnover
R&D premium	18.5% refundable	23% (refundable or non-refundable)
Eligibility for refund	-	Entities less than 10 years old
'Large business' R&D tax offset		
Turnover threshold	Turnover of $20 million or more	Turnover of $50 million or more
Tier 1 R&D premium	8.5%	13%
Tier 2 R&D premium	16.5% (avail. where intensity >2%)	21% (avail. where intensity >1.5%)
All claimants		
Eligible activities	Core and supporting R&D activities	Core R&D activities only
Minimum expenditure	$20,000	$50,000
R&D expenditure cap	$150 million	$200 million

The Government has also stated that ATO will undertake additional targeted compliance activities over the two years from 2026-27 to further address fraud in the system, including in relation to the R&DTI.

The proposed changes are expected to result in a saving from the program of $650 million over the forward estimates, with the majority of this saving reflected in the 2029-30 year. Significantly, based on Government data from 2023-24, excluding expenditure relating to Supporting R&D activities impacts approximately 29 percent of claimed R&D expenditure. It is expected this results in a structural reduction in the cost of the R&DTI to the budget.

Expanding venture capital tax incentives

For years commencing on or after 1 July 2027, the Government will expand the venture capital tax incentives to better facilitate venture capital investment and support early stage and growth businesses, by increasing relevant thresholds. The increases will apply to new and existing funds and to new investments they make, including where funds make further investments in businesses already held. Early stage venture capital limited partnerships (ESVCLP) must remain in compliance with their existing investment plans or seek approval for a replacement plan.

The proposed changes can be summarised as follows:

Item	Existing	New
Venture capital limited partnership (VCLP) cap on the asset size of the investee business at the time of investment	$250 million	$480 million
ESVCLP cap on the asset size of the investee business at the time of investment	$50 million	$80 million
The ESVCLP tax incentive cap on the asset size of the investee business, at which investment returns can be fully exempt	$250 million	$420 million
The maximum fund size of ESVCLPs	$200 million	$270 million

The eligible venture capital investor program, which provides benefits including CGT exemptions to foreign eligible investors on eligible investments, will be closed to new applications from 7.30PM (AEST) 12 May 2026. Existing applications remain valid.

Treasury and the Department of Industry, Science and Resources will jointly undertake a departmental impact assessment of these programs in 2032–33 to ensure that they remain well-targeted and appropriate.

This measure forms part of the first stage of the Government's response to the Ambitious Australia: Strategic Examination of Research and Development final report.

Loss carry back for companies with less than $1 billion aggregated annual global turnover

For tax years commencing on or after 1 July 2026, companies with aggregated annual global turnover of less than $1 billion will be able to carry back a tax loss, incurred in the 2026-27 income year (and onwards) and offset it against tax paid up to two years earlier. Loss carry back will apply to revenue losses only and will be limited by a company's franking account balance.

Loss refundability reforms for small start-ups

For tax years commencing on or after 1 July 2028, the Government will also introduce loss refundability for small start-up companies. Start-up companies with aggregated annual turnover of less than $10 million that generate a tax loss in their first two years of operation will be able to utilise the loss to generate a refundable tax offset. The offset will be limited to the value of fringe benefits tax and withholding tax on wages paid in respect of Australian employees in the loss year.

Fringe Benefits Tax

Phased changes to the electric vehicle FBT discount

On 5 May 2026, the Government released their statutory review of the zero emission vehicle (ZEV) FBT discount and announced changes to the discount. Existing leases will not be impacted by the changes.

The changes will be implemented in three phases and is summarised in the table below:

Period	Vehicle type	Exemption
Up to 31 March 2027	ZEVs up to the Luxury Car Tax (LCT) threshold*	Full FBT exemption
1 April 2027 to 31 March 2029	ZEVs ≤ $75,000	Full FBT exemption
	ZEVs > $75,000 and < LCT threshold	25% FBT discount
1 April 2029 onwards	ZEVs < LCT threshold	25% FBT discount

*The LCT threshold for the 2025-26 financial year for fuel-efficient vehicles is **$91,387.**

Eligible ZEVs will continue to be exempt from import tariffs on an ongoing basis.

The 25 percent FBT discount will be implemented through a 15 percent statutory formula rate, down from the current 20 percent rate applying to other vehicles.

Reportable Fringe Benefit Amounts will continue to be determined for eligible electric cars as if a 20 percent FBT statutory formula rate or cost basis method applied.

Indirect taxes

Temporary fuel excise relief

On 30 March 2026, the Government announced several measures to ease the effects of high fuel prices on Australian businesses and consumers which have now been legislated.

The temporary measures can be summarised as follows:

- Halve the fuel excise on petrol and diesel for three months from 1 April 2026 to 30 June 2026;
- Reduce the heavy vehicle road user charge to zero for three months; and
- Defer the next scheduled increase in the heavy vehicle road user charge by six months.

On 2 April 2026, the Government also registered an accompanying instrument which provides a temporary further reduction in fuel excise and excise-equivalent customs duties (beyond the 50 percent reduction) to offset the additional GST revenue collected by the states and territories as a result of the increased fuel prices. States and territories have agreed to provide the Commonwealth up to $400 million to enable increased GST revenue to be returned through the lower excise.

The Government has not extended the temporary fuel excise relief at this time.

Global trade efficiency measures

The Government announced that the Australian Trusted Trader Program will be expanded by establishing a new business development function and implementing the Approved Exporter Scheme, which will be available to accredited Australian Trusted Trader exporters as an opt-in scheme. Participants will not be required to obtain Certificates of Origin to access tariff reductions under the ASEAN-Australia-New Zealand Free Trade Area and the Regional Comprehensive Economic Partnership Agreement.

The Government also announced that it will abolish a further 497 'nuisance' tariffs from 1 July 2026 (in addition to the 457 already removed in July 2024). Tariffs will be eliminated on a wide range of imported goods including wine glasses, tyres, air conditioners, margarine, and bitumen. This measure builds on the 2024–25 Budget measure titled Enhancing Productivity – abolishing nuisance tariffs.

As part of the Government's broader tariff reform agenda, a third tranche of tariffs is proposed to be abolished from 1 July 2027. Treasury is seeking submissions on 86 specific tariffs proposed for removal, which have been selected based on certain factors, such as the low value of goods being imported, the low value of duty being collected and other policy considerations, as well as those identified as 'nuisance' tariffs.

Payroll tax reform

The Government is commencing work with the states and territories to harmonise payroll tax administration frameworks as part of National Competition Policy.

ATO program funding

Protecting the tax system against fraud and ATO compliance activity

From 1 July 2026, the Government will provide the ATO with $86.3 million over four years and $9.7 million per year ongoing from 2030-31 to deliver Phase 2 of the Counter Fraud Strategy to modernise the prevention and detection of fraud in the tax and super systems. This proposal will enhance the ATO's ability to detect and prevent fraud in real time, provide additional fraud protections for individuals and expand live monitoring of fraudulent account access to tax agents, business and for high-risk superannuation changes.

In addition, the Government will also:

- Strengthen the ATO's ability to combat fraud by tax agents and other intermediaries, by giving the ATO powers to pause the recovery of tax debts of fraud victims by tax intermediaries, waive those debts in appropriate circumstances, and to recover the debts from the tax intermediaries;
- Expand existing garnishee powers to include jointly held assets in circumstances where such arrangements are being used to frustrate recovery actions; and
- Progress further targeted exceptions to tax secrecy and enhancements to tax regulators' information-gathering powers to support integrity, compliance and effective administration of the tax system.

The ATO will undertake additional targeted compliance activities over the two years from 2026–27 to further address fraud in the system, including as mentioned above in relation to the R&DTI.

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