



Federal Budget 2026–27

Economic Update

- **Forecast Budget Positions**

- 2025-26 -\$28.3bn deficit (down from -\$42.1bn deficit previously forecasted)
- 2026-27 -\$31.5bn deficit (down from -\$35.7bn deficit previously forecasted)
- 2027-28 -\$31.0bn deficit (down from -\$37.2bn deficit previously forecasted)
- 2028-29 -\$34.4bn deficit (down from -\$36.9bn deficit previously forecasted)
- 2029-30 -\$25.3bn deficit

- **GDP**

- 2025-26 2.25% (unchanged)
- 2026-27 1.75% (down from 2.50% previously forecasted)
- 2027-28 2.25% (down from 2.75% previously forecasted)
- 2028-29 2.50% (down from 2.75% previously forecasted)
- 2029-30 2.50%

- **Unemployment Rate**

- 2025-26 4.25% (unchanged)
- 2026-27 4.50% (up from 4.25% previously forecasted)
- 2027-28 4.50% (up from 4.25% previously forecasted)
- 2028-29 4.50% (up from 4.25% previously forecasted)
- 2029-30 4.25%

- **CPI**

- 2025-26 5.00% (up from 3.00% previously forecasted)
- 2026-27 2.50% (unchanged)
- 2027-28 2.50% (unchanged)
- 2028-29 2.50% (unchanged)
- 2029-30 2.50%

- **Gross Debt**

- 2025-26 \$982.0bn (down from \$1.002tn previously forecasted)
- 2026-27 \$1.051tn (down from \$1.092tn previously forecasted)
- 2027-28 \$1.120tn (down from \$1.161tn previously forecasted)
- 2028-29 \$1.193tn (down from \$1.223tn previously forecasted)
- 2029-30 \$1.249tn

- **Net Debt**

- 2025-26 \$556.0bn (down from \$620.3bn previously forecasted)
- 2026-27 \$616.6bn (down from \$676.3bn previously forecasted)
- 2027-28 \$668.8bn (down from \$714.1bn previously forecasted)
- 2028-29 \$725.5bn (down from \$768.2bn previously forecasted)
- 2029-30 \$767.8bn

ATO-specific Budget Measures

Protecting the tax system against fraud

The Government will provide \$86.3 million over four years from 1 July 2026 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 Australian Taxation Office's (ATO) 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.

The Government will also strengthen the ATO's ability to combat fraud by tax agents and other intermediaries. The ATO will be given powers to pause the recovery of tax debts of taxpayers who are victims of fraud by tax intermediaries, and waive those debts in appropriate circumstances, and to recover the debts from the tax intermediaries. Existing garnishee powers will also be expanded to include jointly held assets in circumstances where such arrangements are being used to frustrate recovery actions.

The 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 Research and Development Tax Incentive. This measure is estimated to increase receipts by \$217.8 million and increase payments by \$72.9 million over the five years from 2025–26. The ATO will partially meet the cost of this measure from within existing resources.

Capital Gains Tax Changes

Improving Tax Arrangements for Capital Gains

From 1 July 2027, the 50 per cent CGT discount will be replaced by cost base indexation for assets held for more than 12 months, with a 30 per cent minimum tax on net capital gains. These changes will apply to all CGT assets, including pre-1985 CGT assets, held by individuals, trusts and partnerships.

Transitional arrangements will limit the impact on existing investments by ensuring the changes only apply to gains arising on or after 1 July 2027. The 50 per cent CGT discount will continue to apply to gains arising before 1 July 2027. Capital gains on pre-1985 assets arising before 1 July 2027 will remain exempt from CGT.

To maintain incentives for new housing supply, investors in new residential properties will be able to choose either the 50 per cent CGT discount, or cost base indexation and the minimum tax. Income support payment recipients, including Age Pension recipients, will be exempt from the minimum tax.

Changes to Negative Gearing

Reforming Negative Gearing to Support New Housing Supply

The Government will limit negative gearing for residential property to new builds. From 1 July 2027, losses from established residential properties will only be deductible against rental income or the capital gains from residential properties. Excess losses will be carried forward and able to be offset against residential property income in future years.

These changes will apply to established residential properties acquired from 7:30PM (AEST) on 12 May 2026. Properties acquired prior to this time (including contracts entered into but not yet settled) will be exempt from the changes until disposed of.

Eligible new builds will be exempt from the changes, ensuring the benefits of negative gearing are directed to investment that increases the housing stock. Properties in widely held trusts and superannuation funds will be excluded, alongside targeted exemptions for build-to-rent developments and private investors supporting government housing programs.

Fringe Benefits Tax Changes

Electric Car Discount – more sustainable fringe benefits tax treatment of electric cars

From 1 April 2029, a permanent 25 per cent discount on fringe benefits tax (FBT) will be available for all electric cars valued up to and including the fuel-efficient luxury car tax threshold, implemented through a 15 per cent rate in the FBT statutory formula.

The following transitional arrangements will be put in place:

- All eligible electric cars will retain the FBT discount rate that was in place when the arrangement commenced;
- All electric cars valued up to and including \$75,000 that are provided before 1 April 2029 will continue to be eligible for a 100 per cent discount on FBT, implemented through a 0 per cent rate in the FBT statutory formula; and
- Electric cars valued above \$75,000 and up to and including the fuel-efficient luxury car tax threshold that are provided between 1 April 2027 and 1 April 2029 will be eligible for a 25 per cent discount on FBT, implemented through a 15 per cent rate in the FBT statutory formula.

The existing 20 per cent statutory rate will continue to apply for all other cars, including electric cars costing more than the fuel-efficient luxury car tax threshold.

Reportable fringe benefits will continue to be determined for eligible electric cars as if a 20 per cent FBT statutory formula rate or cost basis method applied.

This measure is estimated to increase receipts by \$1.9 billion and increase payments by \$200.0 million over the five years from 2025–26.

Individual Income Tax Rate Changes

Personal Income Tax – increasing the Medicare levy low-income thresholds

The Government will increase the Medicare levy low-income thresholds for singles, families, and seniors and pensioners by 2.9 per cent from 1 July 2025.

The threshold for singles will be increased from \$27,222 to \$28,011. The family threshold will be increased from \$45,907 to \$47,238. For single seniors and pensioners, the threshold will be increased from \$43,020 to \$44,268. The family threshold for seniors and pensioners will be increased from \$59,886 to \$61,623. The family income thresholds will increase by \$4,338 for each dependent child or student, up from \$4,216.

Tax Reform – cutting taxes with a Working Australians Tax Offset

The Government will deliver a new tax cut for every working Australian taxpayer by introducing a \$250 Working Australians Tax Offset from the 2027–28 income tax year.

The Working Australians Tax Offset will provide a permanent annual tax offset for Australians for their income derived from work, such as wages and salaries and the business income of sole traders, from 1 July 2027.

The Working Australians Tax Offset will increase the effective tax-free threshold for income derived from work by nearly \$1,800 to \$19,985 (or up to \$24,985 for workers eligible for the Low Income Tax Offset).

Tax Reform – introducing a \$1,000 Instant Tax Deduction

The Government will introduce an instant tax deduction of up to \$1,000 from the 2026–27 income tax year.

Australian tax residents who earn income from work will be eligible for the instant tax deduction and will not need to itemise and claim work-related expenses if claiming less than \$1,000.

Individuals who incur work-related expenses greater than the instant tax deduction can continue to claim their deductions in the usual way. Charitable donations, union and professional association membership fees and other non-work-related deductions can still be itemised separately and claimed on top of the instant tax deduction.

The instant tax deduction is expected to decrease receipts by \$2.4 billion and increase payments by \$183.9 million over four years from 2025–26.

Modernising Private Health

The Government will achieve savings of \$3.0 billion over four years from 2026–27 (and \$1.0 billion per year ongoing) by removing the age-based uplift of the Private Health Insurance Rebate (the PHI Rebate) from 1 April 2027.

Small Business Budget Measures

Tax Reform – introducing a minimum tax on discretionary trusts

The Government will introduce a 30 per cent minimum tax on discretionary trusts.

From 1 July 2028, trustees will pay a minimum tax of 30 per cent on the taxable income of discretionary trusts. Beneficiaries, other than corporate beneficiaries, will receive non-refundable credits for the tax payable by the trustee.

The minimum tax will not apply to other types of trusts such as 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.

The Government will 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.

Tax Reform – loss refundability reforms for businesses and start-ups

The Government will provide tax relief to businesses and start-ups by reforming the treatment of tax losses.

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 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.

Reintroducing loss carry back is estimated to decrease receipts by \$2.3 billion over the five years from 2025–26.

The Government will also introduce loss refundability for small start-up companies. For tax years commencing on or after 1 July 2028, 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.

Introducing loss refundability for small start-up companies is estimated to increase administered payments by \$410.0 million over the five years from 2025–26.

Tax Reform – making tax simpler for businesses

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 5 years after opting out will continue to be suspended until 30 June 2027.

The Government will also provide \$10.9 million to the Australian Taxation Office to expand its pilot of dynamic pay as you go (PAYG) instalment calculations, and will expand access to monthly payments. From 1 July 2027, small and medium businesses will be able to opt in to reporting and paying PAYG instalments monthly and to using an ATO-approved calculation embedded in accounting software to calculate and vary their instalments. This will support businesses by enabling tax instalments to better reflect real time business activity. Taxpayers with a demonstrated history of non-compliance will be required to report and pay PAYG instalments monthly.

Support for Small Business

The Government will provide \$8.2 million over three years from 2025–26 to extend the Small Business Debt Helpline financial counselling program and the NewAccess for Small Business Owners mental health coaching program to 30 June 2027.

Superannuation Budget Measures

No Specific Budget Measures announced.

Other Business Measures

Boosting Productivity – abolishing more nuisance tariffs

The Government will abolish a second tranche of 497 nuisance tariffs from 1 July 2026.

This measure will eliminate tariffs on a wide range of imported goods including wine glasses, tyres, air conditioners, margarine and bitumen.

This measure is estimated to decrease receipts by \$70.0 million over the five years from 2025–26.

Boosting Productivity – Digital ID

The Government will provide \$654.3 million over four years from 2026–27 (and \$166.7 million per year ongoing) to meet its legislative commitments under the *Digital ID Act 2024* and maintain the security and reliability of the Australian Government's Digital ID System.

Employment and Workplace Relations and Skills – reprioritisation

The Government will achieve savings of \$297.9 million over five years from 2025–26 (and \$106.3 million per year ongoing) by better targeting apprenticeship supports and redirecting uncommitted funding across programs in the Employment and Workplace Relations portfolio. Savings include: \$266.2 million over four years from 2026–27 (and \$106.3 million per year ongoing) through reforms to the Australian Apprenticeships Incentive System, redirecting employer incentives to small and medium employers and Group Training Organisations, and better aligning support with national priorities through changes to the Australian Apprenticeships Priority List methodology and incentive rates from 1 January 2027, consistent with the Strategic Review of the Australian Apprenticeship Incentive System.

Boosting Productivity – Better Regulation

The Government will provide \$198.1 million over two years from 2026–27 to boost productivity through streamlining regulatory systems and secure access to data. Funding includes:

- \$136.1 million over two years from 2026–27 to complete the second tranche of stabilisation and uplift of Australia's business registers, including synchronising director information with the Australian Charities and Not-for Profits Commission's Charities Register, linking Director IDs to the Companies Register, uplifting Australian Business Number (ABN) authentication and completing the transition of ABN and superannuation lookup functions to the Australian Taxation Office
- \$62.0 million over two years from 2026–27 to extend the operation and participation in the Consumer Data Right to continue supporting Australian consumers and businesses and to explore the potential to enable taxpayers to share certain ATO-held data through the Consumer Data Right.

Other Tax related Budget Measures

Taking Pressure Off Australians – temporary reduction of fuel excise and heavy vehicle road user charge

The Government has temporarily reduced the excise and excise-equivalent customs duty rates (excise rates) applying to most fuel products and the road user charge for heavy vehicles, for 3 months from 1 April 2026.

Strengthening the Foreign Resident Capital Gains Tax Regime – transitional arrangements

The Government will provide a time-limited, targeted concession in the foreign resident CGT regime for investment in the renewables sector as part of the implementation of the 2024–25 Budget measure Strengthening the foreign resident capital gains tax regime.

The transitional arrangement will apply to foreign investors disposing of certain renewable energy infrastructure assets from commencement, being the first day of the next quarter after Royal Assent, until 30 June 2030.

Tax Reform – better targeting the Research and Development Tax Incentive

The Government is reforming the Research and Development Tax Incentive (R&DTI) to simplify and better target Government support for business R&D.

From 1 July 2028, the Government will:

- Increase the offset for core R&D expenditure by around 25 to 50 per cent, through a 4.5 percentage point increase in core R&D offset rates;
- Reduce the intensity threshold from 2 per cent to 1.5 per cent, enabling more firms that engage in substantial core R&D to qualify for higher offset rates;
- Remove eligibility of supporting R&D expenditure for the R&DTI;
- Enable growing firms to retain access to the refundable tax offset for longer by increasing the turnover threshold for the highest offset rate from \$20 million to \$50 million;
- For firms below the \$50 million turnover threshold, maintain older firms' eligibility for the higher offset rate while limiting refundability to firms under 10 years of age;
- Lift the maximum R&DTI expenditure threshold from \$150 million to \$200 million; and
- Improve assurance on smaller claims by lifting the minimum expenditure threshold from \$20,000 to \$50,000, with research activities valued below this amount required to be undertaken with a registered Research Service Provider or Cooperative Research Centre to be eligible for the R&DTI.

Tax Reform – expanding venture capital tax incentives

The Government will expand the venture capital tax incentives to better facilitate venture capital investment and support early stage and growth businesses.

From 1 July 2027:

- The venture capital limited partnership (VCLP) cap on the asset size of the investee business at the time of investment will be increased to \$480 million, from \$250 million;
- The early stage venture capital limited partnership (ESVCLP) cap on the asset size of the investee business at the time of investment will be increased to \$80 million, from \$50 million;
- The ESVCLP tax incentive cap on the asset size of the investee business, at which investment returns can be fully tax exempt, will be increased to \$420 million, from \$250 million; and
- The maximum fund size of ESVCLPs will be increased to \$270 million, from \$200 million.

Other Notable Budget Measures

Support for Ukraine – extending duty free access for goods imported from Ukraine

The Government will extend for a further two years, to 3 July 2028, the duty exemption for Ukrainian goods in response to Russia's ongoing illegal invasion of Ukraine.

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.

National Solar Panel Recycling Pilot

The Government has provided \$24.7 million over three years from 2025–26 to deliver a national pilot for recycling solar panels and establish up to 100 pilot collection sites nationwide to reduce waste and reuse valuable minerals to support the energy transition.

Ending Gender-Based Violence – continued investment

The Government will provide \$308.6 million over five years from 2025–26 (and \$15.9 million per year ongoing) to further support women and children leaving violent relationships and strengthen the frontline family, domestic and sexual violence workforce.

Energy Sovereignty – Fuel Security and Resilience

The Government will provide up to \$11.9 billion over five years from 2025–26 to support Australian households, businesses and industry through the National Fuel Security Plan, including:

- the establishment of a Fuel and Fertiliser Security Facility to increase additional supply and storage of fuel and fertiliser by providing up to USD5.0 billion (approximately AUD7.5 billion) in financial support including loans, equity, guarantees, insurance and price support
- the establishment of a \$3.2 billion Australian Fuel Security Reserve to increase long term fuel supply and storage in combination with an increase to the Minimum Stockholding Obligation (MSO), to increase Australia's fuel reserves to 50 days
- the National Reconstruction Fund Corporation to deliver the \$1.0 billion Economic Resilience Program from 2025–26 to support freight, fuel, fertiliser and other critical supply chains affected by global market disruptions
- \$55.0 million in 2026–27 to deliver the Transport Resilience and Capacity Kickstart pilot program to incentivise increased freight volumes by rail and maritime transport
- \$54.7 million over five years from 2025–26 (and \$8.9 million per year ongoing) to support ongoing management of Australia's fuel security framework, including oversight of the Fuel Security Services Payment, the MSO and the National Fuel Security Plan communications campaign
- \$40.5 million in 2026–27 to accelerate the electrification of Australia Post's delivery fleet

Energy Sovereignty – Establishing a Domestic Gas Reservation

The Government will provide \$35.5 million over four years from 2026–27 to ensure a secure and ongoing supply of affordable gas through the domestic wholesale gas market, including via the establishment of a Domestic Gas Reservation Mechanism.

Better Care for Older Australians

The Government will provide \$565.1 million over four years from 2026–27 (and \$2.1 million per year ongoing) for strengthened regulatory, governance and quality arrangements, sector viability and workforce supports to provide better care for older Australians.

Mental Health

The Government will provide \$283.2 million over four years from 2025–26 to continue to strengthen Australia's mental health and suicide prevention system.

Supporting Families Who Experience Stillbirth

The Government will provide additional funding of \$13.1 million over three years from 2025–26 to improve understanding of the causes of stillbirth, provide support to grieving families and prevent future occurrences.

Thriving Kids

The Government will provide \$2.0 billion over five years from 2026–27 to deliver national services, fund enabling supports and contribute to state and territory services for the Thriving Kids program. Together with investments from states and territories, Thriving Kids will support children aged eight and under with developmental delay and/or autism with low to moderate support needs, as well as their families, carers and kin.

Improving Insurance Affordability and Consumer Outcomes

The Government will provide \$3.4 million over four years from 2026–27 to support and develop measures that place downward pressure on property insurance costs and reduce unintentional underinsurance. Funding includes:

- \$2.4 million over two years from 2026–27 for Treasury to develop and consult on options to improve clarity around the basis of home and contents premiums, and to legislate standard definitions of natural hazard terms used in property insurance contracts
- \$1.0 million over two years from 2026–27 for the Australian Securities and Investments Commission (ASIC) to maintain the North Queensland home insurance comparison website.