

FEDERAL BUDGET 2026-2027.

Superannuation and Financial Planning Summary

Last night, Treasurer Jim Chalmers delivered his fifth Federal Budget, the first following Labor's decisive re-election and the most market-relevant in years. The headline measures signal a meaningful shift in the taxation of investment income, property and trust distributions, aimed at rebalancing a system perceived to favour capital over labour. These changes are likely to have tangible implications for many clients.

We have summarised the key proposals and our investment view. As with all budget measures, the announcements remain subject to legislation and may change as further details emerge.

Budget objectives

The budget had four clear objectives. First, to equalise the post-tax return between income from assets and income from wages, which the Treasurer argued has tilted too far in favour of asset holders over decades. Second, to take some heat out of house prices and shift incentives toward new housing supply. Third, to improve the budget bottom line by banking revenue rather than spending it. And fourth, to avoid exacerbating inflationary pressures at a time when the oil shock is already pushing inflation back above the RBA's target band.

What it did not do was address Australia's productivity challenge in any meaningful way. There is a productivity package included, but it is modest relative to the scale of the issue. The structural drivers of weak productivity (planning and approvals, competition policy, skills, business investment incentives outside R&D) are largely untouched. This remains the missing piece in the medium-term economic story.

Implications for the RBA: Mixed

For the RBA, the budget is best read as a sigh of relief rather than a clear win. The relief comes from what is not in it: no broad cost-of-living cash handout, no extension of energy bill relief, and the WATO does not hit wallets until 2027-28. Treasury has banked the tax receipts upgrade in full, found meaningful savings (NDIS), and real payments growth is running below the 30-year average.

That said, nominal spending is still high and rising. Indexation of welfare payments, higher disaster relief costs, and unavoidable spending decisions have pushed total payments higher than at MYEFO. So, this budget is

not a significant headwind to the RBA's objectives, but the RBA still has to do the heavy lifting against the oil shock that has lifted near-term inflation forecasts well above target.

Capital gains tax

While versions of this proposal were widely reported in the lead up to budget night, the 50% capital gains tax discount will be replaced from 1 July 2027 with an inflation-adjusted indexation model for new investments across all asset classes. Although more complex to calculate, the inflation indexation approach used between 1985 and 1999, and set to return from July 2027, is designed to tax only the real gain on an asset, rather than the portion attributable to inflation. In many cases, however, the change is expected to result in a higher tax liability.

There will be a one-year grace period, with assets acquired after budget night continuing to receive the existing 50% capital gains tax discount until 1 July next year, before moving to the pre-1999 indexation model. The Government also announced a minimum 30% tax rate on capital gains, however recipients of means-tested income support payments, such as the Age Pension, will be exempt from the minimum tax if they receive any payment in the financial year in which the gain was realised.

Partial grandfathering arrangements will apply with the final capital gain discount determined by the proportion of time the asset was held under each tax regime. The capital gains tax exemption for assets acquired before 20 September 1985 will also be removed, however gains accrued before 1 July 2027 will continue to be exempt for these assets.

Property investors in newly built homes will be exempt from the capital gains tax changes as part of a broader push to encourage housing supply. Investors in this category will be able to choose between retaining the 50% discount and adopting the inflation based model.

Superannuation funds will retain their existing one-third capital gains tax discount and the main residence will continue to be exempt for capital gains tax purposes.

Investment view – The change shifts the relative appeal of growth versus income stocks. If capital gains are taxed more heavily, investments where returns depend on multiple expansion or earnings growth become

less attractive after tax, while stocks delivering steady dividends become relatively more compelling. Australia's market is already tilted toward income payers thanks to dividend imputation, and this reinforces that tilt.

In practice, that means the banks, REITs, infrastructure, consumer defensives and other reliable yielders become relatively more attractive. High-multiple growth names trading may face a modest headwind. This does not mean abandoning growth exposure, but the budget reinforces the case for an income tilt in the Australian leg of portfolios for retirees.

The 30% minimum tax also reduces the benefit of deferring sales into retirement. Self-funded retirees drawing down outside super will face less reward for timing gains into low-income years, which over time could mean more portfolio turnover. This impact is modest in the short term.

Negative gearing

Negative gearing arises where the costs of holding an investment, such as loan interest, exceed the income it generates, resulting in a net loss that can be used to offset other taxable income, such as salary. It is a commonly used strategy by property investors who are prepared to accept short term cash flow losses in exchange for potential tax benefits and long term capital growth.

The Budget announced that negative gearing will be restricted to new builds, with no limit on the number of new properties that can be negatively geared. Investments already held prior to budget night will be grandfathered and remain unaffected. This includes where a contract has been entered into but not yet settled.

Investors who purchase established properties after budget night will be able to utilise negative gearing until 1 July 2027, after which it will no longer apply.

Superannuation, including SMSFs, will be excluded from this change.

Investment view – The investment significance is bigger than the immediate property impact. A large part of the reason Australian residential property has delivered net returns comparable to equities over the long run has been the tax treatment, particularly negative gearing. Take that incentive away for established homes, and the relative appeal of equities improves. Over the medium term, this should support flows into the share market at the margin.

The near-term property impact is more nuanced. Treasury expects house price growth to slow from 6% to 4% in the short term. That is a deceleration, not a fall. The bigger risks sit in three places: credit growth for banks with heavier investor lending exposure and

potentially consumer discretionary names exposed to any wealth-effect drag.

On the positive side, residential developers are beneficiaries. New builds remain eligible for negative gearing, the foreign buyer ban on established homes has been extended to 2029, and a new \$2 billion Local Infrastructure Fund supports housing supply. Stockland, Mirvac, Cedar Woods and Aspen should see relatively better sentiment, who already had strong tailwinds due to undersupply before these announcements.

Family trusts

Family trusts (discretionary trusts) provide significant benefits, including tax efficiency through income streaming to low-earning beneficiaries, asset protection and flexible estate planning to manage intergenerational wealth transfer.

The Budget proposes that, from 1 July 2028, trust distributions will be subject to a minimum tax rate of 30%, payable by the trustee, regardless of the beneficiary's marginal tax rate. Beneficiaries, other than corporate beneficiaries, will receive non-refundable credits for the tax paid by the trustee. Certain trusts will be excluded from this measure, including fixed trusts, complying superannuation funds, deceased estates and charitable trusts.

Rollover relief will be available for three years from 1 July 2027 to support small businesses and others that wish to restructure out of discretionary trusts into another type of entity, such as a company.

While a discretionary trust may continue to provide benefits such as control, asset protection and the pooling of assets, clients should carefully consider the tax implications for any affected trusts and whether alternative strategies are warranted. Depending on the trust structure, there may be constraints on transferring assets out of the trust, and any such transfer or wind up could trigger tax consequences, although the proposed rollover relief may assist in mitigating these impacts.

Cost of living support

The Budget introduced a Working Australian Tax Offset (WATO) of up to \$250 per financial year, effective from 1 July 2027, for individuals earning salary or wage income and paying tax.

The offset applies only to earned income, not investment income, and is not means-tested. Retirees who are not in paid employment will not be eligible for the benefit.

From 1 July 2026, a new instant tax deduction of up to \$1,000 will be available for work-related expenses, with no requirement to itemise or retain receipts. Where total work-related expenses exceed \$1,000, standard substantiation rules will apply.

Small business

From 1 July 2026, the \$20,000 instant asset write-off for small businesses, with turnover of under \$10 million, will be made permanent, bringing tax relief. Assets valued at \$20,000 or more can continue to be depreciated over several years.

Also from 1 July 2026, companies with aggregated global turnover of less than \$1 billion will be able to carry back tax losses and offset them against tax paid in the previous two income years.

From 1 July 2028, start-ups with aggregated turnover of less than \$10 million that incur a tax loss in their first two years of operation will be able to utilise those losses to generate a refundable tax offset.

Get in touch

It is increasingly important to review existing structures and, where appropriate, how family trust distributions are being managed. Consideration should also be given to future investment priorities, asset allocation, and the use of alternative structures, including how assets are distributed across these entities. In doing so, it is important to identify and assess any potential tax implications arising from such changes.

If you would like to discuss the 2026–2027 Federal Budget and what it may mean for your circumstances, please do not hesitate to contact your Bell Potter adviser.

Regards,

Jeremy Tyzack

Head of Financial Planning
Bell Potter Private Wealth

Rob Crookston

Strategist
Bell Potter Securities

IMPORTANT INFORMATION: This information was prepared by Bell Potter Securities Limited ABN 25 006 390 772 AFSL 243480 (Bell Potter) for use by Australian residents. This information is of a general nature and does not take into account your personal objectives, situation or needs. Before making a decision about investing, you should consider your financial requirements and if necessary, seek appropriate independent financial, legal, taxation or other advice. This information is believed to be correct at the time of compilation but is not guaranteed to be accurate, complete or timely. Bell Potter and its related bodies corporate do not accept any liability arising out of the use or distribution of this information. Shares should be considered a long-term investment which may be volatile over the short term and may fall in price. Past performance is not a reliable indicator of future returns.