MTJ ManserTierney&Johnston
Chartered Accountants & Wealth Management

Information Newsletter - Tax & Super

Federal Budget 2026

On 12 May 2026, the Federal Government delivered its fifth Budget. It was one of the most dramatic and significant budgets in decades. Among other things, it announced that negative gearing would be abolished for property purchased after 1 July 2027 (albeit, grand-fathering pre-Budget arrangements).

It also announced that the CGT discount will not be available from 1 July 2027 (except in respect of qualifying "new builds"). It also proposed a minimum 30% tax on trusts (with certain exceptions). There are also several other significant changes.

We have put together a summary of these key changes and how they may affect taxpayers – especially small to medium business. So, it is important to come and speak to us. However, the proposed measures may be subject to changes before their implementation.

About this newsletter

Welcome to Manser Tierney & Johnston's client information newsletter, your monthly tax and super update keeping you up to date on current issues, news and changes you need to know. Should you require further information on any of the topics covered, please do not hesitate to contact us.

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Please feel free to contact this office if you have any queries about them or how they may impact you in your circumstances.

CGT discount replaced

BUDGET MEASURE: From 1 July 2027, the 50% CGT discount is replaced with cost base indexation plus a 30% minimum tax on real gains. Applies to all CGT assets including pre-1985 assets, with gains accrued before 1 July 2027 grandfathered. Investors in eligible new builds can elect either system, and income support recipients are exempt from the 30% minimum tax.

How it works in practise

IN A NUTSHELL: if you buy and sell an asset after 30 June 2027, the new rules apply (ie indexation and minimum 30% tax rate); if you buy and sell an asset before 1 July 2027, the existing 50% discount applies and there is no minimum tax rate; and if you buy an asset before 1 July 2027 but sell it after that date, then you will get the discount up to the asset's market value on 1 July 2027 and thereafter you will only get indexation plus a minimum 30% tax rate on any gain from that date. Importantly, the new rules apply to all assets (eg shares) and not just real property.

However, for "new builds" (as defined) they will be entitled to choose either the 50% discount or indexation and the minimum 30% tax rate. But it is not clear if this only applies to new builds after 1 July 2027.

One bit of tax planning you may consider: is that if you intend to sell an asset to use a low tax rate, it may be best to try to do this by 1 July 2027 - before the minimum 30% rate kicks in.

Also note that if you own a pre-CGT asset (ie one acquired before 20 September 1985), they will no longer be excluded from CGT but will be subject to CGT after 1 July 2027 - but with a cost base equal to its market value at that date.

But the devil will be in the legislative detail – and after a year of consultations and submissions.

This information has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation or needs.

Negative gearing limited to new builds

BUDGET MEASURE: From 1 July 2027, losses on established residential property acquired after 7:30pm AEST 12 May 2026 can only be deducted against rental or residential property capital gains income. Properties held (or under contract) before that time are grandfathered.

Our analysis

This aligns the Australian tax system with other jurisdictions and, together with the CGT indexation changes, should have some impact on the demand side for residential housing. But importantly, note the "grandfathering" of negative gearing arrangements already in place. (How far it shifts the affordability dial for young people trying to get a foothold in the housing market remains to be seen – especially in the light of ongoing supply problems.)

30% minimum tax on discretionary trusts

BUDGET MEASURE: From 1 July 2028, a 30% minimum tax will be applied to the taxable income of discretionary trusts, payable by the trustee, with exemptions for unit and widely-held trusts, complying super funds, special disability trusts, deceased estates and charitable trusts. Primary production income, certain vulnerable minor income, and income from existing testamentary trust assets are also excluded. Three-year rollover relief from 1 July 2027 will be provided to assist restructuring.

What to watch

Presumably this new trustee tax only applies to income to which beneficiaries are made presently (or specifically) entitled to during the particular tax year and that the current 47% tax rate will continue to apply to income to which no beneficiary is presently entitled - otherwise trusts might still be a useful accumulation vehicle.

In other words, it is in effect a 30% minimum tax on trust distributions. Also note despite the carve out for deceased estate trusts etc, this does not include testamentary discretionary trusts (as opposed to testamentary fixed trusts) - which will be subject to the 30% minimum tax rate.

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$20,000 instant asset write-off made permanent

BUDGET MEASURE: The $20,000 instant asset write-off will be permanently extended for small businesses with aggregated turnover under $10 million. It will apply to eligible assets first used or installed ready for use from 1 July 2026.

Our analysis

Three years of annual extensions made permanence almost inevitable but the real win is ending the late-legislation cliffhanger that had become a genuine planning headache. The threshold itself is unchanged and won't be indexed, meaning its real value continues to erode. The Opposition proposed lifting it to $50,000 in the Budget reply. Worth noting the per-asset basis still applies, so multiple sub-$20,000 purchases can each be written off, and the measure pairs usefully with the reintroduced loss carry-back rules.

Loss carry-back reinstated

BUDGET MEASURE: Companies with global turnover under $1 billion can carry losses back two years, from 1 July 2026. Separately, loss refundability for start-ups (turnover under $10 million, first two years of operation) applies from 1 July 2028.

Key Features and what's new

This is a permanent measure, unlike the temporary loss carry-back rules that applied during the COVID years. Treasury estimates it will reduce receipts by $2.3 billion over five years and benefit around 85,000 companies.

Key features to note:

- Revenue losses only (capital losses don't qualify)
- Available only to companies — not trusts, partnerships or sole traders
- Delivered as a refundable tax offset, not a deduction
- Capped by the company's franking account balance at year-end
- Losses can be carried back against tax paid in the prior two income years

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The start-up loss refundability measure is new and shouldn't be confused with carry-back. Because new companies typically have no prior tax to recover, the refund is instead capped at the FBT and PAYG withholding paid on Australian employee wages in the loss year — effectively rewarding early-stage hiring. It applies for the first two years of operation only and starts from 1 July 2028, so there's a long lead time before it bites.

$1,000 instant tax deduction

BUDGET MEASURE: From the 2026–27 income year, individuals can claim a flat $1,000 for work-related expenses without itemising (charitable donations and professional memberships still claimable on top).

Practical implications

This is a welcome simplification and replaces the long-standing $300 substantiation threshold, which had been left unchanged for many years and fallen well behind inflation. Treasury expects 6.2 million workers (around 42% of taxpayers) to benefit, with an average saving of about $205. Keep in mind it's a deduction, not a refund, so the cash benefit depends on your marginal tax rate. This translates into roughly $160 at the bottom rate to $450 at the top (excluding Medicare levy).

More deductions are always welcome, especially where they don't have to be substantiated. But it's still worth keeping written evidence of work-related expenses for at least one year to confirm which option suits. The $1,000 threshold is easy to exceed. Keep in mind the ATO's fixed-rate WFH method alone (70c per hour) reaches it at around 27 hours per week of home-based work. This is before adding car use, tools, self-education or professional subscriptions. Charitable donations and union/professional fees remain separately claimable on top, so they don't need to be weighed against the $1,000 instant tax deduction choice.

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Working Australians Tax Offset

BUDGET MEASURE: A new $250 permanent tax offset for income from work, from the 2027–28 income year, lifting the effective tax-free threshold to $19,985 (or $24,985 with LITO).

Key points

The impact of this measure is to effectively increase the tax-free threshold for work income by to $19,985, or up to $24,985 when combined with the Low Income Tax Offset. The Treasurer has called it the largest permanent increase in the effective tax-free threshold since 2012–13.

A FEW POINTS WORTH NOTING:

- It's automatic, meaning no claim required on the return.
- Limited to work income (wages, salaries and sole trader business income). Investment income, trust distributions and company dividends don't qualify. This is consistent with the budget's broader shift in tax weight from labour toward capital, paired with the negative gearing and CGT reforms.
- It's a non-refundable offset, so it reduces tax payable but doesn't generate a cash refund of its own. 97% of the 13 million eligible workers are expected to receive the full $250 and the remaining 3% are very low earners whose tax bill is already below that.
- The first cash impact lands when 2027–28 returns are lodged from mid-2028.

Worth being precise with clients: the WATO stacks with the legislated rate cuts (16% → 15% from July 2026, then 14% from July 2027), the $1,000 instant tax deduction, and the existing LITO. The government's "five tax cuts" headline figure combines all of these — the WATO alone is a modest $250.

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Superannuation – no changes

No super changes were announced in this Budget. Keep in mind that from 1 July already legislated changes such as the Division 296 tax on balances above $3m and Pay day super start. So “no new changes” doesn’t mean that nothing changes on 1 July.

Superannuation funds (including SMSFs) are explicitly excluded from both the new CGT regime and the negative gearing restrictions on residential property. This widens an already meaningful gap:

- SMSFs retain the one-third (33.3%) CGT discount on assets held over 12 months. Combined with the 15% accumulation-phase rate, that’s an effective CGT rate of around 10% on long-held assets and 0% in pension phase. Keep in mind the new Division 296 tax on higher super balances can change this. Outside super, the new regime delivers a minimum 30% on real gains for individuals and most trusts.
- SMSFs can continue to fully deduct losses on both new and established residential property against other fund income. This is a structural advantage now unavailable to individuals buying established property after Budget night.

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