TRINITY ACCOUNTING PRACTICE

Client Insights | May 2026

2026–27 FEDERAL BUDGET

A Plain-English Guide for Trinity Clients

The most significant package of tax reforms in a generation — covering individuals, business, property, trusts and superannuation. Written for our clients, with the practical implications front and centre.

TRINITY ACCOUNTING PRACTICE

Established 2003 | Tax • Business Advisory • Virtual CFO • SMSF

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AT A GLANCE

What this Budget changes for you

Treasurer Jim Chalmers' fourth Budget delivers the most ambitious package of tax reform Australia has seen in roughly three decades. The headline measures touch wage earners, small business owners, property investors, retirees and trust structures, and the staged commencement dates between 2026 and 2030 create real planning windows for our clients to act in.

This guide distils the announcements into a practical client briefing — what stays the same, what shifts, when it starts, and where Trinity recommends you focus your attention first. It complements the more detailed file notes and modelling we are preparing for individual client situations.

Headline takeaways

- **Personal tax cuts** already legislated continue, with the 16% bracket dropping to 15% from 1 July 2026 and 14% from 1 July 2027.
- **$1,000 standard work-related deduction** available without receipts from 1 July 2026 — opt-in, you can still claim actual expenses if higher.
- **$250 Working Australians Tax Offset** from the 2027–28 income year, including for sole traders.
- **$20,000 instant asset write-off** proposed to become permanent for businesses with turnover under $10m.
- **50% CGT discount** replaced by an indexation-based system from 1 July 2027 — pre-existing assets get transitional treatment.
- **30% minimum tax** on discretionary trust distributions proposed from 1 July 2028, with a restructure rollover window through to 1 July 2030.
- **Negative gearing** tightened for established residential investment property; commercial property is excluded.
- **Superannuation** caps and Division 296 settings remain on the existing trajectory, with SMSFs relatively well-placed under the new framework.

What to do in the next 90 days

Speak to Trinity about a structure review if you operate through a discretionary trust, hold long-term investment assets, or are weighing a sale or restructure before the 1 July 2027 transition. Early planning is where most of the value sits.

SECTION 1 · INDIVIDUALS & FAMILIES

Tax cuts, simpler deductions and cost-of-living measures

The biggest changes for individual taxpayers are the continuation of the stage-three rate cuts, a new flat work-related deduction, and a modest permanent offset for working Australians.

Personal income tax rates

Taxable income	2025–26	2026–27	From 2027–28
$0 – $18,200	Nil	Nil	Nil
$18,201 – $45,000	16%	15%	14%
$45,001 – $135,000	30%	30%	30%
$135,001 – $190,000	37%	37%	37%
$190,001+	45%	45%	45%

Trinity example. A client earning $90,000 in 2027–28 will be roughly $540 a year better off than under the 2025–26 settings once the rate change fully takes effect — modest, but compounding when combined with the new deduction below.

$1,000 standard work-related deduction

From 1 July 2026, employees and sole traders can claim a flat $1,000 deduction for work-related expenses without substantiation. It is opt-in: where your genuine expenses exceed $1,000, the usual evidence-based claim continues to apply. Charitable donations, professional memberships and the cost of managing your tax affairs remain claimable on top.

$250 Working Australians Tax Offset

A permanent, non-refundable tax offset of up to $250 a year for taxpayers with labour income — including PAYG employees and sole traders. It reduces tax payable rather than producing a refund in its own right, and is first received in 2027–28 returns lodged from July 2028.

Cost-of-living and Medicare

- Medicare levy low-income thresholds lift by 2.9% from 1 July 2025 — fewer low-income earners pay the full levy.
- Energy bill relief continues with a further round of household rebates flowing through retailers.
- The age-based uplift to the Private Health Insurance rebate (for those 65+) is removed from 1 April 2027 — review cover before then if your premium is sensitive to this.
- HELP/HECS indexation reverts to the lower of CPI or WPI permanently, with a 20% balance reduction already legislated.

SECTION 2 · SMALL BUSINESS & SMES

Cash flow, write-offs and compliance relief

The Budget contains a clear message for small business: the temporary settings of recent years are being made permanent, and compliance thresholds are being eased. None of these changes are transformative on their own, but together they make planning and reinvestment easier.

$20,000 instant asset write-off — now permanent

The $20,000 instant asset write-off threshold for businesses with aggregated turnover under $10 million is proposed to be made permanent from 1 July 2026. The threshold applies per asset, allowing immediate deduction of multiple qualifying assets in the same income year. For most of Trinity's SME clients this removes the year-by-year uncertainty that has driven last-minute purchase decisions for the past several Budgets.

Loss carry-back extension

Eligible corporate tax entities will be able to carry current-year tax losses back against tax paid in prior profitable years, generating a refundable tax offset. Particularly useful for clients absorbing a soft trading year after strong profitability in 2023–24 and 2024–25.

Higher reporting thresholds for proprietary companies

Two of the three 'large proprietary company' thresholds are being lifted, which will reduce audit and financial reporting obligations for a number of mid-tier private groups. Trinity will be reviewing affected clients individually as the legislation progresses.

Practical changes worth flagging

- Single Touch Payroll Phase 3 enhancements continue, with a broader real-time visibility framework being scoped.
- GST reporting modernisation pilot programs are being expanded — Xero, MYOB and QuickBooks integrations are being prioritised.
- Cyber resilience grants and the small business technology investment program are continued in modified form.
- Energy efficiency grants for SMEs under 50 employees are being recalibrated rather than ended.

Trinity action — small business

If you are planning capital expenditure before 30 June 2026, talk to us about whether to bring purchases forward or hold for the permanent write-off. We will also be running a free 30-minute structural review for SME clients operating through trusts during May–July 2026.

SECTION 3 · PROPERTY & INVESTMENT

Negative gearing, residential vs commercial, and CGT reform

Property is one of the more nuanced parts of this Budget. The reforms differentiate clearly between established residential investment property — where deduction settings are tightening — and commercial property, where the existing framework is largely retained.

Residential investment property

- Negative gearing on **established residential** investment property is being limited — losses able to be offset against wages and salary income will be capped.
- Newly built residential property remains fully deductible to encourage supply.
- Existing investors hold grandfathered status for properties already owned, with detail to be confirmed in draft legislation.
- Depreciation rules for second-hand residential assets remain as previously legislated — no further tightening announced.

Commercial and industrial property

Commercial property is explicitly excluded from the residential negative gearing changes. Existing deductibility for interest, depreciation and operating costs continues. Where Trinity expects commercial investors to feel the Budget most is in the broader capital gains and trust changes covered on the next page — not in property-specific measures.

What stays the same	What is changing
• Commercial property deductibility framework • Newly built residential property settings • Existing depreciation regime • Small business CGT concessions • Main residence exemption	• Negative gearing limited on established residential investment • 50% CGT discount replaced from 1 July 2027 • Pre-CGT exemption effectively ends 1 July 2027 • Trust distribution taxation from 1 July 2028 • Foreign resident CGT withholding rate increased

Trinity view. The single biggest planning point for property clients is not negative gearing — it is the interaction between the new CGT framework and trust ownership. Where you hold long-term property in a discretionary trust, we strongly recommend a structural review before 1 July 2027.

SECTION 4 · CAPITAL GAINS TAX REFORM

From discount to indexation — what changes on 1 July 2027

The proposed CGT changes are the most consequential single reform in the Budget for long-term investors. The familiar 50% discount on assets held more than 12 months is being retired and replaced with an indexation-based model.

Mechanics of the new framework

- The cost base of an asset will be indexed by CPI between acquisition and disposal.
- Tax applies to the real gain — the gain above inflation — rather than the nominal gain.
- A minimum effective tax rate of 30% will apply to indexed capital gains.
- Capital losses continue to offset capital gains under the existing carry-forward rules.

Transitional rules for existing assets

Assets acquired before 1 July 2027 are split into two notional growth periods. Growth attributable to the period before 1 July 2027 retains access to the existing 50% discount, while growth from that date onwards is taxed under the new indexation regime. The asset's market value at 1 July 2027 becomes the pivot point — which is why formal valuations matter.

Pre-CGT assets (acquired before 20 September 1985)

The full exemption for pre-CGT assets is effectively ending. From 1 July 2027 the market value at that date becomes the new cost base, with historical growth preserved tax-free but future growth brought into the system. This is particularly relevant for legacy family business premises, long-held land and intergenerational holdings.

Why valuations matter — and when to commission them

A defensible market valuation as at 1 July 2027 will:

- Lock in the cost base for assets entering the new regime
- Preserve the value of pre-CGT growth at a specific reference point
- Reduce the risk of ATO dispute on disposal in five or ten years' time
- Support trust restructure decisions during the rollover window to 2030

SECTION 5 · TRUSTS & STRUCTURES

A 30% minimum tax — and a restructure window

Discretionary trusts are the structure most directly affected by this Budget. From 1 July 2028, a minimum 30% tax rate is proposed to apply to distributions from discretionary trusts. The change does not abolish trusts, but it does compress the historical income-splitting benefit that has driven much trust use in Australia.

What the 30% minimum means in practice

- Distributions to adult beneficiaries on marginal rates below 30% will be topped up to that minimum.
- Distributions to corporate beneficiaries (bucket companies) may not generate franking credits in the way the current rules allow.
- Streaming of capital gains and franked dividends to specific beneficiaries remains permitted, subject to the trust deed.
- Testamentary discretionary trusts are expected to be carved out of the measure, though final wording is awaited.

Restructure rollover window: 1 July 2027 – 1 July 2030

Treasury has flagged a three-year capital gains tax rollover window to allow discretionary trusts to restructure into more tax-efficient holding entities without triggering immediate CGT. For Trinity clients with appreciated assets in a discretionary trust, this is the most important planning window in the Budget.

Comparing your options

Structure	Treatment under new framework	Where it suits
Discretionary trust	30% minimum on distributions from July 2028; restructure window available.	Active operating businesses; family asset protection; not income-splitting.
Company	30% (or 25%) on retained profits; full nominal gains on disposal — gap to individuals narrows.	Reinvestment; long-hold operating assets; succession planning.
Unit trust	Taxed in the hands of unit holders; not subject to the 30% minimum.	Joint ventures; defined-benefit ownership; arm's-length partners.
SMSF	15% on income, effective concessional treatment on long-held assets, no impact from trust changes.	Retirement-stage investment property; intergenerational wealth structuring.

SECTION 6 · SUPERANNUATION & SMSF

Stability in super, with SMSFs comparatively well-placed

Compared with the structural changes elsewhere in the Budget, the superannuation system is left largely intact. The main moving parts are indexation of caps and the staged implementation of Division 296.

Concessional and non-concessional caps

- Concessional contributions cap remains indexed and is currently $30,000 for 2025–26 — no further change announced.
- Non-concessional cap remains at $120,000 per year with bring-forward arrangements unchanged.
- Carry-forward unused concessional contributions continue for members with TSB under $500,000.

Division 296 — earnings tax above $3 million

The additional 15% tax on earnings attributable to balances over $3 million (commonly referred to as Division 296) remains on its previously legislated trajectory. Trinity continues to recommend modelling exposure for high-balance members and reviewing whether to bring planned contributions forward or hold.

Payday super — finalised settings

Employer super guarantee will be required to be paid contemporaneously with wages from 1 July 2026. The compliance interface with STP and the new SBR-based reconciliation framework is being finalised — we will be in touch with all SME clients about payroll configuration well before the start date.

Why SMSFs are comparatively well-placed

The SMSF environment is largely untouched by the broader reforms. SMSFs are not affected by the trust distribution measure, retain the 15% income tax rate, and continue to deliver effective capital gains outcomes on assets held for longer periods. For clients weighing structures for long-hold investment property in particular, the SMSF option is now relatively more attractive than it was under the current law.

SECTION 7 · KEY DATES

Your planning timeline at a glance

1 July 2026	Personal tax rate drops to 15% on the $18,201–$45,000 bracket • $1,000 standard deduction available • $20,000 instant asset write-off becomes permanent • Payday super commences
1 April 2027	Age-based uplift to the Private Health Insurance rebate is removed for those aged 65+
1 July 2027	Personal rate drops to 14% on that same bracket • CGT discount replaced by indexation framework • Transitional cost base provisions apply • Pre-CGT exemption effectively ends • Trust restructure rollover window opens
2027–28 year	$250 Working Australians Tax Offset first available • Negative gearing limits on established residential property commence
1 July 2028	Minimum 30% tax on discretionary trust distributions commences
1 July 2030	Trust restructure rollover window closes

SECTION 8 · WHERE TO FOCUS NOW

Trinity's recommended planning steps

Next 90 days

- Book a Trinity review if you operate through a discretionary trust
- Identify any asset disposals you were planning for the next 18 months
- List any pre-CGT or long-held investment assets
- Bring forward 2025–26 capital expenditure conversations

Before 1 July 2027

- Commission valuations for material commercial and investment assets
- Model sale-before vs sale-after scenarios on long-held holdings
- Confirm bucket-company arrangements are still serving their purpose
- Document trust deed amendments needed to support restructure

How Trinity will be working with you

We are scheduling Budget review sessions through May and June 2026. Business clients will be contacted to align Budget planning with year-end strategy meetings. SMSF and high-net-worth clients with discretionary trust exposure are being prioritised for early structural reviews — please reach out if you would like to bring yours forward.

GET IN TOUCH

Talk to Trinity about what this means for you

The measures in this Budget will affect every client differently. The right next step depends on your structure, your assets and your timing horizon. Trinity is here to translate the headlines into a plan you can act on.

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