

# Australia's 2026-2027 Federal Budget Insights

This year's Federal Budget introduced some of the most significant tax reform agenda items, in addition to relevant updates for proposed regulatory simplification for small business.

More broadly, the Government spin is that the budget reflects a wider policy shift toward productivity, intergenerational equity and economic resilience, with an increased focus on encouraging productive investment, supporting housing supply, strengthening the care economy and modernising government and business operating frameworks through technology and regulatory reform. Only time will tell whether the budget achieves these goals.

The below highlights some **specific areas** we draw to your attention in relation to **tax reform** and **regulatory simplification measures** that may have an impact on you and your business and broader ownership or investment structures:

## Tax Reform

There are several measures set out in the Budget which are structurally significant in the context of private business and private wealth – a few of the key highlights are outlined below:

- **Capital Gains Tax (CGT)** - From **1 July 2027 (in almost 14 months' time)**, the long-standing 50% general CGT discount will be broadly replaced by **cost base indexation paired** with a **30% minimum tax on net capital gains** and capital gains **accruing on pre-CGT assets** (i.e. those acquired prior to 20 September 1985)
- **Negative gearing** - negative gearing on established residential properties held at **7:30pm on 12 May 2026** will be quarantined, as will negative gearing on eligible new builds. In other cases, rental losses will only be available to reduce residential rental income or capital gains on residential property
- **Discretionary Trusts** - From **1 July 2028 (over 2 years away)**, a minimum tax of **30%** will apply to taxable income derived by discretionary trusts. **Expanded rollover relief** is proposed to be available from **1 July 2027** to assist taxpayers who wish to restructure their affairs; there is a proposed carve out for **primary production income**

There is a clear focus on encouraging investment in new residential properties, with carve outs from the CGT and negative gearing reforms proposed.

## Tax Reform (continued)

There are also some positive changes announced for businesses, with:

- The instant asset write-off rules for small businesses (aggregated turnover of \$10 million or less) being made **permanent** from **1 July 2026** for **eligible assets** costing under **\$20,000**
- The introduction of **two-year loss carry-back** rules for companies from **1 July 2026**
- Reforms to the **R&D Tax Incentive** from **1 July 2028**: increasing the offset for experimental core R&D by around **25 to 50 per cent** and removing eligibility for expenditure that only supports R&D. The intensity threshold will reduce to **1.5 per cent**, providing higher offsets to firms undertaking substantial core R&D
- Providing greater support to young, fast-growing firms by increasing the turnover threshold for the higher, refundable offset to **\$50 million**. Refundability limited to firms operating less than ten years, with older firms eligible for an equivalent, non-refundable offset
- Increasing the maximum expenditure cap to **\$200 million**, encouraging more R&D onshore
- Improving assurance by increasing the minimum expenditure threshold to **\$50,000**. R&D below this must be undertaken with a Research Service Provider or Cooperative Research Centre

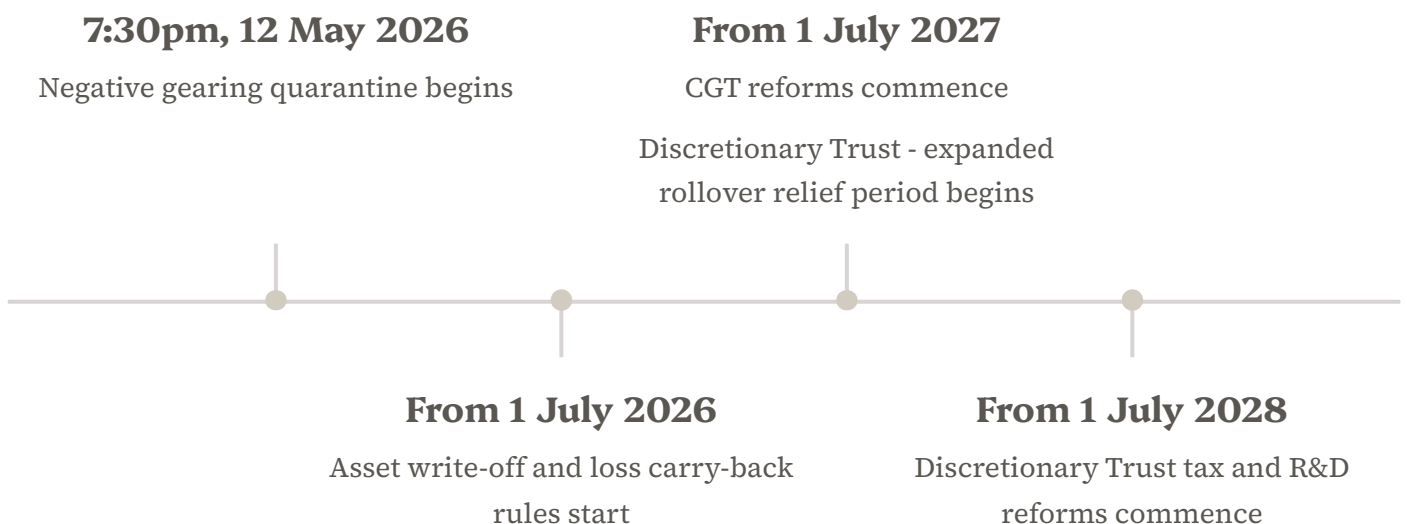
These measures will impact **companies, trusts, partnerships** and **individuals**.

### Next steps to consider

At this stage, the detail available remains limited and subject to consultation. The proposed reforms warrant an **earlier discussion** and review of the **holistic impact**, considering **transaction timing, existing ownership structures, succession planning** and **broader strategic objectives** as **1 July 2027** will be here before we know it.

Where businesses or asset holders were **already contemplating a sale**, restructure or intergenerational transition, the proposed commencement dates may become an additional factor in decision-making. **Early consideration and scenario analysis will be important.**

### Key timelines to remember (note these are subject to consultation and finalising legislation)



# Whole of Government Regulatory Reform Agenda

It's important to **highlight three** of the **fourteen** major changes proposed to be undertaken to **lift** the **monetary thresholds** for **large proprietary companies** and **sustainability reporting**:

**Financial reporting thresholds have doubled for large proprietary companies (includes sustainability reporting thresholds for Group 3):**

Reporting criteria (satisfies 2 of the 3)	<u>Existing Large Proprietary company thresholds (on or after 1 July 2019)</u>	Proposed amendments – Large Proprietary company thresholds Budget 2026/2027
Consolidated revenue	\$50 million or more	<b>\$100 million</b>
Consolidated gross assets	\$25 million or more	<b>\$50 million</b>
Employees (company and any entity it controls)	100 or more	<b>Unchanged (100 or more)</b>

It is proposed that Australian businesses that **cease** to meet the thresholds due to this increase would **no longer need to lodge a:**

- Audited financial report
- Directors' report
- Sustainability report (**important distinction for Group 3 reporters**)

## Improving the efficiency of climate related financial disclosures

**Consultation** on reforms is proposed to reduce burden whilst **maintaining core sustainability reporting** requirements including:

- Improving consistency in the application of reporting requirements by clarifying how the concepts – including 'undue cost or effort' apply in practice
- Adjusting assurance settings to ensure they are proportional and practical
- Setting clearer boundaries on supplier information requests, to reduce costs and complexity, particularly for small business

## Simplify reporting relief

The Government proposes to simplify the **reporting relief process** for entities within corporate groups by **replacing** the current requirement to enter into **complex deeds of cross guarantee** with a **streamlined statutory process**, without reducing protections for those dealing with group companies.

To understand the remaining regulatory reform changes – please refer to the **[budget fact sheets available](#)**.

# Get in Touch

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## Disclaimer

The Budget reforms referred to in this publication are based on announcements contained in the 2026–2027 Australian Federal Budget and related materials available at the date of publication. These measures are proposed only and remain subject to consultation, legislative process, amendment and finalisation. Refer to the Federal Budget information for further information <https://budget.gov.au/index.htm>

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