client alert | explanatory memorandum

June 2026

CURRENCY:

This issue of **Client Alert** takes into account developments up to and including 25 May 2026.

Budget offers personal tax relief but leaves super largely untouched

While the 2026–2027 Federal Budget delivered on 12 May 2026 included announcements of significant personal tax changes, superannuation planning remains relatively stable with few new measures announced.

Personal tax changes take centre stage

The Budget's headline personal tax measures will reshape financial planning strategies from 2027. A new $250 working Australians tax offset (WATO) will apply from 1 July 2027, effectively increasing the tax-free threshold for work income to $19,985. Combined with the previously announced $1,000 standard deduction for work-related expenses, workers could see substantial tax savings.

The government confirmed existing modest tax rate reductions will proceed as planned, with the 16% rate dropping to 15% in 2026–2027 and 14% in 2027–2028 for income between $18,201 and $45,000.

Capital gains tax overhaul impacts retirement planning

From 1 July 2027, the 50% capital gains tax discount will be replaced with inflation-adjusted indexation, accompanied by a minimum 30% tax rate on realised gains. This change affects all assets held by individuals, trusts and partnerships for more than 12 months, including pre-1985 assets.

The changes include transitional arrangements ensuring only gains arising after 1 July 2027 face the new rules. However, the implications for retirement planning are significant, particularly for those considering whether to hold investments inside or outside superannuation.

Superannuation funds maintain their advantage

Importantly, complying superannuation funds, including self-managed superannuation funds, will continue receiving their existing one-third capital gains tax discount. This means super funds will maintain their 10% effective tax rate on capital gains for assets held longer than 12 months.

This preservation of the super CGT discount makes superannuation even more attractive relative to personal investments, particularly given the new minimum 30% tax rate applying outside super.

Trust distributions face new minimum tax

From 1 July 2028, discretionary trusts will face a minimum 30% tax rate on taxable income. Beneficiaries will receive non-refundable credits for tax paid by trustees, but this could result in higher effective tax rates for lower-income beneficiaries who would normally pay less than 30%.

The government will provide expanded rollover relief for three years from 1 July 2027 to help restructure discretionary trusts into companies or fixed trusts.

Negative gearing restrictions ahead

Investment property strategies will change from 1 July 2027, with negative gearing limited to newly constructed dwellings. Losses from established residential properties will only be deductible against rental income or capital gains from residential properties. Properties owned at Budget time remain exempt until sold.

Planning implications

These changes create several planning opportunities and challenges:

- superannuation becomes relatively more attractive for capital growth investments;
- timing of asset disposals before July 2027 may be beneficial for some taxpayers;

- discretionary trust structures require review before the 2028 changes;
- investment property portfolios may need restructuring; and
- the enhanced work-related deduction simplifies tax compliance for many employees.

Business tax relief package announced for immediate support

The 2026–2027 Federal Budget announcements include a comprehensive business tax relief package designed to support companies through economic uncertainty while encouraging investment and innovation.

Permanent instant asset write-off secured

Small businesses can breathe easier with the permanent extension of the $20,000 instant asset write-off for businesses with turnover up to $10 million. This measure, which was set to revert to just $1,000 on 30 June 2026, now provides ongoing certainty for equipment purchases and business expansion plans.

Assets valued at $20,000 or more can continue to be placed into the small business simplified depreciation pool, with deductions of 15% in the first year and 30% thereafter. The provisions preventing businesses from re-entering the simplified depreciation regime for five years after opting out remain suspended until 30 June 2027.

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The government will provide expanded rollover relief for three years from 1 July 2027 to help restructure discretionary trusts into companies or fixed trusts.

Loss carry-back returns

From 1 July 2026, companies with aggregated annual global turnover below $1 billion will again be able to carry back tax losses and offset them against tax paid up to two years earlier. This reinstated measure applies to revenue losses only and remains limited by a company's franking account balance.

Start-up support expanded

New loss refundability provisions will support emerging businesses from 1 July 2028. Start-up companies with aggregated annual turnover below $10 million that generate tax losses in their first two years can utilise these losses to generate refundable tax offsets.

The offset is limited to the value of fringe benefits tax and withholding tax on wages paid to Australian employees in the loss year.

Venture capital incentives enhanced

Asset size caps for venture capital tax incentives will increase significantly from 1 July 2027. The venture capital limited partnership cap on investee business asset size rises from $250 million to $480 million, while early stage venture capital limited partnership caps increase from $50 million to $80 million.

Maximum fund sizes for early stage venture capital limited partnerships will expand from $200 million to $270 million. These increases, the first in over 20 years, aim to facilitate greater venture capital investment in Australian businesses.

FBT exemption for electric vehicles

The Budget confirmed the proposed changes to the FBT exemption for electric vehicles (EVs). The changes will be phased in over the next three years until a permanent 25% discount is operating from 1 April 2029 for all eligible EVs. There will be no changes in the current FBT year (ie the one ending 31 March 2027). Further, for EVs costing less than $75,000, there will be no changes until 1 April 2029.

In summary, the proposed changes are as follows:

- *2027–2028 and 2028–2029 (ie the next two FBT years):* The full discount for EVs costing $75,000 or less will continue. EVs costing more than $75,000 but less than the luxury car tax threshold will receive a 25% discount on their payable FBT.
- *2029–2030 onwards:* All EVs costing amounts below the luxury car tax threshold will receive a 25% discount on payable FBT (ie rather than the full discount).

Research and development overhaul

The Research and Development Tax Incentive faces major reforms from 1 July 2028. Core research and development offset rates will increase by 4.5 percentage points, while the intensity threshold drops from 2% to 1.5%.

The turnover threshold for the highest offset rate increases from $20 million to $50 million, and the maximum expenditure threshold rises from $150 million to $200 million. However, supporting research and development expenditure will lose eligibility, and the minimum expenditure threshold increases from $20,000 to $50,000.

Streamlined tax payments

From 1 July 2027, small and medium businesses can opt into monthly pay-as-you-go instalment reporting and payments. This system will use ATO-approved calculations embedded in accounting software to better reflect real-time business activity.

What's the difference between tax deductions and tax offsets?

With the 2026–2027 Federal Budget announcing a new $1,000 standard work-related expenses deduction and a $250 working Australians tax offset (WATO) for future financial years, you might be wondering about the difference between these two types of tax benefits.

While both deductions and offsets can reduce how much tax you pay, they work in quite different ways, and understanding this can help you make better decisions about your tax planning.

What are tax deductions?

Tax deductions reduce your taxable income before your tax is calculated. Think of them as amounts that our tax laws allow you or your tax agent to subtract from your income when working out how much tax you owe.

Common deductions you might already claim include:

- work-related expenses like uniforms or tools;
- gifts and donations to registered charities;
- investment property expenses; and
- costs of managing your tax affairs, such as tax agent fees.

For example, if you earn $60,000 and claim $2,000 in work-related deductions, your taxable income becomes $58,000. You then pay tax on this reduced amount.

The value of a deduction depends on your marginal tax rate. For example, a $1,000 deduction may save a resident taxpayer around $300 if their marginal tax rate is 30%, or $160 if their marginal tax rate is 16%, ignoring Medicare levy and other factors.

What are tax offsets?

Tax offsets work differently: they directly reduce the actual tax you owe, dollar for dollar. They're applied after your tax has been calculated on your taxable income.

You might already receive offsets such as the:

- low income tax offset (LITO) of up to $700 for those with taxable income under $66,667;
- seniors and pensioners tax offset (SAPTO) for eligible pensioners;
- private health insurance rebate (a rebate is the same as an offset); or
- spouse superannuation contribution offset.

So, if you have taxable income of $30,000 and owe $1,888 in tax, then receive a $700 LITO, your final tax bill becomes $1,188.

Why the difference matters

Understanding this distinction can help you prioritise your tax planning strategies. A $1,000 offset is always worth exactly $1,000 off your tax bill (if you have at least $1,000 of income to absorb it). A $1,000 deduction might save you anywhere from $160 to $450 in income tax, depending on your tax bracket.

This is why the government's Budget announcement of both types of measure is significant.

- The working Australians tax offset (WATO) provides an annual tax offset of up to $250 from the 2027–2028 income year for all eligible Australian workers.
- The standard tax deduction of up to $1,000, from 2026–2027, allows workers to lower their taxable income from work by $1,000 without keeping receipts when they lodge their tax return.

A $1,000 tax deduction could benefit some higher income earners more than lower income earners, while the (up to) $250 working Australians tax offset will provide the same dollar benefit to most of the 13 million Australian workers expected to receive the full $250 offset.

Most offsets aren't refundable

There's another important point to note: most tax offsets can only reduce your tax to zero, not below. If you don't owe any tax, you typically won't receive the offset as a cash payment. However, some offsets like the private health insurance rebate are refundable.

Planning ahead

While the newly announced measures will not apply to 2025–2026 tax returns, it's worth reviewing your current deductions and offsets. Are you claiming all the deductions you're entitled to? Are you receiving all available offsets?

The ATO automatically calculates some offsets like LITO when you lodge, but others need to be claimed in the offsets section of your tax return.

Source: www.ato.gov.au/individuals-and-families/income-deductions-offsets-and-records/tax-offsets
www.ato.gov.au/individuals-and-families/income-deductions-offsets-and-records/deductions-you-can-claim

Navigating financial advice in the social media age

Social media has transformed how we access information, including financial guidance. With the Australian Securities and Investments Commission (ASIC) recently taking regulatory action to warn "finfluencers" against acting illegally, it's worth understanding how to evaluate the financial content you encounter online, so you can protect yourself against acting on unlicensed advice that could risk your money.

ASIC has had concerns about unlawful financial promotion on social media platforms for several years, and in April 2026 it issued warning notices to four social media influencers suspected of providing unlicensed financial advice, including making claims about guaranteed returns. This ASIC action is part of a coordinated global effort involving 17 regulators to address misleading online financial content.

The regulatory focus reflects growing reliance on social media for financial information, particularly among younger Australians. Research shows 63% of Gen Z Australians use social media for financial information, with over half expressing trust in content from financial influencers.

What makes financial advice legal

Understanding the difference between general information and personal advice helps you evaluate online content appropriately. Licensed financial advisers can provide recommendations tailored to your specific circumstances, goals and risk tolerance. They're required to act in your best interests and maintain professional standards.

Social media content creators can share factual information about financial products and general educational content. However, they can't legally provide specific recommendations about what you should buy, sell or invest in unless they hold appropriate licences or operate under the supervision of a licensed entity.

Red flags to watch for

Certain characteristics of online financial content should prompt you to stop and evaluate carefully, including:

- promises of guaranteed returns for your money, or risk-free investments;
- pressure to act quickly on investment opportunities;
- claims about easy money or get-rich-quick schemes;
- specific product recommendations given without understanding your circumstances; and
- content that downplays or ignores investment risks.

Remember that legitimate investments carry risk, and higher potential returns typically involve higher risk levels. Anyone promising otherwise may be providing misleading information.

The algorithm factor

Social media algorithms prioritise content engagement over accuracy. Content designed to generate views, comments and active sharing may not represent balanced or comprehensive financial guidance. Sensational claims often perform better algorithmically than measured, educational content.

This means the financial content you see may be skewed toward attention-grabbing rather than genuinely helpful information. Consider seeking out diverse perspectives and verified sources when making financial decisions.

Why personal advice matters

Financial strategies cannot be one-size-fits-all. Your age, income, family situation, risk tolerance, existing assets and future goals all influence what approaches might work for your circumstances. What works brilliantly for one person could be entirely inappropriate for another.

Generic money-related advice found online simply can't account for these individual factors. Even well-intentioned general guidance may not suit your specific situation.

Moving forward wisely

Before acting on financial guidance from any source, verify the person's qualifications and licensing status. ASIC's professional registers allow you to check whether someone's licensed to provide financial advice or operate as an authorised representative.

Licensed professionals are subject to ongoing education requirements, professional standards and regulatory oversight. They have professional indemnity insurance and must operate within established complaint resolution frameworks.

Social media can be a valuable starting point for financial education and awareness, but it works best as part of a broader approach to financial decision-making that includes professional guidance tailored to your circumstances.

Source: www.asic.gov.au/about-asic/news-centre/find-a-media-release/2026-releases/26-081mr-asic-continues-finfluencer-crackdown-alongside-global-regulators/

www.asic.gov.au/regulatory-resources/financial-services/giving-financial-product-advice/discussing-financial-products-and-services-online/

Why your super insurance might not cover what you expect

If you have a superannuation account, there's a reasonable chance you also hold life insurance through it, possibly without realising. Almost 10 million superannuation accounts have insurance attached to them, yet many members can't say what they're covered for, how much it costs or whether it actually suits their needs. Before assuming your default cover has you sorted, it's worth unpacking some common misconceptions.

Misconception 1: "Everyone gets cover automatically"

Insurance through super doesn't start automatically if you're a new member aged under 25 or your balance is under $6,000, unless you contact your fund and ask for it, or you work in a dangerous job where your fund gives you automatic cover. If you're younger or just starting out, you may have no safety net at all unless you opt in.

Misconception 2: "Default cover will be enough"

Default cover is a starting point, not a tailored solution. In particular:

- default cover may be lower than, or different from, cover available outside super;
- eligibility rules and exclusions can apply; and
- cover can stop if your account becomes inactive, your balance is too low, you change funds (unless arrangements are made to transfer or replace it) or you reach an age limit.

When reviewing your insurance, check whether there are exclusions or whether you're paying a loading – this is a percentage increase on the standard premium charged to higher-risk people such as those with a high-risk job, a pre-existing medical condition, or those classified as smokers. If your fund has classified you incorrectly, you may be paying more than necessary.

Misconception 3: “My cover follows me when I switch funds”

Often, cover won’t follow you. If you switch superannuation funds, your insurance policy may not be portable, meaning the cover you had can lapse once you’re no longer a member. Some funds allow you to transfer your policy to personal ownership, but this may require health checks and the insurer could charge more to continue the cover. Consolidating accounts can also unintentionally cancel valuable cover, so always check before you act.

Misconception 4: “If I stop contributing, nothing changes”

Cover can change if your account isn’t active. By law, super funds cancel insurance on accounts with no contributions for at least 16 months. Some funds have their own rules and cancel insurance if your balance is too low. Your fund will typically attempt to notify you before changes happen, so it’s important to keep your contact details updated.

Misconception 5: “More accounts means more protection”

Holding multiple super accounts may simply mean multiple premiums quietly draining your retirement savings. If you have more than one super account, you may be paying premiums on more than one insurance policy, which reduces your retirement savings. Claim outcomes can vary between policies, and benefits aren’t always cumulative. Consider whether you need more than one policy, or whether you can get cover through one fund.

Misconception 6: “It’s always the cheapest option”

Premiums may be lower because super funds buy cover in bulk, but that doesn’t always translate to the best value. Cover may not be enough, or may change over time, and it also may not be cheaper than insurance you can buy elsewhere.

Where to from here?

Superannuation and insurance can be complex. Before you assume your default cover’s doing the job, speak with your professional adviser to review your policy, premiums and any gaps, so you know exactly what you’re paying for and whether it still fits your circumstances.

Source: https://moneysmart.gov.au/how-life-insurance-works/insurance-through-super
www.insurancewatch.com.au/superannuation-insurance.html

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