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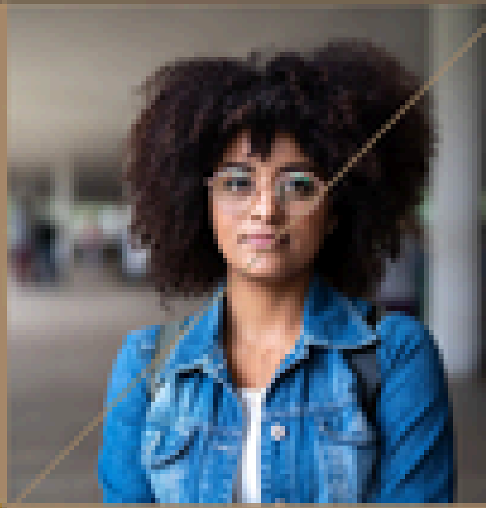
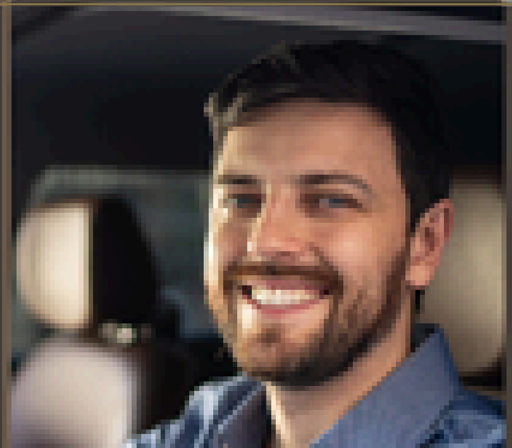
Chartered Accountants & Advisers



Federal Budget Report 2026



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Tonight Treasurer Jim Chalmers handed down the 2026-27 Federal Budget and confirmed what many in our client base have feared for months:

a targeted swing away from traditional wealth accumulation structures.

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Framed under the banner of "intergenerational fairness," the Treasurer unveiled a suite of reforms targeting negative gearing, capital gains tax (CGT) and discretionary trusts.

While the government pitches these changes as essential to supporting the younger generations, the practical reality for high-net-worth clients is a deliberate erosion of long-standing tax efficiencies. The Budget has been delivered against a backdrop of challenging global and domestic conditions. Treasury is forecasting global growth to slow from 3.5% last year to 3% in 2026, with Australia's own GDP growth revised down to 1.75%.

The Treasurer has laid the blame squarely at the Middle East conflict which has caused significant disruption to global trade and energy production and is driving Australian inflation higher, with headline inflation expected to hit 5% by mid-2026 — well above the RBA's target band and pointing firmly towards further interest rate increases. It is precisely the sort of environment in which a prudent government might exercise caution. Treasurer Chalmers had other ideas.

Instead, he has delivered what he called the most ambitious tax reform agenda in 26 years. For most Australians, this means modest cost-of-living relief: over 13 million workers will receive a tax cut of up to $250, along with a new $1,000 instant tax deduction for work-related expenses, available without receipts. Small businesses are not forgotten, with the $20,000 instant asset write-off being made permanent from 1 July 2026 and the reintroduction of the loss carry-back regime.

For investors in residential property, the framework of real estate investing changes from tonight. Negative gearing for residential property will be restricted to new builds from 1 July 2027, with properties held on Budget night grandfathered under the existing rules.

Investors who buy established housing after tonight will still be able to deduct losses against residential property income and carry forward unused losses to future years, but they will not be able to offset those losses against other income such as wages. The carrying-forward provision sounds reasonable on paper; in practice, it eliminates the immediate tax benefit that has underpinned the economics of leveraged property investing for decades.

The CGT changes compound the position considerably. From 1 July 2027, the 50% CGT discount for individuals, trusts and partnerships will be replaced with cost-base indexation alongside a flat 30% minimum tax rate on real capital gains. The Government explains this as ensuring investors pay tax only on genuine gains rather than inflationary illusions, a principle that sounds entirely reasonable until you consider that investors who have held assets for many years, confidently structuring their affairs around the existing discount, now face a materially different tax outcome on future disposals. Gains arising before 1 July 2027 remain under the existing regime, and investors who acquire new homes may elect between the old discount and the new arrangements when they sell - a limited concession. The Budget papers also quietly reveal that the tax exemption for 1985 pre-CGT assets falls away under the changes to the CGT framework.

The trust provisions will attract the most urgent attention from our client base. From 1 July 2028, discretionary trusts will be taxed at 30% which is paid by the trustee, thus aligning trust tax rates with the marginal rate faced by the "average worker."

The framing is politically nimble but practically devastating. Discretionary trusts are not shelters for the idle wealthy - they are the essential workhorses of multi-generational estate planning, business succession, and asset protection used by families across the country. The 30% trustee-level tax eliminates the income-splitting flexibility that has made these structures central to legitimate wealth management, regardless of the marginal rates of individual beneficiaries. Likewise, the use of corporate beneficiaries to receive trust distributions becomes wholly tax inefficient. The impact will be sweeping for the vast majority of family and business structures.

Taken individually, each of these measures may carry some rational reasoning. Taken together and applied simultaneously to property investors, capital gains and trust distributions, they represent a structural recalibration of the investment and planning strategies that most high net wealth clients have built over many years.

The Government will argue that these changes level the playing field. We would simply note that those who spent decades building diversified investment portfolios, structuring their affairs in careful compliance with the law might be forgiven for wondering which field, exactly, they thought they were playing on.

The full implications of these changes, including the interaction effects between the CGT reforms, the negative gearing restrictions, and the trust minimum tax, will take time to work through, and much will depend on the legislative detail yet to follow.

What is clear tonight is that the planning window is short. The negative gearing changes take effect immediately; the CGT changes from 1 July 2027 and the trust reforms from 1 July 2028. In this newsletter, we set out the details of each measure announced tonight, and we will start considering and discussing the strategic responses before these provisions become law. As always, the earlier the conversation, the more options remain on the table.

SHANE BINSTOCK
DIRECTOR TAXATION

The framing is politically nimble but practically devastating. Discretionary trusts are not shelters for the idle wealthy - they are the essential workhorses of multi-generational estate planning, business succession, and asset protection used by families across the country.

Budget Snapshot.

Deficit

$31.5B deficit forecast for FY26–27
Lower than MYEFO by $2.8B

Capital Gains Tax

CGT overhaul from 1 July 2027, 50% discount replaced with indexation
30% minimum tax on capital gains

Trusts

Trust income taxed at 30% minimum applies from 1 July 2028

Property Investors

Negative gearing on residential property limited to new builds
Applies from 1 July 2027.

Small Business

$20K instant asset write-off now permanent
Loss carry-back regime returns.

Innovation & Start-ups

Changes to the R&D tax incentive and refunding tax losses for certain start-ups.

Individual Tax Relief

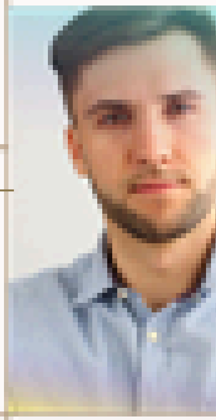
$250 offset and $1,000 automatic deduction
Modest relief for workers.

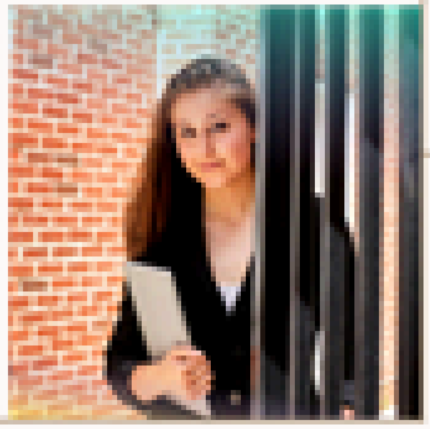
CONTENTS

Rating System.

You will notice that we have included our own review system alongside each of the measures.

They have been rated on a scale of 1 to 5, to broadly reflect the importance to private and family groups and the likely effectiveness of the measure to the broader taxpaying community.





$250 Tax Cut for Australian Workers

Starting from the 2027-28 tax year, each Australian worker (ie. those returning salary & wage income or income as a sole trader) will receive a $250 Working Australians Tax Offset (WATO) upon lodgement of their tax return.

The WATO effectively increases the tax-free threshold to $19,985.

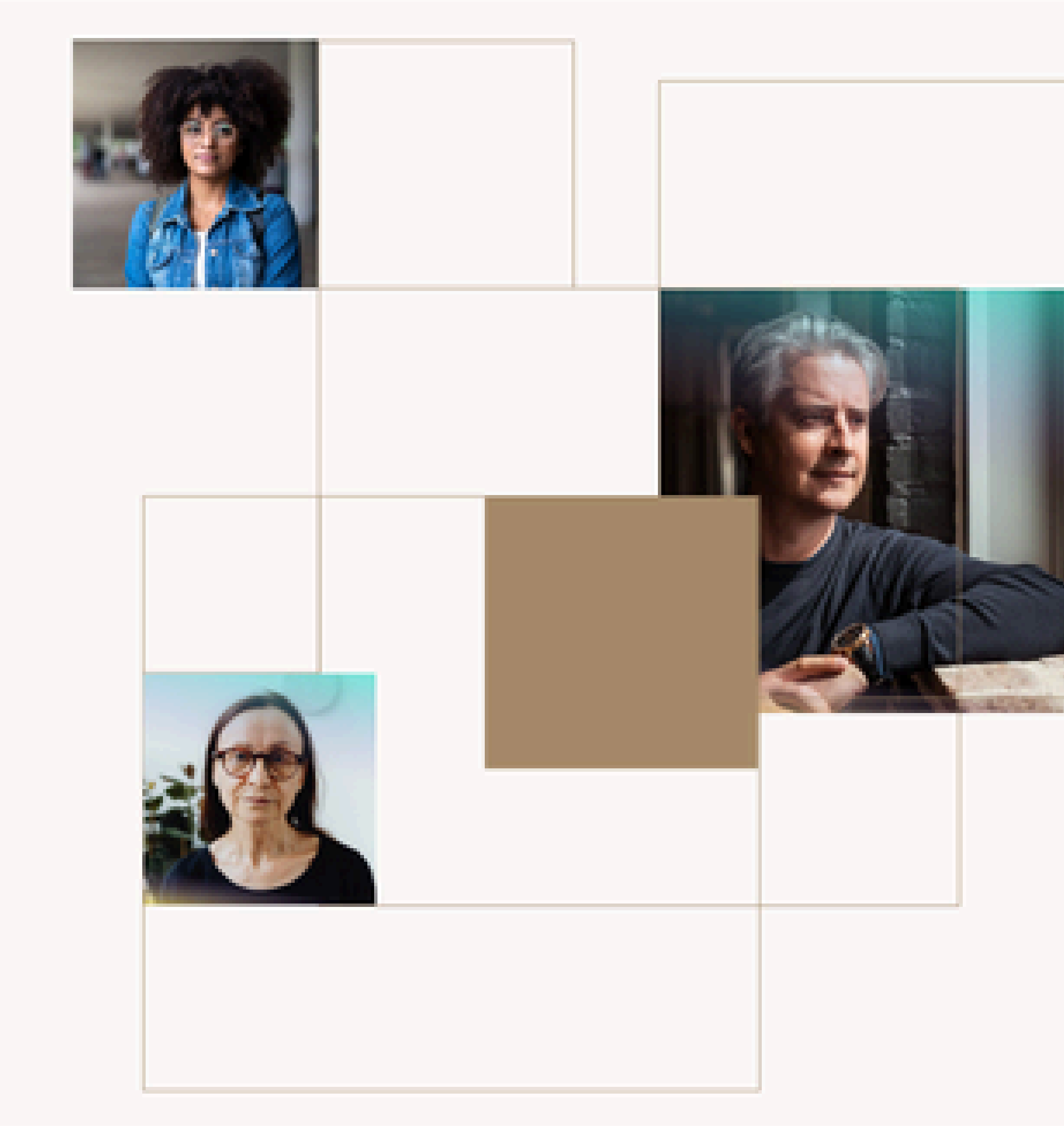
$1,000 Instant Tax Deduction for work-related expenses

A $1,000 instant tax deduction for work-related expenses from the 2026-27 income year has also been introduced. Taxpayers with more than $1,000 in work-related expenses can continue to claim these deductions in the usual way.

The instant deduction minimises compliance time, with no need to itemise claims less than $1,000.

Charitable donations, professional fees and other non-work related deductions can be claimed in addition to the instant tax deduction.

The WATO and instant tax deduction are de facto cost of living measures by reducing income tax paid by individuals. Other direct cost of living measures relate to reductions in the fuel excise, adding medicines to the PBS, investing in Medicare Urgent Care Clinics and increasing the Medicare Levy low-income threshold.



Income Tax Rate Changes

Previously announced personal income tax cuts are due to commence from 1 July 2026, building on the Stage 3 tax cuts that have applied since 1 July 2024.

The announced changes will apply in two stages. From 1 July 2026, the tax rate applying to taxable income between $18,201 and $45,000 will reduce from 16% to 15%. From 1 July 2027, this rate will reduce further to 14%.

Thresholds ($)	Rates in 2024-25 and 2025-26 (%)	Rates in 2026-27 (%)	Rates in 2027-28 (%)
0 – 18,200	Tax Free	Tax Free	Tax Free
18,201 – 45,000	16	15	14
45,001 – 135,000	30	30	30
135,001 – 190,000	37	37	37
Over 190,000	45	45	45

The above rates do not include the Medicare levy of 2%.

Income from work	2026–27 -- Two tax cuts	2027-28 Onwards -- Combined benefit with $1,000 instant tax deduction	2027–28 onwards -- Three tax cuts + WATO	2027–28 onwards -- Combined benefit with instant tax deduction
$30,000	673	Up to 923	1,041	Up to 1,281
$40,000	872	Up to 1,092	1,340	Up to 1,550
$50,000	1,197	Up to 1,532	1,715	Up to 2,050
$60,000	1,447	Up to 1,782	1,965	Up to 2,300
$80,000	1,947	Up to 2,267	2,465	Up to 2,785
$100,000	2,447	Up to 2,767	2,965	Up to 3,285
$140,000	3,997	Up to 4,387	4,515	Up to 4,905
$180,000	3,997	Up to 4,387	4,515	Up to 4,905
$200,000	4,797	Up to 5,267	5,315	Up to 5,785

**Source: Budget Fact Sheet - Tax explainer – New tax cuts for Australian workers (Budget 2026–27 Tax Explainer) pg5*

QUICK TAKE

LAURENCE SLOMOI

DIRECTOR BUSINESS SERVICES

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This Budget takes a markedly tougher stance on how Australians have traditionally built and retained wealth.

A 30% minimum tax on discretionary trust income will impact a broad range of family groups and private businesses, not just high-income outliers. At the same time, scrapping the 50% CGT discount in favour of indexation and a minimum tax rate on capital gains from 1 July 2027 fundamentally changes asset sale decisions. Extending the transitional arrangements to pre-1985 assets means even long-held investments are no longer ‘set and forget’.

02 CAPITAL GAINS TAX OVERHAUL

RATING

As widely anticipated, this Budget delivered a major restructure of Australia's capital gains tax (CGT) system – a move that will impact on investors.

Long-term investors, particularly those with large gains or holding property and legacy assets, are likely to feel it the most and may face a higher effective tax rate on capital gains.

From 1 July 2027, the Government intends to abolish the longstanding 50% CGT discount and replace it with an indexation system that aims to tax real, inflation-adjusted capital gains. Additionally, a minimum 30% tax rate will apply to real capital gains, and pre-CGT assets will be subject to the new CGT rules on a prospective basis. These moves are aimed at improving housing affordability and intergenerational equity.

How the new rules are expected to apply:

Transitional arrangements for existing investments and exemptions

- The 50% CGT discount should continue to apply to gains accrued up to 1 July 2027.
- Similarly, for pre-CGT assets, any gains accruing up to 1 July 2027 are expected to be exempt.
- For unlisted investments (such as property), taxpayers could either obtain a valuation at 1 July 2027 or use a specified apportionment method based on the asset's growth rate.
- Investors who buy "new builds" will be able to choose either the 50% CGT discount or indexation and the minimum tax when they sell the property.
- Superannuation funds are not affected and will retain the 1/3rd CGT discount.

Replacement of 50% CGT discount with indexation

- The 50% discount for assets held for longer than 12 months will no longer apply for individuals, trusts and partnerships (aligning it with the CGT treatment for companies).
- Asset cost bases will instead be indexed to CPI, reverting to the pre-1999 CGT framework.
- Only real (inflation-adjusted) gains will be taxed, disregarding inflationary impacts.
- These changes will apply to all CGT assets (including property and shares) held for at least 12 months.

Minimum 30% tax rate on capital gains

- Indexed capital gains will be subject to a minimum effective tax rate of 30%. That is, if you are on a lower marginal tax rate in the year of sale, you will still be subject to 30% CGT.
- Designed to reduce investors deferring the realisation of gains to low-income years.
- The minimum tax will not affect the main residence exemption or superannuation assets.
- Recipients of the Age Pension, JobSeeker and similar payments in the year of sale are exempt.

Pre-1985 assets brought into the tax net

- Pre-CGT assets (i.e. assets acquired before 20 September 1985), which have historically been exempt from CGT, will be subject to CGT on gains accruing from 1 July 2027 onwards. Gains accrued prior to that date will remain exempt.
- This is the first time in 42 years that capital gains from pre-CGT assets will be subject to tax.
- For those still holding pre-CGT assets, valuations will likely be required as at 1 July 2027.

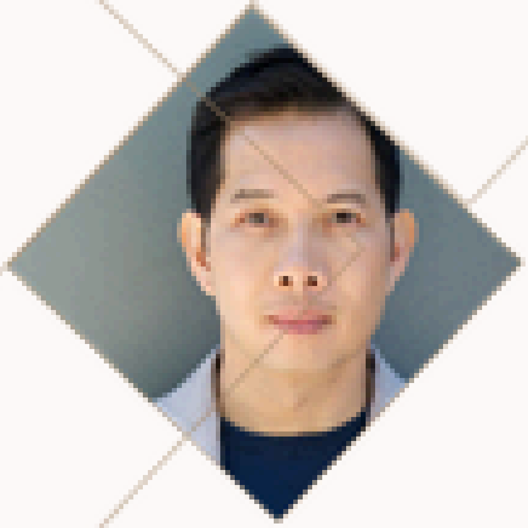
While CGT reform was expected, the 30% minimum tax and inclusion of pre-CGT assets are more far-reaching than many anticipated.

Grandfathering of gains up to 1 July 2027 softens the immediate impact, but the changes will reshape investment decisions across asset classes.

Notably, the reforms remove the long-standing CGT disadvantage of holding assets in a company, placing companies, individuals and trusts on a more level footing (excluding superannuation).

Consultation has also been flagged for tech and start-up investments, with no specific carve-outs announced yet. This is driven by founders and SME shareholders that typically have nominal cost base in such assets.

Finally, while these changes are significant and may increase CGT liabilities in many cases, Treasury's modelling shows that tax outcomes can vary significantly depending on asset type, returns and inflation, and in some cases may end up being lower under the indexation model – time will tell!



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The 2026 budget has delivered on tax reform, unfortunately just not for the dreamers, risk takers and the rule breakers - the ones who change the world.

VISHAL TEJANI

DIRECTOR TAXATION

Minimum 30% tax on discretionary trusts

The Budget introduced a game-changing 30% minimum tax on discretionary trusts from 1 July 2028, fundamentally shifting the way in which trusts may be used going forward.

In essence, this measure introduces a non-refundable 30% tax on discretionary trust income by making a trustee liable for this tax.

Key characteristics of the minimum tax

- Trustees will pay 30% tax on the taxable income of the trust
- Trustees continue to distribute the trust income to eligible beneficiaries
- Beneficiaries still disclose the trust distributions in their income tax returns
- Individuals and other non-corporate beneficiaries receive a non-refundable credit for the tax paid by the trustee to offset their tax payable
- Corporate beneficiaries will be assessed on the trust income they are entitled to but should not receive credits for trustee paid minimum tax.

Scope of the changes

The minimum tax is primarily aimed at discretionary trusts and will not apply to fixed and widely held trusts, complying superannuation funds, special disability trusts, deceased estates & charitable trusts.

Certain types of income are also excluded from the application of the minimum tax. These are primary production income, certain income relating to vulnerable minors, amounts subject to non-resident withholding tax and income from certain assets of testamentary trusts.

For example, under the proposed changes, a $50,000 distribution to an individual beneficiary will be subject to a minimum tax of $15,000 ie. $50,000 @ 30%. This compares to $6,788 under current rules, if the individual beneficiary derived no other income in that year.

Corporate beneficiaries and Franking Credits

A key integrity measure is the treatment of corporate beneficiaries and franking credits.

The budget materials indicate that restricting corporate beneficiaries from accessing credits for tax paid by the trustee is intended to ensure the minimum tax cannot be avoided by converting the non-refundable credits into refundable franking credits, particularly where the companies are established primarily to receive trust distributions.

Further, trustees that receive franked dividends will be required to use the franking credits to pay the minimum tax.

Rollover Relief

Expanded rollover relief will be provided for small businesses and others that wish to restructure out of discretionary trusts.

The relief:

- Will be available for three years from 1 July 2027.
- Is intended to support restructuring into alternatives such as a company or a fixed trust, with relief from income tax consequences including CGT.

What this means

While rumours started appearing closer to budget night about taxation of trusts, the announced measures appear to be quite punitive for discretionary trusts. In particular, the proposed treatment of trust income received by companies would appear to suggest an element of double taxation. The use of corporate beneficiaries or so-called “bucket companies" will be severely curtailed from 1 July 2028.

In addition, the Government has indicated that they would consult on the mechanism for collecting the minimum tax, the use of excess franking credits that exceed the proposed minimum tax and detailed operation of expanded rollover relief.

Finally, while these changes are significant, these are only announced measures and that we expect consultation to take place over the coming months prior to introduction of legislation.

“

The budget promises to deliver intergenerational equity to the youth but does so at the expense of unravelling decades of carefully curated wealth creation by the older generations.

GARY IMMERMAN

DIRECTOR BUSINESS SERVICES

Slomoi Immerman Partners

RATING

As anticipated, significant changes have been made to negative gearing for residential property.

The reforms are designed to improve housing affordability and support first home buyers by redirecting the tax benefits of negative gearing towards new housing supply.

From 1 July 2027, negative gearing on residential property will be restricted to new builds only. The key changes are as follows.

- Investors who purchase existing residential properties after 7:30pm AEST on 12 May 2026 will no longer be able to offset rental losses against general taxable income, such as salary and wages. Losses will only be deductible against other residential property income, including capital gains on sale.
- Where rental losses exceed residential property income in a given year, the excess must be carried forward and applied against future residential property income, including rental income and capital gains realised on sale.
- Investors who held properties, or had contracts exchanged, prior to 7:30pm AEST on 12 May 2026 are fully grandfathered and may continue to negatively gear against all forms of income for the life of those investments.
- Investors who purchase existing properties between 12 May 2026 and 30 June 2027 may continue to negatively gear during that transitional period only. From 1 July 2027, those same properties will no longer be eligible for negative gearing.
- New residential builds after 1 July 2027 retain full negative gearing entitlements regardless of purchase date, provided the property genuinely adds to housing supply.
- Superannuation funds, including self-managed superannuation funds, and widely held trusts are excluded from the negative gearing restrictions.
- Commercial property and other asset classes such as shares are not affected and remain subject to existing negative gearing rules.

The following table provides guidance on what may qualify as an eligible new build:

Eligible new build	Not an eligible new build
A newly constructed apartment purchased off-the-plan	An established property that has been extended to add additional bedrooms
A duplex constructed through a knock-down rebuild replacing a single free-standing house	A free-standing house constructed through a knock-down rebuild replacing an older free-standing house
Residential construction on previously vacant land	A granny flat built alongside an existing property
A newly built property that is occupied for less than 12 months before being first sold	A newly built property that is occupied for more than 12 months before being sold to a subsequent investor

Source: Budget 2026-27 Tax Explainer: Negative Gearing Capital Gain Tax

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Summary of Current and New Rules:

	Current Rules (Pre-Reform)	New Rules (From 1 July 2027)
Existing properties purchased before 12 May 2026	Losses can be offset against all other income	Negative gearing continues unchanged.
Existing properties purchased after 12 May 2026	Losses can be offset against all other income	Losses can only offset residential property income
New builds (all purchase dates after 12 May 2026)	Losses can be offset against all other income	Unchanged. Full negative gearing retained.
Excess Rental losses	Deductible immediately	Must be carried forward to future residential property income years or eventual sale of property.
Commercial property, shares and other investment classes	Negative gearing retained - losses can be offset against other income	Unchanged. Not affected by the reform.

The Government also announced a number of additional measures aimed at improving housing affordability and increasing the supply of homes available to Australian buyers, including:

- **Increased infrastructure funding.** The Government will commit a further $2 billion toward housing enabling infrastructure, bringing the total infrastructure funding commitment to $6.3 billion. This funding is designed to support the construction of new homes by funding the roads, water, sewerage and other essential services that need to be in place before new housing can be built.

- **Extended ban on foreign investors purchasing existing homes**. The existing ban on foreign investors buying established residential properties will be extended until mid-2029. This measure is intended to prioritise Australian buyers in the existing housing market by reducing competition from foreign purchasers for properties that would otherwise be available to local buyers.

“ The government has set out some admirable goals to assist people to buy their first home. However, they seem to have neglected the very people who produce those homes.

CHAMATH SENANAYAKE

DIRECTOR BUSINESS SERVICES

We wonder what the incentive is for a developer to continue to risk it all when margins are thinning and trust distributions between a profit-making property venture and a loss making one are now in doubt.

RATING ◆◆◆◆◇

The Budget delivered a broad package of tax relief measures for businesses, aimed at easing cost pressures while supporting investment and innovation.

With rising input costs, supply-chain disruptions and softer consumer demand, the emphasis is on cash flow, simplicity and certainty, with measures that allow businesses to deduct sooner, recover past tax paid, and access refunds earlier in their life cycle.

The key tax measures include:

Permanent $20,000 instant asset write-off for small businesses

- From 1 July 2026, the $20,000 instant asset write-off (IAWO) will be made permanent.
- Small businesses with turnover under $10 million can immediately deduct eligible assets costing less than $20,000.
- For the past few years, the IAWO has been a temporary measure which has been extended one year at a time. Making this a permanent feature of the tax system provides certainty for investment decisions, improves cash flow and simplifies compliance. Although we would argue that the turnover eligibility should be greater than $10M and the asset threshold should be more than $20,000 to genuinely support SMEs.

Return of Loss Carry Back

- From 2026–27, companies with turnover up to $1 billion can carry back current-year tax losses to claim refunds of company tax paid in the prior two income years.
- Designed to support businesses experiencing temporary losses.
- Particularly valuable in periods of volatility or where businesses are experiencing a temporary downturn, allowing businesses to access cash when it is most needed in the form of a refund of tax already paid.
- The refund will be limited having regard to the company's franking account balance.

Loss refundability for start-ups

- From 2028–29, small start-ups in their first two years can receive a refund for tax losses.
- Refunds are capped at the amount of FBT and PAYG withholding paid on employee wages.
- Businesses that cannot, or do not elect to, exchange their tax losses for a refundable offset can continue to carry them forward as normal.
- Designed to encourage sensible risk-taking and promote investment and growth by early-stage start-ups, by allowing them to receive a refund for current year losses.

ASIC reporting thresholds

- The monetary thresholds for 'large proprietary companies' required to lodge annual audited financial reports with ASIC will be doubled from $50 million to $100 million of consolidated revenue and $25 million to $50 million of consolidated gross assets, relieving the reporting burden.
- Doubling the thresholds will result in around 2,200 proprietary companies no longer being classified as 'large' and no longer being required to comply with financial reporting and audit obligations.
- Australian companies that fall under the thresholds due to this increase would no longer need to lodge an annual audited financial report, directors' report or sustainability report.

Additional support for small business owners

- From 1 July 2026, the Government will provide additional funding to expand access to the 'NewAccess for Small Business Owners' program, delivering free, confidential mental health coaching tailored specifically to small business owners.
- Additional funding will also support the Small Business Debt Helpline, providing free, independent financial counselling to small businesses experiencing debt or cash-flow pressure.

Changes to the electric vehicle FBT exemption

- The Government is recalibrating the framework for the electric vehicle (EV) FBT exemption, aiming to maintain incentives for the shift to electric vehicles while transitioning to more sustainable concessions for the longer term.
- In the first phase, the existing EV discount will continue in full until 31 March 2027.
- In the second phase, between 1 April 2027 and 1 April 2029, the full FBT discount will continue to apply for EVs costing $75,000 or less – encouraging manufacturers to offer more affordable choices to the Australian market – while EVs costing more than $75,000 but below the luxury car tax threshold will receive a 25% FBT discount.
- In the third phase, from 1 April 2029 onwards, only the 25% FBT discount for EVs below the luxury car tax threshold will apply. However, EVs costing up to $75,000 will continue to receive a full FBT exemption provided the arrangement commences before 1 April 2029.d to report and pay PAYG instalments monthly.

PAYG Instalments

From 1 July 2027, small and medium businesses will be able to opt in to reporting and paying PAYG instalments monthly and to using an ATO-approved calculation embedded in accounting software to calculate and vary their instalments. Tax instalments should then better reflect real time business activity.

Taxpayers with a demonstrated history of non-compliance will be required to report and pay PAYG instalments monthly.

RATING

A collective sigh of relief as superannuation remains largely untouched, aside from the previously announced Division 296 tax.

Members with larger superannuation balances, particularly those potentially subject to Division 296 tax and who have the ability to withdraw funds, have been keenly awaiting this Budget. Their focus has been on how the proposed CGT changes outside super compared to the impact of Division 296 tax.

With the broader CGT changes now announced, and setting aside Division 296 tax (which commences from 1 July 2026), superannuation has become an even more compelling structure for holding investment assets. Importantly, Superannuation Trusts, Fixed Unit Trusts and Managed Funds are not impacted by the new CGT regime.

Summary of CGT treatment for assets held longer than 12 months

For SMSFs in pension phase, CGT outcomes may be reduced further by the actuarially determined pension exemption percentage, potentially resulting in nil CGT. By contrast, moving assets outside super into another tax structure will generally result in a minimum effective CGT rate of 30%.

For individuals on the top marginal rate of 47%, the Division 296 tax may not be excessively punitive, although this must be modelled on a case-by-case basis. Tax is only one factor in any decision to move assets outside super. Estate planning considerations and personal objectives will continue to play an important role.

Structure	**Current Treatment**	**From 1 July 2027**
Individual	50% CGT discount	Cost base indexation with a 30% minimum tax
Trust	50% CGT discount	Cost base indexation with a 30% minimum tax
Partnership	50% CGT discount	Cost base indexation with a 30% minimum tax
Company	No discount	No discount
SMSF	1/3rd CGT discount (effective 10%)	1/3rd CGT discount (effective 10%)

Division 296 tax – Recap

Division 296 tax introduces an additional tax on superannuation earnings for individuals whose combined total super balance (TSB) exceeds $3 million. The tax is assessed at the individual level, irrespective of age or access to benefits, and is issued by the ATO.

Key features

- Applies to individuals with TSB > $3 million across all super interests
- No impact where TSB is below $3 million (although reversionary pensions may affect this)
- Two-tiered additional taxes:
  - Large super balance proportion over $3M taxed at 15%; AND
  - Very Large super balance proportion over $10M taxed at 10%
- Thresholds indexed to CPI in increments of $150,000 and $500,000 respectively
- The tax can be paid personally, via a valid release authority from super or a combination of both

Key dates

- Commencement: 1 July 2026
- First application: Year ending 30 June 2027

"Division 296 tax is complex and there is no one-size-fits-all solution. Outcomes will depend on asset mix, other super interests (including industry and retail funds), access to benefits, and broader estate planning goals.

Now that there is clarity on CGT outcomes outside super, informed and strategic decisions can be made. We are happy to help model the numbers and provide tailored guidance on how Division 296 tax may impact your position."

SHARON GDANSKI
DIRECTOR SUPERANNUATION

Members eligible to withdraw funds will have until before 30 June 2027 to reduce balances below the relevant thresholds — raising the question: where should the funds be invested instead?

Calculation

(Proportion of TSB above $3m / Total TSB) × Super earnings × 15%
plus
(Proportion of TSB above $10m / Total TSB) × Super earnings × 10%

Transitional rules (2026–27 only)

- Only the closing balance determines whether you are in scope
- A one-off, irrevocable election allows all super assets to be reset to market value at 30 June 2026 for Division 296 tax purposes, known as Modified CGT adjustments. Modified CGT adjustments will apply, and separate records must be maintained
- Market valuations and supporting evidence will be critical

The Government is reshaping the Research & Development Tax Incentive (R&DTI) to direct more support towards genuine, high-impact research activities with effect from 1 July 2028.

Key changes include:

- Extending the refundable tax offset to businesses with turnover up to $50 million (currently $20 million)
- Raise the maximum claimable expenditure from $150 million to $200 million
- Increase the R&D offset by 4.5%. For businesses under $20 million turnover, the refundable offset will increase from 43.5% to 48%.
- Lower the R&D spending threshold from 2% to 1.5%. For instance, A business with $10 million of annual expenses would only need to spend $150,000 on eligible R&D, reduced from $200,000 currently, in order to claim the R&D tax offset.

Smaller claimants will be restricted through the following proposed changes:

- Supporting and indirect R&D costs such as administration, overheads and ancillary support activities will no longer be eligible
- The refundable offset will be limited to businesses under 10 years old
- The minimum claim threshold has been increased from $20,000 to $50,000 - unless the work is conducted through an approved research organisation.

While the changes are likely to benefit larger businesses undertaking substantial direct R&D activities, smaller claimants may face reduced access to the concession and higher compliance requirements.

Expanding Venture Capital Tax Incentives

Investors and fund managers involved in venture capital programs will also benefit from significantly higher asset size and fund caps, making it easier to invest in larger early stage and growth businesses from 1 July 2027.

Broadly, Venture capital funds have tax concessions around flow-through treatment, access to certain tax offsets, and in some cases reduced or exempt tax on income and capital gains from eligible investments.

The expanded venture capital tax incentives will:

- Increase the venture capital limited partnership (VCLP) investee asset size cap at the time of investment from $250 million to $480 million
- Increase the early-stage venture capital limited partnership (ESVCLP) investee asset size cap at the time of investment from $50 million to $80 million
- Increase the ESVCLP tax exemption cap, at which investment returns can be fully exempt from tax, from $250 million to $420 million
- Increase the maximum fund size for ESVCLPs from $200 million to $270 million

QUICK TAKE

SHANE BINSTOCK

DIRECTOR TAXATION

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Careful what you wish for! There have been calls for serious tax reforms for a number of years now.

What was delivered tonight was not reform however – no change to GST or meaningful change in taxation of employment income for instance – but a punitive attack on risk takers, aspiration and the economy’s engine room, in addition to a lot of broken election promises.

Contributors.

SHANE BINSTOCK

DIRECTOR TAXATION

Shane brings over 20 years of tax consulting experience from leading mid-tier firms. He joined Slomoi Immerman Partners in 2020 to lead their tax practice, specialising in advising large private and family owned Groups, high-net-wealth individuals, and managed funds.

Recently, Shane has focused on international expansion and start-up structuring. Outside work, he enjoys Melbourne's coffee scene, supports Carlton FC, and stays busy with his family including two daughters and identical twin boys.

VISHAL TEJANI

DIRECTOR TAXATION

Vishal Tejani specialises in corporate tax for privately owned businesses. Following a successful Big 4 career, he delivers tailored solutions through strong client relationships and problem-solving.

Passionate about mentoring and innovation, Vishal leads by empowering colleagues to navigate the evolving tax landscape. Outside work, he enjoys family time and exploring new travel destinations.

Slomoi Immerman Partners

We would like to acknowledge the contribution of our team members

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Everyone has helped to produce this publication overnight and this is a testament to the team at Slomoi Immerman Partners – it's never about us personally but what we can do for our colleagues and clients.

Slomoi Immerman Partners

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