June 2026
Tax Time

Optio Advisor

Federal Budget 2026

The 2026 Federal Budget provided many changes to tax law, however not all of the proposals have become law yet. We've outlined below some of the changes that will apply to most Australian workers.

Working Australians Tax Offset

The 2026 Federal Government budget announced a new tax offset for workers. A new "Working Australians Tax Offset" (WATO) of up to $250 will be automatically applied to the 2027/28 Tax Returns for individuals who qualify. It was announced as part of the government's cost of living measures but you won't receive it for another two years.

$1,000 Instant Work Deduction

The government has introduced a $1,000 standard deduction as a simplified tax measure to make it easier for eligible taxpayers to claim work-related expenses. It commences on 1 July 2026, so the first tax return that it applies to is for the 2026/27 tax year.

Eligible workers can claim up to $1,000 as a standard deduction for work related expenses without needing to provide substantiation details and records.. The $1,000 limit does not include union fees and professional association subscriptions. These two expenses are claimed in addition to the $1,000, but you must have substantiation evidence for them. On our 2026 Tax Return Checklist, we have shaded the items that will be included in the $1,000 instant work deduction.

Other non-work related deductions continue as usual and still require the usual evidence substantiation. These include:

- Investment and rental property expenses
- Donations to registered Australian charities
- Tax related expenses (financial and tax advice and return preparation)
- Income protection insurance premiums
- Personal superannuation contributions

This is a tax deduction which reduces your taxable income and is NOT an additional $1,000 cash back. The amount of tax saved will depend on your marginal tax rate. E.g. If the top tax rate applied to your taxable income is 32%, then you will save $320.

IMPORTANT: We recommend that you keep copies of all receipts and tax invoices for the entire year in case your overall expenditure is more than $1000—otherwise your claim will be limited to only $1,000.

Income Tax Rates

Taxable Income	Tax rate
$0 – $18,200	Nil
$18,201 – $45,000	**15 cents** for each $1 over $18,200
$45,001 – $135,000	$4,020* plus 30c for each $1 over $45,000
$135,001 – $190,000	$31,020* plus 37c for each $1 over $135,000
$190,001 and over	$51,370* plus 45c for each $1 over $190,000

There is a small change to the personal income tax rates for Australian tax residents for the 2026/27 year. The new rates are shown here and do not include the Medicare levy of 2%.

New Austrac Requirements

From 1 July 2026 the government is extending Anti-Money Laundering (AML) rules to cover accountants. We are now required to undertake the same level of identity checks as your bank already does when you open an account. This applies to every accounting practice in Australia, not just ours.

Apart from the changes to identity checks, we are also required to undertake further reviews when we provide certain 'designated services' to our clients. Thankfully providing tax returns, tax advice and financial statements do not fall within the designated services list, so there should be minimal changes to most of our clients. However, some of our business clients received some of the designated services, so for this first year some business clients may be asked to provide further details before we commence certain services for them.

Capital Gains Tax Changes

Commencing on **01 July 2027**, the labour government is changing the calculation of Capital Gains Tax (CGT). The flat 50% CGT discount will be replaced with an inflation based indexation method <u>and a minimum 30% tax rate</u>. These reforms primarily target long-term investments, though exemptions and concessions apply to certain new property builds, small businesses, and startups.

The changes not only apply to rental properties but also to investments held in shares, cryptocurrency, collectable items and personal use assets.

Assets acquired before July 1, 2027, will require a market valuation on that date to serve as the new starting cost base. Any gains that accrued prior to 01 July 2027, will generally still be eligible for the old 50% discount. Gains that accrued after 30 June 2027 will be calculated under the new method (including the gain in value after 30 June 2027 for properties that were purchased before capital gains tax laws started (20 September 1985).

We will provide further details with your income tax return documents this year.

Negative Gearing Changes

Commencing on **01 July 2027**, the labour government is restricting negative gearing for established residential properties purchased after **7:30pm AEST on 12 May 2026 (budget 2026 night)**. Investors for these properties will no longer be able to offset rental losses against personal income, such as wages.

Key changes and exemptions include:

- **Grandfathering:** Properties held or under contract before the 12 May 2026 deadline are exempt and retain current rules.
- **New Builds:** Investors in new residential constructions (e.g., off-the-plan, new builds) can still use negative gearing against personal income.
- **Quarantined Losses:** For affected properties, losses must be carried forward to offset future rental income or capital gains rather than immediate personal income.
- **Asset Scope:** Changes only apply to residential real estate, not shares or commercial property.

We will provide further details with your income tax return documents this year.

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