

2027 Budget: Summary

2026-27 Federal Budget Highlights

The Federal Treasurer, Dr Jim Chalmers, handed down the 2026–27 Federal Budget at 7:30 pm (AEST) on 12 May 2026.

The government is proposing a tax reform package with 3 parts:

- a “fairer” tax system for workers, first home buyers and future generations
- a “better” tax system for businesses by encouraging investment and innovation, and
- a “simpler and more sustainable” tax system.

Summary details of the income tax, indirect taxes and superannuation issues are set out below.

Income tax

- The 50% CGT discount will be replaced with cost base indexation for all CGT assets (except new homes) from 1 July 2027, with a 30% minimum tax on realised gains also applying from that date.
- A minimum tax rate of 30% will be payable by trustees of discretionary trusts from 1 July 2028.

Individuals

- Negative gearing for residential property will be limited to new builds from 1 July 2027, with no change for existing arrangements.
- Each working Australian taxpayer will receive a \$250 Working Australians Tax Offset from the 2027–28 income tax year.
- The Medicare levy low-income thresholds for singles, families, and seniors and pensioners will be increased by 2.9% from 1 July 2025.
- The temporary restrictions on foreign ownership of housing will be extended, and Australia’s foreign investment framework will be strengthened.
- The age-based uplift of private health insurance rebate (the PHI rebate) will be removed from 1 April 2027.
- Payment of the full rate of pension supplement will be extended from 6 weeks to 12 weeks for recipients who are temporarily absent from Australia.
- The pension supplement will cease for those who are residing permanently overseas or who are temporarily absent for more than 12 weeks.

Business

- Australia will transition to a permanent 25% discount on FBT for certain electric vehicles.
- The instant asset write-off of \$20,000 for small businesses applying the simplified depreciation rules has been extended permanently.
- Companies with up to \$1 billion in turnover will be eligible to carry back tax losses for up to 2 years from 1 July 2026.
- Small start-ups in their first 2 years of operation will be able to get a refund for tax losses capped to the value of tax remittances relating to employment from 1 July 2028.
- Reforms have been announced to the R&D tax incentive from 1 July 2028 as part of the government's response to the Ambitious Australia: Strategic Examination of Research and Development Final Report.
- The venture capital limited partnership (VCLP) and early stage venture capital limited partnership (ESVCLP) tax incentives will be expanded from 1 July 2027. The eligible venture capital investor program will be closed to new applications from 12 May 2026 7:30pm (AEST).
- The global and domestic minimum tax legislation will be amended from 1 January 2026 to implement the side-by-side package agreed by the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting on 5 January 2026.

Not-for-profit

- Deductible gift recipients list to be updated.

GST and Other Indirect tax

- Access to refunds of indirect tax under the Indirect Tax Concession Scheme has been extended.
- More nuisance tariffs will be abolished from 1 July 2026.
- The duty exemption for goods imported from Ukraine will be extended for a further 2 years to 3 July 2028.
- Funding will be provided, and measures will be introduced to combat the illicit tobacco market.

Tax administration

- Access to monthly reporting and payments as well as dynamic PAYG instalment calculations will be expanded for small and medium businesses from 1 July 2027.
- Funding will be provided, and measures will be introduced, to protect and strengthen the tax system against fraud.
- Funding will be provided from 2026–27 to strengthen governance requirements, supervision and enforcement in relation to managed investment schemes.

- Funding will be provided to the ATO and other government organisations from 2026–27 to meet the government’s commitments under the Digital ID Act 2024 and maintain the security and reliability of the government’s Digital ID System.
- Funding will be provided over 2 years from 2026–27 to streamline regulatory systems and secure access to data, including the synchronisation of director information, uplifting ABN authentication and completing the transition of ABN and superannuation lookup functions to the ATO. Legislation will also be introduced to improve regulation in the financial sector.
- Funding will be provided from 2026–27 to address systems abuse in the child support scheme. This includes improving the accuracy of child support assessments by strengthening tax lodgment enforcement, extending Single Touch Payroll data sharing and expanding the use of employer withholding to ensure more child support is paid in full and on time.
- Reforms to harmonise state payroll tax administration frameworks will be explored as part of the government’s national competition policy (NCP).

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