



Federal Budget 2026-27

The Wealth Perspective

01

Minimum tax for discretionary trusts

The 2026 Federal Budget proposes a minimum 30% tax rate on discretionary trust distributions (from 1 July 2028), reducing the benefit of distributing income to beneficiaries on marginal tax rates below that level. This affects households and professionals who have used trusts for income splitting, because distributions to lower-tax family members (for example, a lower-income spouse or adult children) will no longer be taxed at those lower rates once the 30% minimum applies.

Under the proposed framework, distributions to corporate beneficiaries would not receive a credit for tax paid at the trust level, creating a clear risk of economic double taxation for family groups that currently rely on these arrangements. While transitional rollover relief has been announced to facilitate restructuring, the measure appears intentionally designed to discourage ongoing use of discretionary trusts in favour of more rigid corporate ownership structures. This represents a material policy shift with long-term implications for how family groups structure investments, retain profits and plan for intergenerational wealth transfer.

02

Changes to negative gearing for established properties

For established residential investment properties purchased after budget night, the budget changes how rental losses can be used from 1 July 2027.

From 1 July 2027, any net rental loss generally cannot be used to reduce tax on wages or other income. Instead, losses can only be applied against rental income and capital gains from the property, with unused amounts able to be carried forward.

Investors who already hold established investment properties can continue under the current treatment until they sell, and newly built properties remain eligible for negative gearing under the housing-supply carve-out.

03

Capital gains tax reform and minimum tax on gains

From 1 July 2027, the current 50% CGT discount for individuals, trusts and partnerships is replaced with an approach that indexes the cost base to inflation (taxing real gains) and introduces a minimum CGT rate of 30%. Pre 1985 assets are also brought into the tax system for the first time, with only gains accruing from the transition date taxed under the new framework.

The policy rationale cited is to reduce incentives to defer realising gains into retirement purely for tax outcomes and to better align the taxation of wealth with the taxation of work.

04

Working Australians Tax Offset and household relief

The Government's main personal tax measure is the Working Australians Tax Offset (up to \$250), expected to apply from 2027–28 and reach more than 13 million workers, delivered through annual tax returns.

The broader package also includes fuel relief, including a halving of the fuel excise, framed as helping households manage higher prices associated with the Middle East conflict and its impact on Australia's energy markets.

05

Housing supply and affordability measures beyond tax

Alongside tax reform, the budget highlights a broader housing package, including a record \$47 billion total investment and an additional \$2 billion for enabling infrastructure (such as power, roads and drainage) to help unlock housing supply over the next decade.

The budget also extends the temporary ban on foreign investors purchasing existing homes, presented as a measure to reduce demand pressures in the established housing market and make it easier for domestic buyers to purchase a home.

06

Budget position and medium term trajectory

The Government continues to project ongoing deficits for several years, with a return to balance not expected until 2034–35. While this represents an improvement relative to the mid year update in December (which outlined a longer period of deficits), the overall message remains that fiscal repair is gradual and dependent on the economic outlook.

07

What is improving the bottom line

A key contributor to the improved fiscal position is spending restraint, led by measures to slow the growth of the National Disability Insurance Scheme (NDIS) through tighter eligibility and plan reassessments.

The Treasurer has highlighted \$37.8 billion of NDIS savings over the forward estimates, arguing that these savings do most of the work in strengthening the budget position. On the debt profile, gross debt is forecast to reach around \$1.051 trillion in 2026–27, about 34% of GDP, or roughly \$38,000 per Australian. That represents a \$69 billion increase on this year, and gross debt continues to rise in dollar terms to \$1.249 trillion by 2029–30, even if it stabilises as a share of the economy.

08

Risks to Treasury’s forecasts from the Middle East conflict

Under Treasury’s base forecasts, the conflict is treated as a near-term oil shock that fades as energy markets normalise. Treasury notes disruption to around one-fifth of the world’s seaborne oil and gas supply, assumes oil stays above \$US80 per barrel until at least June next year, and has inflation peaking around 5% before easing as oil prices are assumed to decline from mid-2026. Base growth is forecast to slow to around 1.75% next financial year.

Treasury also outlines a more adverse scenario where oil rises to around \$US200 per barrel and remains elevated for longer, with inflation above 7% and materially weaker growth than the base case. This sensitivity to oil prices highlights that risks remain to both the budget outlook and broader macroeconomic outcomes.





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