

2026-27 May Budget Brief

Key Themes and Major Announcements

The core of the Treasurer’s 2026-27 Budget is an economic strategy focusing on:

- Getting through the global oil shock and building resilience;
- Taking the pressure off people ‘*where we can*’;
- Making the economy more productive to lift living standards over time;
- Reforming the tax system for workers, businesses and future generations – including a new (modest) tax cut for every working Australian taxpayer;
- Making the budget stronger, more sustainable, and helping to take the pressure off inflation by saving more than we spend. The budget has a significant focus on budget repair through savings and spending restraint, delivering \$63.8B in savings and leading to \$26.1B in budget repair; and
- Boosting productivity: The Government wants to incentivise investment and innovation through the tax system for businesses, start-ups, and venture capital.

Headline budget figures

- The Budget is forecast to be in deficit by \$28.3 billion (1.0 per cent of GDP) in 2025-26.
- A deficit of 1.0 per cent of GDP (\$31.5 billion) is forecast in 2026-27
- The underlying cash balance is better in every year of the forward estimates and the medium term compared to the 2025–26 MYEFO. The improvement in the bottom line has meant gross debt is lower over the next decade.
- The budget is \$44.9 billion stronger over the forward estimates than the mid-year update.
- Gross debt is forecast to peak earlier and lower than at MYEFO. Gross debt is forecast to peak within the forward estimates at 35.8 per cent of GDP, 1.2 percentage points below MYEFO and 9.1 percentage points below the 2022 PEFO. Gross debt is \$18 billion lower in 2026–27 than at MYEFO. Compared to the 2022 PEFO, gross debt is \$173 billion lower in 2026–27 which means more than \$70 billion in interest costs are saved over the decade.

Year	2024-2025 (actual)	2025-26	2026-27	2027-28	2028-29
Underlying cash balance (\$bn)	-10.0	-28.3	-31.5	-31.0	-34.4
% of GDP	-0.4	-1.0	-1.0	-1.0	-1.0

Other budget figures are below:

Year	2024-25 (actual)	2025-26	2026-27	2027-28	2028-29
Tax Receipts (\$bn)	657.8	699.5	737.1	757.0	728.9
% of GDP	23.7	23.6	23.8	23.8	23.5
Payments (\$bn)	726.9	788.1	829.6	853.9	882.8
% of GDP	26.2	26.6	26.8	26.8	26.5

Headline economic figures and forecasts

- The conflict in the Middle East, high global oil prices and resulting inflationary pressures are expected to weigh on growth in real incomes and household consumption in the near-term.
- As a result, growth in the Australian economy is forecast to slow from 2¼ per cent in 2025–26 to 1¾ per cent in 2026–27. While the economic outlook remains highly uncertain, the Australian economy is expected to grow by 2¼ per cent in 2027–28. This recovery assumes that global oil prices begin to decline from the middle of 2026 and largely stabilise from the middle of 2027, informed by current market expectations.
- Headline inflation is forecast to decline to 2 ½ per cent by the June quarter 2027, and abstracting from the impact of fuel prices, it is forecast to sustainably return to the RBA’s target band in the middle of 2027. The impact of high global oil prices is expected to significantly add to inflationary pressures in the near term, with headline inflation forecast to be 5 per cent through the year to the June quarter 2026. Higher inflation is expected to weigh on growth in real incomes and household consumption.
- The unemployment rate has been broadly stable over the past year and is expected to remain low by historic standards, rising only gradually from 4¼ per cent in the June quarter 2026 to 4½ per cent in the June quarter 2027 and the June quarter 2028.

Year	Real GDP	Employment	Unemployment	CPI inflation
	% growth	% growth	%	% growth
2024-25 (actual)	1.3	2.1	4.2	2.1
2025-26	2.25	1.5	4.25	5
2026-27	1.75	1.5	4.5	2.5
2027-28	2.25	1.75	4.5	2.5
2028-29	2.5	1.75	4.5	2.5

Financial Services Specific Measures

A key proposal for FSC members is the expected changes to Capital Gains Tax (CGT), **which will extend beyond housing, to all asset classes, but excludes superannuation**. The CGT changes include the following elements:

- From 1 July 2027, the 50 per cent CGT discount will be replaced by cost base indexation for assets held for more than 12 months, with a 30 per cent minimum tax on net capital gains. These changes will apply to all CGT assets, including pre-1985 CGT assets, held by individuals, trusts and partnerships.
- Transitional arrangements will limit the impact on existing investments by ensuring the changes only apply to gains arising on or after 1 July 2027. For eligible CGT assets other than new residential properties:
 - There will be no changes in arrangements for assets purchased and sold prior to 1 July 2027.
 - Assets purchased after 1 July 2027 will be treated wholly under the new arrangements.
 - Assets owned prior to 1 July 2027 and sold after 1 July 2027 will be treated under current arrangements on gains made prior to this date, and under the new arrangements for gains made after this date
- The 50 per cent CGT discount will apply to the difference between the asset's cost base and its value at 1 July 2027. Indexation and the minimum tax will be used to calculate the CGT on gains accruing from 1 July 2027 (using the asset's value at 1 July 2027 as the asset's cost base).

As expected, there are also proposed **changes to negative gearing arrangements:**

- From 1 July 2027, losses related to existing residential investment properties purchased from 7:30pm AEST 12 May 2026 will only be deductible against other income from residential properties, including capital gains. However, when an investor has excess losses, they will be able to carry forward that excess to offset residential property income in future years.
- For established residential properties held at announcement (including where a contract has been entered into, but not yet settled) will be allowed to be negatively geared in future years until sold. This ensures that arrangements for taxpayers who have already made investment decisions based on the existing negative gearing rules will not change.
- Properties purchased between announcement and 30 June 2027 may be negatively geared during this period, but not from 1 July 2027.
- These changes will apply to individuals, partnerships, companies and most trusts. Widely held trusts (for example, most managed investment trusts) and superannuation funds (including SMSFs) will be excluded.

There are also proposed **changes to taxable income on discretionary trusts** including:

- From 1 July 2028, trustees will pay a minimum tax of 30 per cent on the taxable income of discretionary trusts. Beneficiaries, other than corporate beneficiaries, will receive non-refundable credits for the tax payable by the trustee.
- The minimum tax will not apply to other types of trusts such as fixed and widely held trusts (including fixed testamentary trusts), complying superannuation funds, special disability trusts, deceased estates and charitable trusts.

Other **key measures relevant to the financial services sector** include:

- The Government will provide \$198.1 million over two years from 2026–27 to **boost productivity through streamlining regulatory systems and secure access to data**. The funding includes a commitment to continue cutting red tape for the financial services sector.
- \$17.8 million over four years from 2026–27 to **strengthen governance requirements, supervision and enforcement in relation to managed investment schemes**, including \$10.3 million in 2026–27 for the Australian Securities and Investments Commission (ASIC) to enhance its ability to utilise data in its supervision of the managed investment scheme sector.
- There are no specific measures related to the superannuation performance test however, the papers note that the Government is also publicly consulting on options to strengthen the superannuation performance test to remove any unintended barriers to investment and ensure it remains fit for purpose.
- \$47.5 million over four years from 2026–27 (and \$3.9 million per year ongoing) for the Treasury and the Australian Taxation Office (ATO) to strengthen and streamline Australia’s foreign investment framework, including a new performance target to decide all low-risk applications within 30 days from 1 January 2027, **removal of ineffective conditions on existing approvals and reforms to foreign investment laws and the Register of Foreign Ownership of Australian Assets**
- The Government will provide a **time limited, targeted concession in the foreign resident CGT regime for investment in the renewables sector**. The transitional arrangement will apply to foreign investors disposing of certain renewable energy infrastructure assets from commencement, being the first day of the next quarter after Royal Assent, until 30 June 2030.

Other key themes and measures

- Responding to the global oil shock
 - The Treasurer notes that the war in Iran has contributed to stunted growth in the economy and increasing inflation to at least 5 per cent by the end of the year.
 - The Government has committed \$14.8 billion to secure more fuel, strengthen supply chains, and build resilience including \$10 billion for immediate fuel supplies, \$1 billion to get more freight moving, and \$1.1 billion to produce more fuel through the Cleaner Fuels Program.
- General tax cuts:
 - The Government has committed to a \$250 Working Australians Tax Offset which will begin from the second half of 2027 and be paid each year, automatically.
 - The Government will introduce an instant tax deduction of up to \$1,000 from the 2026–27 income tax year to make the tax system simpler while also delivering more cost-of-living relief.
- More homes for first home buyers:

- The Treasurer has committed to working with states to cut red tape and planning delays which could unlock tens of thousands more homes.
- The Government will also extend the ban on foreign investors buying existing homes to take pressure off the market.
- The Government will also provide \$2.1 billion over five years from 2025–26 to support increased housing supply and research. Including:
 - \$2B for the Housing Support Program – Local Infrastructure Fund to provide funding to support local governments and state utility providers to expedite the delivery of housing enabling infrastructure.
 - \$56.4M over four years for the Treasury to support the oversight and delivery of key programs under the Government’s Homes for Australia plan.
 - \$2.1M to extend Commonwealth funding to support the Australian Housing and Urban Research Institute.

Superannuation

- There are no specific measures related to the performance test however, the papers note that the Government is also publicly consulting on options to strengthen the superannuation performance test to remove any unintended barriers to investment and ensure it remains fit for purpose.
- The Government will provide \$86.3 million over four years from 1 July 2026 and \$9.7 million per year ongoing from 2030–31 to deliver Phase 2 of the Counter Fraud Strategy to modernise the prevention and detection of fraud in the tax and super systems. This proposal will enhance the Australian Taxation Office’s (ATO) ability to detect and prevent fraud in real time, provide additional fraud protections for individuals and expand live monitoring of fraudulent account access to tax agents, business and for high-risk superannuation changes.
- \$136.1 million over two years from 2026–27 to complete the second tranche of stabilisation and uplift of Australia’s business registers, including completing the transition of ABN and superannuation lookup functions to the Australian Taxation Office

Managed Investments

- The Government will provide \$17.8 million over four years from 2026–27 (and \$1.4 million per year ongoing) to strengthen governance requirements, supervision and enforcement in relation to managed investment schemes, including:
 - \$10.3 million in 2026–27 for the Australian Securities and Investments Commission (ASIC) to enhance its ability to utilise data in its supervision of the managed investment scheme sector
 - \$7.6 million over four years from 2026–27 (and \$1.4 million per year ongoing) for ASIC, the Office of the Australian Auditing and Assurance Standards Board

- and the Treasury to strengthen governance requirements for managed investment schemes
- consulting publicly on new data collection powers in relation to managed investment schemes.
- The Government will expand the venture capital tax incentives to better facilitate venture capital investment and support early stage and growth businesses. From 1 July 2027:
 - The venture capital limited partnership (VCLP) cap on the asset size of the investee business at the time of investment will be increased to \$480 million, from \$250 million;
 - The early stage venture capital limited partnership (ESVCLP) cap on the asset size of the investee business at the time of investment will be increased to \$80 million, from \$50 million;
 - The ESVCLP tax incentive cap on the asset size of the investee business, at which investment returns can be fully tax exempt, will be increased to \$420 million, from \$250 million; and
 - The maximum fund size of ESVCLPs will be increased to \$270 million, from \$200 million.
 - The increases will apply to new and existing funds and to new investments they make, including where funds make further investments in businesses already held. ESVCLPs must remain in compliance with their existing investment plans or seek approval for a replacement plan.
 - The Government will provide funding to accelerate and streamline approvals processes and implement reforms to strengthen Australia's foreign investment framework, including:
 - \$47.6 million over four years from 2026–27 to progress bilateral agreements with states and territories, to enable states to conduct assessments and approvals on the Commonwealth's behalf, to reduce duplication and ensure more efficient processing of environmental approvals
 - \$47.5 million over four years from 2026–27 (and \$3.9 million per year ongoing) for the Treasury and the Australian Taxation Office (ATO) to strengthen and streamline Australia's foreign investment framework, including a new performance target to decide all low-risk applications within 30 days from 1 January 2027, removal of ineffective conditions on existing approvals and reforms to foreign investment laws and the Register of Foreign Ownership of Australian Assets
 - \$26.4 million over four years from 2026–27 for DCCEEW and NEPA to work with states and territories to develop new bioregional plans and strategic assessments, which will fast-track environmental approvals in priority areas including housing, critical minerals and renewable energy funding to support states and territories to implement bioregional plans and strategic assessments in priority areas.
 - These reforms complement actions underway to strengthen the Investor Front Door and work with states, territories and local governments to streamline approvals,

such as the commercial zoning and planning reforms underway through National Competition Policy.

Financial advice

- There were no budget measures announced relating to financial advice

Taxation general

- The Government will amend Australia's global and domestic minimum tax legislation, introduced in 2024, to implement the side-by-side package agreed by the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting on 5 January 2026.
 - Implementing the side-by-side package will ensure Australia's global minimum tax rules are consistent with those of other implementing jurisdictions and will deliver on the Government's commitment to support the OECD/G20 efforts to reform the international corporate tax system.
 - The side-by-side package will apply from 1 January 2026 and is estimated to decrease receipts by \$240.0 million and increase payments by \$11.0 million over the five years from 2025–26.
- This measure continues to advance the Government's multinational tax reform agenda by supporting a globally coordinated minimum tax framework that ensures large multinationals pay their fair share of tax.
- The Government will progress further targeted exceptions to tax secrecy and enhancements to tax regulators' information-gathering powers to support integrity, compliance and effective administration of the tax system.
- The Government will provide a time-limited, targeted concession in the foreign resident CGT regime for investment in the renewables sector as part of the implementation of the 2024–25 Budget measure Strengthening the foreign resident capital gains tax regime.
 - The transitional arrangement will apply to foreign investors disposing of certain renewable energy infrastructure assets from commencement, being the first day of the next quarter after Royal Assent, until 30 June 2030.
 - This concession balances ongoing Government support for Australia's practical action on climate change, with the need to ensure the tax treatment of these assets aligns with the treatment of other assets in the longer term.
 - This measure is estimated to decrease receipts by \$425.0 million over the five years from 2025–26 and was accounted for in a prior Budget process.
 - The Government will also ensure the concept of 'real property' in Australia is determined by Commonwealth legislation rather than state and territory laws, with effect from 12 December 2006, when the regime was introduced. As this clarification is intended to protect existing revenue, the revenue impact is estimated to be nil.

Cross portfolio

Digital ID

- The Government will provide \$654.3 million over four years from 2026–27 (and \$166.7 million per year ongoing) to meet its legislative commitments under the Digital ID Act 2024 and maintain the security and reliability of the Australian Government’s Digital ID System.

Fighting Scams

- The Government will introduce a user charge to recover the cost of operating the SMS Sender ID Register from 2026–27, which is estimated to increase receipts by \$8.6 million over four years from 2026–27 and \$2.2 million per year ongoing from 2030–31. This measure builds on the 2023–24 Budget measure titled Fighting Scams.

Cyber

- The Government will provide \$89.3 million over four years from 2026–27 to sustain and enhance cyber security initiatives. The Department of Home Affairs will partially meet the cost of this measure from within existing resources. This measure builds on the 2023–24 MYEFO measure titled 2023–30 Australian Cyber Security Strategy.

Better Regulation

- The Government will provide \$198.1 million over two years from 2026–27 to boost productivity through streamlining regulatory systems and secure access to data. Funding includes:
 - \$136.1 million over two years from 2026–27 to complete the second tranche of stabilisation and uplift of Australia’s business registers, including synchronising director information with the Australian Charities and Not-for Profits Commission’s Charities Register, linking Director IDs to the Companies Register, uplifting Australian Business Number (ABN) authentication and completing the transition of ABN and superannuation lookup functions to the Australian Taxation Office
 - \$62.0 million over two years from 2026–27 to extend the operation and participation in the Consumer Data Right to continue supporting Australian consumers and businesses and to explore the potential to enable taxpayers to share certain ATO-held data through the Consumer Data Right.
- The Government will also introduce legislation to modernise, simplify and improve regulation in the financial sector. The reforms will:
 - reduce unnecessary reporting and disclosure requirements
 - implement reforms to regulatory requirements for small and medium-sized banks
 - modernise and simplify financial system frameworks. This measure builds on the 2025–26 Budget measure titled *Treasury Portfolio – additional resourcing*.

Additional productivity Measures

- The Government will provide \$55.2 million over four years from 2026–27 (and \$11.6 million per year ongoing) to support implementation of reforms to increase productivity. Funding includes:
 - \$42.7 million over four years from 2026–27 to provide ongoing grants to Standards Australia to provide free public read-only access to standards referenced in Commonwealth and state and territory legislation
 - \$7.6 million over two years from 2026–27 for the Treasury to deliver on the Government’s productivity, financial services and consumer policy priorities
 - \$4.8 million over four years from 2026–27 to finalise funding arrangements for External Reporting Australia, which will replace the Australian Accounting Standards Board, the Auditing and Assurance Standards Board and the Financial Reporting Council, including additional resourcing to support climate sustainability reporting. The cost of this measure will be partially met from within the Treasury’s existing resourcing.

- The Government will introduce legislation to modernise, simplify and improve regulation in the financial sector. The reforms will:
 - reduce unnecessary reporting and disclosure requirements
 - implement reforms to regulatory requirements for small and medium-sized banks
 - modernise and simplify financial system frameworks.
- This measure builds on the 2025–26 Budget measure titled *Treasury Portfolio – additional resourcing*.

- The Government will provide \$55.2 million over four years from 2026–27 (and \$11.6 million per year ongoing) to support implementation of reforms to increase productivity. This includes \$7.6 million over two years from 2026–27 for the Treasury to deliver on the Government’s productivity, financial services and consumer policy priorities.

- \$18.5 million over four years from 2026–27 (and \$2.2 million per year ongoing) to uplift the Australian Securities and Investments Commission (ASIC) and Australian Prudential Regulatory Authority’s (APRA) capability to improve the security of systems of national significance.
- The Government will also establish a limited special appropriation to support resolution of any future crisis in the cash distribution network.
- Partial costs for this measure will be met through ASIC and APRA cost recovery.