



### **Federal Budget 2026: Reform and Resilience in Uncertain Times**

Treasurer Jim Chalmers has framed the 2026 Federal Budget as “the most important and ambitious budget in decades”.

“This Budget is about getting us through the global oil shock and taking pressure off Australians while building a stronger economy, better tax system, a more sustainable budget and lifting living standards,” the Treasurer told Parliament.

With an overarching theme of ‘reform and resilience’, the Federal Government is aiming to shore up investor confidence at a time when the global economy teeters thanks to war in the Middle East and the disruption of global oil supplies. Despite the challenges, Treasury says Australia’s economy continues to grow faster than every major advanced economy.

For households and wage earners, the Budget delivers a mix of targeted cost-of-living relief and significant structural reform, particularly in tax and housing.

### **The big picture**

At the headline level, the Budget forecasts an underlying cash deficit of \$31.5 billion in 2026–27, an improvement of \$2.8 billion on the mid-year update, despite slower global growth and higher oil prices.

Economic growth is forecast to slow from 2.25 per cent this financial year to 1.75 per cent in 2026–27, reflecting weaker international conditions, before gradually strengthening over the medium term. Inflation is expected to rise temporarily in the June quarter to around 5 per cent driven largely by fuel and transport costs linked to the war-driven global oil shock. Despite this near-term pressure, the Government continues to project a return to a balanced budget in the mid-2030s followed by modest surpluses.

The Treasurer has made clear that a major goal is to 'rebalance the tax system' so that wage earners are not treated substantially differently from those who earn income through assets and investments.

### **Tax reform**

The most debated element of the Budget is the tax reform package directed at property investors and discretionary trusts.

Two significant changes to existing tax rules for property investments were announced in the Budget.

### **Negative gearing reforms**

Negative gearing will no longer be available for established residential properties from 1 July 2027. For all properties held prior to Budget night, the existing tax arrangements will remain unchanged.

Investors who purchase new builds will still be able to deduct their losses from other income.

Purchasers of established housing after the Budget announcement, however, will only be able to deduct losses against residential property income. Unused losses can be carried forward to future years but will no longer be deductible against other income (such as wages).

### **CGT discount rule changes**

Another major change is replacement of the current 50 per cent capital gains tax discount with cost-based indexation from 1 July 2027.

The Government is also introducing a minimum 30 per cent tax rate on capital gains starting on the same date.

The CGT change will only apply to gains arising after 1 July 2027 (including gains generated from pre-1985 assets), with investors in new builds given a choice of the 50 per cent CGT discount or the new arrangements.

The CGT settings for super and self-managed super funds will remain unchanged, which means investors will continue to receive a CGT discount of 33.33% for relevant assets held for over 12 months in super.

### **Minimum tax rate for discretionary trusts**

The tax change likely to generate the most criticism is a new minimum taxation rate of 30 per cent for discretionary trust distributions from 1 July 2028.

The new rate will not apply to fixed trusts, super funds, special disability trusts, deceased estates and some types of farming income.

Rollover relief will be available for three years from 1 July 2027 to assist small businesses and others wishing to restructure in light of the new rules.

The measure is aimed at improving integrity and reducing income-splitting arrangements that allow some taxpayers to pay significantly less tax than wage earners on comparable incomes.

### **Cost of living**

The Government has been careful to structure cost-of-living measures so that they don't meaningfully add to inflation. The most prominent initiative is the Working Australians Tax Offset, providing a \$250 offset for more than 13 million employees from the 2027–28 income year.

In addition, workers will be able to claim a \$1,000 instant tax deduction for work-related expenses from 2026–27, without the need to keep receipts.

Income tax thresholds will also be adjusted. From 1 July 2026, the 16 per cent tax rate, applying to income between \$18,201 and \$45,000, will be reduced to 15 per cent before falling further to 14 per cent from 1 July 2027.

### **Productivity**

Productivity comes in for renewed focus, reflecting concern that long-term improvements in living standards can't be sustained without structural change. The Budget allocates funding aimed at reducing red tape by an estimated \$10.2 billion per year, including faster environmental approvals and streamlined foreign investment processes.

Housing construction remains a central productivity priority. New funding for local infrastructure is designed to support up to 65,000 extra homes, alongside measures to fast-track skilled migrant trades and improve construction capacity.

Investment in transport infrastructure also features prominently, with \$8.6 billion committed to nationally significant road and rail projects, improving freight efficiency and workforce mobility particularly across the regions.

### **Housing affordability**

The Treasurer aims to address housing shortages and affordability, by increasing total investment to \$47 billion and supporting an estimated 75,000 additional Australians to achieve home ownership over the next decade through the tax reform package.

The Government claims around 65,000 additional homes will be delivered over 10 years through its support for new developments. A new \$2 billion fund has been established to

help local governments and state utilities build the infrastructure needed to support new housing.

To free up additional supply, the Government is extending the ban on foreign buyers purchasing established homes until mid-2029.

### **Aged care and health**

Health and aged care receive significant additional funding as demand continues to rise. The Budget commits \$25 billion in additional hospital funding over the medium term, alongside incentives to expand bulk billing and reduce strain on emergency departments.

As a cost saving, the Government will remove the age-based uplift of the Private Health Insurance Rebate (the PHI Rebate) from 1 April 2027.

Aged care reform focuses on both supply and workforce sustainability. The Government will fund incentives to support construction of an additional 5,000 residential aged care beds per year by 2029.

The NDIS also features prominently, with continued efforts to rein in unsustainable cost growth and strengthen integrity. Measures include tightening eligibility, reducing roorting and redirecting funding towards participants with the highest needs.

### **Looking ahead**

The outlook remains uncertain. Treasury acknowledges the risk of further inflation spikes if global energy markets deteriorate, with worst-case scenarios still modelling inflation above seven per cent and higher unemployment. But the central forecast avoids recession and assumes gradual improvement from late 2027 onward.

### **Important information**

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Information in this article has been sourced from the [Budget Speech 2026-27](#) and [Federal Budget Support documents](#).

It is important to note that the policies outlined in this article are yet to be passed as legislation and therefore may be subject to change.