

2026 FEDERAL BUDGET REVIEW

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The 2026 Federal Budget has been described as one of the most significant changes to tax rules in over 25 years. The major changes impacting businesses will be on capital gains tax (CGT) and discretionary trusts.

This is not panic stations. There is time to assess, plan, and adjust structures if required.

Capital Gains Tax

From **1 July 2027**, the 50% CGT discount is proposed to be replaced with indexation (based on CPI), together with a minimum 30% tax rate on capital gains. Importantly, these changes are intended to apply **only to gains accruing after 1 July 2027**.

- The new rules **do not apply to the entire gain from acquisition**
- For assets held before 1 July 2027 and sold after that date, the gain is split:
- Growth up to 1 July 2027 retains the 50% CGT discount
- Growth after that date is subject to indexation and the new minimum tax



The same principle applies to **pre-CGT assets** (acquired before September 1985). Gains up to 1 July 2027 remain outside the CGT system, with only post 1 July 2027 gains subject to the new rules.

This means **historical gains are largely preserved**. While calculations will become more complex, the outcome is generally less severe than early commentary suggested.

There is an expectation that taxpayers will need to determine the value of assets at **1 July 2027**, either through valuation or an apportionment method.

Trusts

From **1 July 2028**, discretionary trusts are proposed to face a **30% minimum tax at the trustee level**, with individuals receiving a non-refundable tax credit.

However:

- Legislation has not yet been released
- Planning decisions should be **measured, not reactionary**

Importantly for farmers:

- **Primary production income is excluded** from the proposed rules
- Farm profits should continue to flow to individuals and be taxed under the **averaging system**

This carve-out is significant and suggests many farming operations may see **limited direct impact** from the trust changes.

It remains unclear whether the primary production exemption will also extend to distributions made to **corporate beneficiaries** — this will be a key issue to monitor once legislation is released.

Important for all:

- **Low-income beneficiaries** (those paying tax at rates below 30%) are expected to be affected the most by the proposed changes, as trust income is subject to a minimum 30% tax rate regardless of their personal tax bracket.
- Distributions from a trust to a **corporate beneficiary** or **bucket company** are not proposed to receive the tax credit. It does mean an element of double tax, potentially as high as 51% tax.

Other Key Measures

- **Restructuring relief** is expected to apply for three years from 1 July 2027, supporting structural changes (if required)
- The **\$20,000 instant asset write-off** is to be made permanent
- Small business CGT concessions remain unchanged

Summary

- There is no need to restructure immediately
- Trust changes do not commence until **1 July 2028**
- Existing CGT concessions and transitional rules reduce the need for rushed asset sales

Keep your powder dry — once the trust legislation is released meet with your accountant before 1 July 2028 to discuss the impact, and any changes required (if any) to your business structure.