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2026 FEDERAL BUDGET: THE ANNOUNCEMENTS THAT MATTER TO YOU

Eamonn Lanagan | Director

The 2026 Federal Budget introduced a number of significant proposed changes that could reshape long-term planning for business owners, investors, family groups, and individuals.

While many of these measures are still only announcements and have not yet become law, they provide a strong indication of the Government's future direction and are likely to influence planning decisions well before any legislation is enacted.

Below is a summary of the key announcements we believe our clients should be aware of.

Capital Gains Tax Changes

One of the most significant announcements relates to Capital Gains Tax (CGT).

From 1 July 2027, the proposed 50% general CGT discount for assets held longer than 12 months would be replaced with an indexation model linked to CPI, alongside a minimum 30% tax on capital gains.

Under the proposed rules:

- Assets held before 12 May 2026 and sold after 1 July 2027 would be subject to a two-part calculation:
  - the current 50% discount would apply to gains accrued up to 1 July 2027
  - indexation would apply to gains accrued after that date
- Pre-CGT assets purchased before 20 September 1985 would become subject to CGT on disposal from 1 July 2027, based on the capital gain accrued after that date, less indexation.
- Companies would not have access to indexation under the proposed system.

Trust Tax Changes

The Budget also proposes major reforms to the taxation of discretionary trusts.

From 1 July 2028, discretionary trusts would be taxed at 30%. Trustees would pay the tax on trust taxable income, while individual and non-company beneficiaries would receive a non-refundable 30% tax credit.

Some of the proposed implications include:

- Low-income beneficiaries will be taxed at a higher rate than comparable wage earners.
- Primary production income will be excluded from these rules and continue to be taxed in individual names under the existing averaging system.
- Distributions to companies will be double-taxed under the announcements, as they would not be eligible for the non-refundable tax credit.

Negative Gearing Changes

The Budget also announced proposed changes to negative gearing arrangements.

From 1 July 2027, negative gearing will be limited to new housing builds.

The proposed transition rules indicate:

- Properties held at 12 May 2026 are expected to continue to be negatively geared until disposal.
- Assets purchased after 12 May 2026 and before 1 July 2027 may continue to be negatively geared until that date.
- Income losses on assets purchased after 12 May 2026 will no longer be offset against other taxable income from 1 July 2027 and will instead be carried forward to offset future investment income.

Tax Relief For individuals

The Budget also included several proposed measures aimed at individual taxpayers.

From 1 July 2027, a new $250 refundable Working Australians Tax Offset is proposed for wage earners and sole traders.

In addition, the Budget proposes a $1,000 standard deduction without substantiation requirements. The intention is to simplify straightforward tax returns and reduce record-keeping requirements for individuals.

Small Business Support Measures

Several proposed measures were also directed toward small business support.

The $20,000 Instant Asset Write-Off is proposed to remain in place permanently. While this is the current rate, it must be legislated annually from the previous limit of $1,000.

The Budget also proposes reintroducing loss carry-back rules for companies, allowing eligible businesses to offset current year losses against profits from prior years and potentially recoup tax previously paid.

What Clients Should Be Thinking About Now

This Budget is less about immediate action and more about long-term planning.

Clients should begin considering:

- Whether current structures remain appropriate
- Future succession and asset sale planning
- Long-term investment strategies
- Potential cash flow impacts
- Future business and tax planning opportunities
- The increasing complexity and cost of tax compliance

These measures are only announcements, the drafting and enactment of the legislation may be different, but these proposals will significantly influence your planning decisions.

Final Thoughts
Many of these measures are still proposed and may change before becoming law. However, they signal potentially significant changes for business owners, investors and family groups.

At Byfields, we're already working with our clients to help them understand what these proposed changes could mean in practice and how they may impact long-term strategy.

If you would like guidance on how these proposed changes may affect you or your business, please ***reach out to our team.***