

Australian Federal Budget

2026-2027

MALLESONS

Australian Federal Budget 2026-2027

TAX REFORM ON THE AGENDA - AN AMBITIOUS BUDGET IN UNCERTAIN TIMES

The 2026-27 Federal Budget delivered on 12 May 2026, has been described by the Government as its most ambitious to date underlined by a focus on intergenerational equity. That characterisation has been borne out on Budget night with one of the largest tax reform packages in recent years spanning capital gains tax, negative gearing and discretionary trusts alongside productivity measures and significant spending cuts in areas such as the NDIS. Delivered against a backdrop of high inflation, global uncertainty and rising cost-of-living pressures, the practical impact of these changes will take time to fully emerge, particularly given the absence of pre-budget consultation on many of these measures. What is clear, however, is that these reforms will touch most Australians directly or indirectly across both personal and business settings with long-term implications for investment and economic behaviour.

The key business changes are as follows:

Tax

- **Capital Gains Tax:** removal of the 50% discount for all assets (including pre-CGT assets) held by individuals, trusts and partnerships and its replacement with cost base indexation and a 30 per cent minimum tax on net capital gains. The 50% discount and exemption for pre-CGT assets will remain for gains before 1 July 2027.
- **Negative Gearing:** removal of negative gearing for residential properties acquired after Budget night except for new builds. Properties held by widely held trusts and superfunds will be excluded.
- **Discretionary Trusts:** introduction of a minimum 30% tax rate on trust distributions from 1 July 2028 with exclusions for primary production and testamentary trusts.
- **Research & Development:** increase in the tax offset for core R&D expenditure and the R&D cap from \$150M to \$200M and expanded venture capital tax incentives.
- **Electric vehicles:** change to existing concessional arrangements.
- **Business:** \$20,000 instant asset write-off to be made permanent for small business and for businesses with turnovers up to \$1BN carry back of losses against past two-year profits.

Health, Defence & Government

- **NDIS:** \$220.3bn over five years for public hospitals under the renewed National Health Reform Agreement.
- **Defence:** additional \$53BN in funding over the next 10 years.
- **Fuel Security:** minimum 50-day supply of diesel and jet fuel reserves and a 20% reservation of gas exports.
- **Public Service:** \$2.7BN cuts in spending.

Productivity & Infrastructure

- **Building standards:** Reforms to building standards to improve efficiency.
- **Migration:** Overhaul of migration rules for skilled trade workers.
- **Rail:** \$3.8BN for Melbourne's rail project.
- **Housing:** \$2BN for housing infrastructure.

The changes are examined in detail in our analysis below.

All 2026-27 Budget documents are available to download [here](#).

Contents



PERSONAL TAX



FUNDS & TRUSTS



CORPORATE &
INTERNATIONAL TAX



SMALL BUSINESS



SUPERANNUATION



INFRASTRUCTURE &
REAL ESTATE



TAX COMPLIANCE



ENVIRONMENT, ESG &
FUTURE MADE IN
AUSTRALIA



R&D, PRODUCTIVITY &
COST OF LIVING



JOBS & EDUCATION



HEALTH & AGED CARE



THE DIGITAL ECONOMY,
AI & TECHNOLOGY



ENERGY & RESOURCES



DEFENCE &
GOVERNMENT



PRO BONO & LEGAL
ASSISTANCE



AUTHORED BY

Jane Ma

The 2026-27 Budget delivers the most significant transformation of Australia's tax system in more than a quarter of a century. The centrepiece is the personal tax reform package, headlined by a new \$250 Working Australians Tax Offset for over 13 million workers from 2027-28 (estimated to decrease receipts by \$6.4 billion over five years), complemented by a \$1,000 instant tax deduction for work-related expenses from 2026-27.

In a landmark shift, the Government is replacing the longstanding 50 per cent capital gains tax discount with cost base indexation and introducing a 30 per cent minimum tax on net capital gains from 1 July 2027. Notably, these changes will also apply to pre-1985 CGT assets, bringing them within the CGT regime for gains arising from 1 July 2027. The changes apply to individuals, partnerships and trusts who have held the asset for at least 12 months. Negative gearing for residential property will be limited to new builds from the same date, with losses from established residential properties only deductible against rental income or residential property capital gains. These changes apply to individuals, partnerships, companies and most trusts. Properties held before 7:30PM (AEST) on 12 May 2026 are grandfathered. Together, these reforms are estimated to increase receipts by \$3.6 billion over five years.

The Budget also increases the Medicare levy low-income thresholds by 2.9 per cent and transitions the electric car FBT exemption to a permanent 25 per cent discount from 1 April 2029.

Reforming negative gearing and capital gains tax

- The Government is reforming negative gearing and capital gains tax (CGT) arrangements to improve the fairness of the tax system, support home ownership and help fund new tax cuts for workers.
- This measure is estimated to increase receipts by \$3.6 billion over the five years from 2025-26.

Improving Tax Arrangements for Capital Gains

- 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. Indexation will be calculated using CPI in a similar manner to arrangements previously in place between 1985 and 1999. The ATO will provide guidance and tools to support calculation of this adjustment.
- Transitional arrangements will limit the impact on existing investments by ensuring the changes only apply to gains arising on or after 1 July 2027. The 50 per cent CGT discount will continue to apply to gains arising before 1 July 2027. Capital gains on pre-1985 assets arising before 1 July 2027 will remain exempt from CGT.
- To maintain incentives for new housing supply, investors in new residential properties will be able to choose either the 50 per cent CGT discount, or cost base indexation and the minimum tax. Income support payment recipients, including Age Pension recipients, will be exempt from the minimum tax.
- An asset's value at 1 July 2027 will be determined by taxpayers as part of their tax return in the year the asset is realised. Taxpayers can either: seek a valuation of the asset as at 1 July 2027, which will

include using quoted prices for assets such as shares; or use a specified apportionment formula that estimates the asset's value on 1 July 2027, based on its growth rate over the asset's holding period. The ATO will provide tools to estimate this value for taxpayers.

- The main residence will continue to be exempt for CGT purposes. The four small business CGT concessions will also be unchanged. The existing 60 per cent CGT discount applying to qualifying affordable housing will be fully retained to preserve incentives to invest in those assets.
- Given the unique characteristics of the tech and start up sector the Government will consult on the interaction of the capital gains tax reforms and incentives for investment in early-stage and start-up businesses.

Reforming Negative Gearing to Support New Housing Supply

- The Government will limit negative gearing for residential property to new builds. From 1 July 2027, losses from established residential properties will only be deductible against rental income or the capital gains from residential properties. Excess losses will be carried forward and able to be offset against residential property income in future years. It will apply to individuals, companies, partnerships and most trusts.
- These changes will apply to established residential properties acquired from 7:30PM (AEST) on 12 May 2026. Properties acquired prior to this time (including contracts entered into but not yet settled) will be exempt from the changes until disposed of. Properties purchased between announcement and 30 June 2027 may be negatively geared during this period, but not from 1 July 2027.
- Eligible new builds will be exempt from the changes, ensuring the benefits of negative gearing are directed to investment that increases the housing stock. New builds are residential properties which genuinely add to supply. This will include: dwellings constructed on vacant land, or where existing properties are demolished and replaced with a greater number of dwellings. Knock-down rebuilds or substantial renovations that do not increase supply will not be eligible. A new build cannot have been previously sold, unless first owned by the builder and not occupied for more than 12 months.
- Subsequent purchasers of the dwelling will not be able to access the 50 per cent CGT discount or negative gearing in relation to that property.
- Changes to negative gearing will only apply to residential property. Commercial property and other asset classes, such as shares, will remain subject to existing arrangements.
- Properties in widely held trusts (for example, most managed investment trusts) and superannuation funds (including SMSFs) will be excluded, alongside targeted exemptions for build-to-rent developments and private investors supporting government housing programs.

Working Australians tax offset

- The Government will deliver a new tax cut for every working Australian taxpayer by introducing a \$250 Working Australians Tax Offset from the 2027-28 income tax year.
- The Working Australians Tax Offset will provide a permanent annual tax offset for Australians for their income derived from work, such as wages and salaries and the business income of sole traders, from 1 July 2027. This will help Australian workers keep more of what they earn, delivering further targeted cost-of-living relief and helping to incentivise workforce participation.
- The Working Australians Tax Offset will increase the effective tax-free threshold for income derived from work by nearly \$1,800 to \$19,985 (or up to \$24,985 for workers eligible for the Low Income Tax Offset). This is the largest permanent increase in the effective tax-free threshold since 2012-13.
- Around 13 million Australian workers, including 6.3 million women, will receive the WATO for the 2027-28 income year, of whom 97 per cent are expected to receive the full \$250 offset. The WATO will be available automatically after workers lodge their tax return. The WATO will also be available to sole traders running their own business.
- This measure is estimated to decrease receipts by \$6.4 billion over the five years from 2025-26.
- This new tax relief is in addition to the tax cuts for every Australian taxpayer that will come into effect on 1 July 2026 and 1 July 2027, and the \$1,000 instant tax deduction.
- This measure is offset by the measures Tax Reform - Boosting Home Ownership - reforming negative gearing and capital gains tax and Tax Reform - introducing a minimum tax on discretionary trusts.

\$1,000 instant tax deduction

- 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.
- Australian tax residents who earn income from work will be eligible for the instant tax deduction and will not need to itemise and claim work-related expenses if claiming less than \$1,000. Around 6.2 million workers (42 per cent of taxpayers) will benefit in 2026-27, with an average tax saving of \$205.
- Individuals who incur work-related expenses greater than the instant tax deduction can continue to claim their deductions in the usual way. Charitable donations, union and professional association membership fees and other non-work-related deductions can still be itemised separately and claimed on top of the instant tax deduction.
- The instant tax deduction is expected to decrease receipts by \$2.4 billion and increase payments by \$183.9 million over four years from 2025-26. This measure was provisioned for by the Government in the 2025-26 MYEFO.
- This measure delivers on the Government's election commitment made during the 2025 federal election.

Medicare levy low-income thresholds

- The Government will increase the Medicare levy low-income thresholds for singles, families, and seniors and pensioners by 2.9 per cent from 1 July 2025.
- The threshold for singles will be increased from \$27,222 to \$28,011. The family threshold will be increased from \$45,907 to \$47,238. For single seniors and pensioners, the threshold will be increased from \$43,020 to \$44,268. The family threshold for seniors and pensioners will be increased from \$59,886 to \$61,623. The family income thresholds will increase by \$4,338 for each dependent child or student, up from \$4,216.
- The increase in the thresholds provides cost-of-living relief by continuing to exempt low-income individuals and families from paying the Medicare levy.
- This measure is estimated to decrease receipts by \$450.0 million over the five years from 2025-26.

Electric car discount

- The Government is adjusting settings of the electric car discount to maintain incentives for the shift to electric vehicles while transitioning to more sustainable settings for the longer term.
- From 1 April 2029, a permanent 25 per cent discount on fringe benefits tax (FBT) will be available for all electric cars valued up to and including the fuel-efficient luxury car tax threshold, implemented through a 15 per cent rate in the FBT statutory formula.
- Please see the Corporate Tax section for more information.

Modernising payment of the pension supplement to recipients overseas

- The Government will achieve savings of \$218.0 million over five years from 2025-26 (and \$62.3 million per year ongoing) by amending eligibility for the Pension Supplement, including:
 - extending payment of the full rate of Pension Supplement from six weeks to 12 weeks for recipients who are temporarily absent from Australia
 - ceasing the Pension Supplement for those recipients who are residing permanently overseas or who are temporarily absent from Australia for longer than 12 weeks.
- The Government has previously made a provision for these savings.
- The savings from this measure will fund other Government policy priorities.

Modernising private health insurance rebate

- The Government will achieve savings of \$3.0 billion over four years from 2026-27 (and \$1.0 billion per year ongoing) by removing the age-based uplift of the Private Health Insurance Rebate (the PHI Rebate) from 1 April 2027, to enable a simplified and more equitable distribution of the PHI Rebate and help to improve intergenerational equity.

- The savings from this measure will be invested in the aged care sector to deliver more residential aged care beds and improve affordability and access to home care supports.
- The Government will provide \$3.2 million over two years from 2025-26 for implementation and to undertake consultation on further reforms to improve the private healthcare system.

Discretionary trusts

There are also significant changes to the taxation of discretionary trust distributions including the introduction of a 30 per cent minimum tax on discretionary trusts - see the Funds & Trusts section.



AUTHORED BY
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Among the most significant measures in this year's Budget is a 30% minimum tax on discretionary trust income, effective from 1 July 2028, which marks a fundamental departure from flow-through trust taxation principles and will require careful consideration by trustees, beneficiaries, and their advisers. The Budget also announces an expansion of the venture capital limited partnership and early stage venture capital limited partnership regimes, including increases to investee asset caps and maximum fund sizes from 1 July 2027.

Introduction of a minimum tax on discretionary trusts

The Government will introduce a 30 per cent minimum tax on discretionary trusts to improve the fairness of the tax system and help fund new tax cuts for workers.

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.

To ensure the use of refundable franking credits does not undermine the minimum tax:

- trustees that receive franked dividends will be required to use their franking credits to pay the minimum tax; and
- corporate beneficiaries will not receive non-refundable credits for tax payable by the trustee, to avoid them converting these to refundable franking credits to avoid the minimum tax.

The minimum tax is described as applying to discretionary trusts and 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.

Some types of income such as primary production income, certain income relating to vulnerable minors, amounts to which non-resident withholding tax applies, and income from assets of discretionary testamentary trusts existing at announcement will also be excluded.

The Government will provide expanded rollover relief for three years from 1 July 2027 to support small businesses and others that wish to restructure out of discretionary trusts into another entity type, such as a company or a fixed trust.

Key aspects of the changes will be finalised following consultation with stakeholders. As well as the mechanism for collecting the minimum tax, stakeholder views will also be sought on how the trustee uses franking credits that exceed the minimum tax liability, and on the rollover relief provided to support restructuring.

This measure is estimated to increase receipts by \$4.5 billion over the five years from 2025-26.

Departure from flow-through trust taxation

The proposal to impose a flat 30% minimum tax on the taxable income of discretionary trusts at the trustee level represents a fundamental departure from the longstanding flow-through character of trust taxation under Division 6 of the *Income Tax Assessment Act 1936* (Cth). Under the existing regime, a trust is not itself a taxable entity in the ordinary case; rather, beneficiaries who are presently entitled to a share of the trust's income are assessed on their proportionate share of the trust's taxable net income at their own marginal tax rates. The introduction of a 30% minimum tax payable by the trustee – with beneficiaries receiving only non-refundable credits – effectively imposes a floor rate on trust income that

overrides the progressive rate scale otherwise applicable to beneficiaries. This aligns the minimum rate with the marginal tax rate applicable to taxable income between \$45,001 and \$135,000, which the Government describes as "more closely aligning the tax rates for trusts with the rates paid by workers and families who earn a living from wages".

The significance of this change is amplified when considered alongside the separate 30% minimum tax on net capital gains applicable to individuals, trusts and partnerships from 1 July 2027. Together, these two measures impose a dual floor on trust income: one on ordinary trust distributions and the other on realised capital gains flowing through the trust. The combined effect is a material compression of the tax benefits historically available through discretionary trust structures, particularly for beneficiaries on lower marginal rates.

The Budget is also silent on how the minimum tax would apply to non-cash distributions. In practice, discretionary trusts routinely make distributions in the form of entitlements to specific trust property, loans back to the trust, or unpaid present entitlements. A further question is whether amendments to section 100A of the *Income Tax Assessment Act 1936* (Cth) would be required to prevent arrangements under which a trust distributes income to a beneficiary on a marginal rate of 30 per cent or above (for example, a corporate beneficiary taxed at 25 or 30 per cent), with the economic benefit of the distribution passing to another person under a reimbursement agreement.

Scope of trusts and types of income affected

As mentioned, the minimum tax is described as applying to discretionary trusts and 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.

The term "discretionary trust" has no settled statutory definition in the income tax legislation and the exclusion of fixed and widely held trusts (including fixed testamentary trusts) suggests the boundary of the regime will depend on the distinction between fixed and non-fixed trusts – a distinction that has been the subject of persistent difficulty in Australian tax law.

Under the existing law, a trust interest is generally treated as "fixed" for the purposes of various provisions (including Division 6C and the trust loss provisions in Schedule 2F of the ITAA 1936) only where a beneficiary has a vested and indefeasible interest in a share of the trust's income or capital. Many trust deeds – including those drafted with the intention of creating fixed entitlements – contain variation powers, amendment clauses, or default provisions that may prevent interests from satisfying this test. The result is that trusts intended to operate as fixed trusts may fail the existing statutory test and be treated as non-fixed (and therefore "discretionary") trusts for the purposes of the proposed minimum tax.

This issue is well recognised in Australian tax practice and has been the subject of numerous private rulings, ATO guidance, and judicial consideration. The uncertainty it generates is significant: trustees and their advisers may be unable to determine with confidence whether a particular trust falls within or outside the scope of the regime without a detailed analysis of the trust deed and any associated instruments. This may have a significant impact on the funds management industry which makes extensive use of trust structures – including unit trusts, sub-trusts, and special purpose vehicles – many of which may not qualify as "widely held" (because they have a small number of wholesale investors) or "fixed" (because the trust deed contains discretionary powers, such as powers to issue or redeem units, vary entitlements, or allocate particular classes of income to particular unitholders).

Expanding venture capital tax incentives

Increasing VCLP and ESVCLP caps

The Government will expand the venture capital tax incentives to better facilitate venture capital investment and support early stage and growth businesses, by increasing some asset caps not adjusted for over 20 years, to unlock more investment in venture capital by global and local investors - including super funds - supporting the next wave of innovative Australian businesses to start up and scale up. This will give start-ups more opportunities to access venture capital funding, in larger amounts and over a longer period, particularly where traditional finance is harder to obtain.

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.

Application to new and existing funds

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 eligible venture capital investor program will be closed to new applications from 7.30PM (AEST) 12 May 2026.



Corporate & International tax



AUTHORED BY

Peter Scott

This Budget includes the restatement of the already announced taxable Australian property changes as well as some welcome international tax and business tax reform and a widely anticipated sting for EV enthusiasts. Key measures include:

- Reintroduction of loss carry back for companies with turnover under \$1 billion (from 1 July 2026), plus loss refundability for small startups from 1 July 2028 – together expected to cost \$2.8 billion over the forward estimates.
- Implementation of the Pillar Two side-by-side package from 1 January 2026, introducing a permanent Simplified ETR Safe Harbour and extending the Transitional CbCR Safe Harbour to reduce compliance burdens for in-scope MNEs.
- Re-announcement of the controversial strengthening of the foreign resident CGT regime measures, including retrospective amendments back to 2006 significantly expanding the definition of ‘real property’, albeit with a limited transitional 50% CGT discount for renewable energy assets until 30 June 2030.
- Phase-out of the full FBT exemption for electric vehicles from 1 April 2029, transitioning to a permanent 25% discount with grandfathering for existing arrangements below \$75,000 – expected to raise \$1.9 billion.

Loss refundability and reintroduction of the loss carry-back regime

The Budget introduces reforms to the treatment of tax losses, aimed at providing relief for businesses and startups. These changes are stated to encourage investment, support sensible risk-taking and improve the resilience of firms during periods of economic volatility.

Loss refundability

A new loss refundability measure will also be introduced for small startups. From income years commencing on or after 1 July 2028, startup companies with aggregated annual turnover below \$10 million that incur a tax loss in their first two years of operation will be able to convert that loss into a refundable tax offset. The offset will be capped at the value of fringe benefits tax and withholding tax paid on wages for Australian employees in the relevant loss year.

- This startup measure is expected to increase administered payments by \$410 million over the five years from 2025-26.
- In aggregate, these reforms are expected to reduce receipts by \$2.3 billion and increase payments by \$468.2 million over the five-year forward estimates period. The ATO will receive \$58.2 million over five years to support implementation.

Loss carry back rules

- From income years commencing on or after 1 July 2026, eligible companies with aggregated annual global turnover below \$1 billion will be permitted to carry back tax losses and offset them against tax paid in the preceding two years. The carry back will be limited to revenue losses and capped by reference to the company's franking account balance.

- The reintroduction of loss carry back is expected to reduce receipts by approximately \$2.3 billion over the five years from 2025-26.

Changes to FBT exemption for EVs

As expected, the Government has confirmed that it is adjusting settings of the electric car discount to maintain incentives for the shift to electric vehicles while transitioning to more sustainable settings for the longer term. The key features of the changes are:

- From 1 April 2029, a permanent 25 per cent discount on fringe benefits tax (FBT) will be available for all electric cars valued up to and including the fuel-efficient luxury car tax threshold, implemented through a 15 per cent rate in the FBT statutory formula.
- The following transitional arrangements will be put in place:
 - All eligible electric cars will retain the FBT discount rate that was in place when the arrangement commenced;
 - All electric cars valued up to and including \$75,000 that are provided before 1 April 2029 will continue to be eligible for a 100 per cent discount on FBT, implemented through a 0 per cent rate in the FBT statutory formula; and
 - Electric cars valued above \$75,000 and up to and including the fuel-efficient luxury car tax threshold that are provided between 1 April 2027 and 1 April 2029 will be eligible for a 25 per cent discount on FBT, implemented through a 15 per cent rate in the FBT statutory formula.
- The existing 20% statutory rate will continue to apply for all other cars, including electric cars costing more than the fuel-efficient luxury car tax threshold.
- Reportable fringe benefits will continue to be determined for eligible electric cars as if a 20 per cent FBT statutory formula rate or cost basis method applied.
- This measure is estimated to increase receipts by \$1.9 billion and increase payments by \$200.0 million over the five years from 2025-26.

Global Anti-Base Erosion Rules (Pillar Two) Side-by-Side Package Implementation

Australia's global and domestic minimum tax legislation will be amended to implement the side-by-side package agreed by the OECD/G20 Inclusive Framework on 5 January 2026. This package applies from 1 January 2026 and is estimated to decrease receipts by \$240 million and increase payments by \$11 million over the forward estimates. Key features include:

- The GloBE Rules ensure MNEs with consolidated annual revenue of €750 million (\$1 billion in Australia for 'SGE's) or more pay a minimum 15% tax on income in each jurisdiction, with a 'Top-up Tax' applying where the effective tax rate falls below this threshold.
- A permanent Simplified ETR Safe Harbour substantially reduces compliance by allowing MNE Groups to determine their effective tax rate using simplified calculations based on consolidated financial statements, avoiding entity-by-entity computations.
- A Qualified Domestic Minimum Top-up Tax (or QDMTT) ensures Australia collects any Top-up Tax rather than it being collected by other jurisdictions, while the Transitional CbCR Safe Harbour has been extended for one year to allow smooth implementation.

Indirect tax concession scheme

- The Government has extended access to refunds of indirect tax (including GST, fuel and alcohol taxes) under the Indirect Tax Concession Scheme (ITCS). New access to refunds has been provided to the European Union, Italy and Chile relating to the construction and renovation of their current and future diplomatic missions and consular posts. Tuvalu will also have ITCS access extended to its High Commission, current and future consular posts and applicable accredited staff.
- This measure is estimated to decrease receipts by \$0.5 million and decrease GST payments to the states and territories by \$0.5 million, over the five years from 2025-26.

Foreign resident CGT regime

The Government has broadly re-announced its measures to strengthen the foreign resident CGT regime, first detailed in controversial exposure draft legislation released on 10 April 2026 with only a two-week

consultation period (closing 24 April 2026). The exposure draft went well beyond the 2024-25 Federal Budget announcements, introducing significant retrospective amendments that have drawn criticism from the investment community. Importantly, no grandfathering provisions have been proposed other than the limited transitional relief for renewable energy assets. You can see more detail in our previous update [here](#), but the key features of the measures include:

- An expanded definition of ‘real property’ significantly broadening the scope of taxable Australian real property (TARP) to include interests and rights over land (regardless of State or Territory law), things fixed or installed on land (such as energy and telecommunications infrastructure, transport infrastructure, and heavy mining machinery), water entitlements, and licences or contractual rights exercisable over land – applied retrospectively to 12 December 2006.
- A new 365-day continuous testing requirement for the principal asset test (replacing the current point-in-time test), requiring foreign investors to monitor valuations daily where holdings are close to the 50% TARP threshold. New ATO notification obligations will also apply for transactions valued at \$50 million or more where a non-IARPI declaration is made.
- A transitional 50% CGT discount for foreign corporate investors and offshore fund trustees disposing of eligible Australian renewable energy assets until 30 June 2030. The asset must have the ‘primary purpose’ of generating electricity from an eligible renewable source. For indirect disposals, at least 90% of the entity’s TARP value must be attributable to Australian renewable energy assets – a high threshold that may exclude mixed-use portfolios.
- A Commonwealth statutory definition of ‘real property’ will override State and Territory laws, including statutory severance provisions, with retrospective effect from 12 December 2006. This is significant as it has been used as justification for the retrospective expansion of the tax base, although this characterisation is not consistent with the original explanatory memorandum for Division 855.

The transitional renewable energy concession is estimated to decrease receipts by \$425 million over the forward estimates. We consider the retrospective application of the broader TARP amendments to be controversial. As Hespe J observed in the recent *YTL* decision, Division 855 intentionally narrowed the classes of CGT assets taxable to foreign residents when it commenced in 2006. The retrospective amendments may have practical implications for historic asset sales where the relevant income year remains open to the ATO, or where returns were not lodged on the basis the asset was not expected to be TARP. Foreign investors in Australian real estate, infrastructure, energy and resources, including pension funds, sovereign wealth funds and private equity, will need to closely consider the proposed amendments.



AUTHORED BY
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The Budget delivers a package of measures targeting small businesses and start-ups, anchored in the loss carry back and loss refundability reforms and a permanent extension of the \$20,000 instant asset write-off. Alongside these, the Government will simplify PAYG instalment reporting, abolish a second tranche of nuisance tariffs, expand venture capital tax incentives and provide rollover relief for small businesses restructuring out of discretionary trusts.

Loss refundability reforms for businesses and start-ups

- The Government will provide tax relief to businesses and start-ups by reforming the treatment of tax losses.
 - For tax years commencing on or after 1 July 2026, companies with aggregated annual global turnover of less than \$1 billion will be able to carry back a tax loss and offset it against tax paid up to two years earlier. Loss carry back will apply to revenue losses only and will be limited by a company's franking account balance.
 - For tax years commencing on or after 1 July 2028, start-up companies with aggregated annual turnover of less than \$10 million that generate a tax loss in their first two years of operation will be able to utilise the loss to generate a refundable tax offset. The offset will be limited to the value of fringe benefits tax and withholding tax on wages paid in respect of Australian employees in the loss year.

Making tax simpler for businesses

- From 1 July 2026, the Government will permanently extend the \$20,000 instant asset write-off for small businesses with turnover up to \$10 million. Assets valued at \$20,000 or more can continue to be placed into the small business simplified depreciation pool. The provisions that prevent small businesses from re-entering the simplified depreciation regime for 5 years after opting out will continue to be suspended until 30 June 2027.
- 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. This will support businesses by enabling tax instalments to better reflect real time business activity. Taxpayers with a demonstrated history of non-compliance will be required to report and pay PAYG instalments monthly.

Abolishing more nuisance tariffs

- The Government will abolish 497 nuisance tariffs from 1 July 2026 which means that the Government will have removed almost 1,000 tariffs over two years. This measure will eliminate tariffs on a wide range of imported goods including wine glasses, tyres, air conditioners, margarine and bitumen. This will streamline around \$23 billion worth of trade.

Expanding venture capital tax incentives

- The Government will expand the venture capital tax incentives to better facilitate venture capital investment and support early stage and growth businesses. 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. 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 from \$250 million to \$480 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 from \$50 million to \$80 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 from \$250 million to \$420 million; and
- The maximum fund size of ESVCLPs will be increased from \$200 million to \$270 million.

Discretionary trust rollover relief

- The Government will provide expanded rollover relief for three years from 1 July 2027 to support small businesses that wish to restructure out of discretionary trusts into another entity type, such as a company or a fixed trust, as a result of the introduction of the 30% minimum tax on discretionary trusts. This will provide relief from income tax consequences, including capital gains tax, for those who choose to restructure.

Responsible lending exemption

- The Government will amend the National Consumer Credit Protection Regulations 2010 to extend the small business exemption from responsible lending obligations for a further ten years, until October 2036, to support easier and timely access to finance for small businesses.

Small business counselling programs

- The Government will provide \$8.2 million over three years from 2025-26 to extend the Small Business Debt Helpline financial counselling program and the NewAccess for Small Business Owners mental health coaching program to 30 June 2027.



Superannuation



AUTHORED BY
Chen Lou

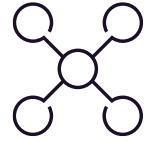
While the Federal Government has not announced any major new superannuation measures, the superannuation sector will nevertheless face heightened oversight. High-risk superannuation arrangements and managed investment schemes will be subject to increased scrutiny, supported by \$17.8 million in funding to strengthen governance, supervision, and enforcement of managed investment schemes, together with a further \$86.3 million committed to delivering Phase 2 of the Counter Fraud Strategy, which will enhance the ATO's capacity to detect and prevent fraud. In addition, legislation passed earlier this year to increase taxation of high superannuation balances is expected to generate an additional \$20 million in revenue.

Superannuation and Managed Investment Schemes the target of increased compliance measures

- 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. This will include:
 - \$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; and
 - consulting publicly on new data collection powers in relation to managed investment schemes.
- It is anticipated that cost recovery by ASIC will partially meet the cost of these measures.
- This is in addition to the Government's expenditure of \$86.3 million (over four years) to deliver Phase 2 of the Counter Fraud Strategy that is aimed at enhancing the ATO's ability to detect and prevent fraud in relation to, among other things, high-risk superannuation changes.
- 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.

Increased superannuation tax expected to generate \$20 million

- Final policy parameters for the Federal Government's recently enacted superannuation reforms – including changes to the Low Income Superannuation Tax Offset and practical changes to the Better Targeted Superannuation Concessions (Division 296, imposing an additional 15% tax on earnings attributable to superannuation balances between \$3 million and \$10 million, and an additional 25% tax on earnings attributable to balances above \$10 million) – are expected to increase receipts by \$20.0 million over the five years from 2025-26.
- The relevant legislation (*Treasury Laws Amendment (Building a Stronger and Fairer Super System) Act 2026* and *Superannuation (Building a Stronger and Fairer Super System) Imposition Act 2026*) received Royal Assent on 13 March 2026, and financial impacts of such were reflected in the 2025-26 MYEFO measure *Superannuation reforms - Boosting the Low Income Superannuation Tax Offset and practical changes to Better Targeted Superannuation Concessions*.



AUTHORED BY
Emilia Del Brocco

The 2026-27 Budget delivers \$12.1 billion in new investments across the Infrastructure, Transport, Regional Development, Communications, Sport and the Arts portfolio, including \$10.3 billion for transport infrastructure projects, \$976 million for transport, and \$803 million for community infrastructure. This is accompanied by significant reforms to foreign investment settings affecting real estate, and a \$2 billion Local Infrastructure Fund to unlock housing-enabling infrastructure.

Key investment areas

The Government has outlined a range of broad spending measures on additional infrastructure projects. The key areas of investment, organised by priority area, are:

KEY INVESTMENT AREAS	
Road and rail infrastructure investment	<ul style="list-style-type: none"> The Government will provide \$8.6 billion over 11 years from 2025-26 (and \$75.7 million per year ongoing) for road and rail infrastructure priorities to support productivity and jobs. Funding includes: <ul style="list-style-type: none"> \$1.8 billion over six years from 2026-27 in equity for the Australian Rail Track Corporation to invest in its interstate rail network. \$1.7 billion over nine years from 2026-27 for new Infrastructure Investment Program projects (state-specific projects listed below). \$500.0 million over ten years from 2026-27 (and \$50.0 million per year ongoing) to continue the Active Transport Fund to support the construction and upgrade of bicycle and walking paths across Australia. The Government will implement a temporary fuel and other materials disruption slippage adjustment for the Infrastructure Investment Program to recognise the uncertain impacts of the Middle East conflict on the availability of key materials for the delivery of projects. The adjustment is set at \$2.0 billion in 2026-27, \$1.6 billion in 2027-28 and \$0.5 billion in 2028-29, and is unwound over 2030-31 to 2035-36. The Government will also consolidate the Inland Rail project at Parkes and preserve the remaining rail corridor and intermodal sites for future investment, with \$4.4 billion in equity to be returned to the Budget. The Government is providing \$1.7 billion over six years from 2025-26 to address unavoidable cost pressures for 28 existing

KEY INVESTMENT AREAS

	Infrastructure Investment Program projects.
Housing enabling infrastructure	<ul style="list-style-type: none"> • The Government will provide \$2.1 billion over five years from 2025-26 to support increased housing supply and research. Funding includes: <ul style="list-style-type: none"> - \$2.0 billion over four years from 2026-27 for the Housing Support Program - Local Infrastructure Fund to provide funding via states and territories (states) to support local governments and state utility providers to expedite the delivery of housing enabling infrastructure, with funding contingent on states committing to reforms to improve productivity in the housing sector, including faster and simpler approvals, releasing more land ready to build homes, and delivering a genuinely national construction code. - \$56.4 million over four years from 2025-26 for the Treasury to support the oversight and delivery of key programs under the Government’s Homes for Australia plan and for a public campaign to inform taxpayers of the changes to the tax system. - \$2.1 million in 2026-27 to extend Commonwealth funding to support the Australian Housing and Urban Research Institute.
Community infrastructure	<ul style="list-style-type: none"> • The Government will provide \$841.7 million over four years from 2026-27 to support economic growth and development across urban and regional Australia. Funding includes: <ul style="list-style-type: none"> - \$781.6 million over four years from 2026-27 for further rounds of the Thriving Suburbs program and the Growing Regions program to deliver community infrastructure projects in urban and regional Australia. - \$30.1 million over three years from 2026-27 for round ten of the Stronger Communities Programme to support small capital projects that deliver social benefits for local communities across Australia. - \$30.0 million in 2026-27 towards the construction of a new animal welfare campus for the Royal Society for the Prevention of Cruelty to Animals in the Australian Capital Territory.
Youth community housing	<ul style="list-style-type: none"> • The Government will provide \$59.4 million over four years from 2026-27 to provide states and territories with funding for community housing providers to supplement rental income for social housing for over 4,000 eligible young people, aged 16-24, who are in receipt of the Away from Home rate of Youth Allowance or ABSTUDY and who are at risk of, or experiencing, homelessness.
Aviation	<ul style="list-style-type: none"> • The Government will provide \$731.1 million over four years from 2026-27 (and \$9.8 million per year ongoing) to support aviation priorities, including: <ul style="list-style-type: none"> - \$600.0 million in 2026-27 as an equity investment in

KEY INVESTMENT AREAS

	<p>Airservices Australia to support continued provision of critical air navigation, air traffic control, and aviation fire and rescue services at major Australian airports</p> <ul style="list-style-type: none"> - \$66.5 million over four years from 2026-27 to support the Civil Aviation Safety Authority to continue its critical safety and regulatory functions. - \$38.1 million over four years from 2026-27 (and \$7.3 million per year ongoing) to enhance protections for aviation consumers. - \$14.3 million over four years from 2026-27 (and \$2.5 million per year ongoing) to the Department of Home Affairs for cargo monitoring and regulatory fit-out requirements at Western Sydney International (Nancy-Bird Walton) Airport. - \$5.1 million in 2026-27 to continue to support airport compliance with environmental standards. - \$4.5 million over four years from 2026-27 for the Australian Competition and Consumer Commission to continue monitoring competitiveness in the domestic airline sector including on prices, costs and profit. - \$1.7 million in 2026-27 in additional funding to continue the Remote Air Services Subsidy Scheme to subsidise the carriage of passengers and essential goods to communities in remote and isolated areas of Australia. - \$1.0 million in 2026-27 for the Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts to support the aviation sector.
Streamlining approvals for infrastructure	<ul style="list-style-type: none"> • The Government will provide \$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.

Key commitments by State/Territory

The Government has made a number of announcements relating to infrastructure funding. The key commitments in each jurisdiction are as follows.

KEY COMMITMENTS BY STATE/ TERRITORY	
Australian Capital Territory	<p>ROAD PROJECTS</p> <ul style="list-style-type: none"> \$50.0 million for the Drake Brockman Drive Duplication in the Australian Capital Territory. <p>COMMUNITY INFRASTRUCTURE</p> <ul style="list-style-type: none"> \$30.0 million in 2026-27 towards the construction of a new animal welfare campus for the Royal Society for the Prevention of Cruelty to Animals in the Australian Capital Territory. <p>NGURRA CULTURAL PRECINCT</p> <ul style="list-style-type: none"> The Government will provide \$4.2 million in 2026-27 to continue the development of Ngurra: The National Aboriginal and Torres Strait Islander Cultural Precinct. Funding includes: <ul style="list-style-type: none"> \$2.3 million in 2026-27 to the Australian Institute of Aboriginal and Torres Strait Islander Studies to progress delivery of the precinct. \$1.9 million in 2026-27 to the Department of Finance to support delivery of the precinct.
Queensland	<p>BRUCE HIGHWAY UPGRADE</p> <ul style="list-style-type: none"> \$812.5 million for the Bruce Highway - Gateway Motorway to Dohles Rocks Road (Stage 2) upgrade in Queensland, building on our \$758.4 million investment in Stage 1 and connecting Moreton Bay and the Sunshine Coast growth areas to Brisbane's north.
New South Wales	<p>ROAD AND RAIL PROJECTS</p> <ul style="list-style-type: none"> \$50.0 million for the Sydney to Canberra Rail Corridor Upgrade. \$45.0 million for M1 Safety Improvements. <p>HIGH SPEED RAIL</p> <ul style="list-style-type: none"> \$659.6 million over three years from 2025-26 for the High Speed Rail Authority to undertake development works for the Newcastle to Sydney high speed rail project.
Northern Territory	<p>ROAD PROJECTS</p> <ul style="list-style-type: none"> \$24.0 million for Bagot Road Safety and Capacity Upgrades in the Northern Territory.
South Australia	<p>ROAD FUNDING</p> <ul style="list-style-type: none"> \$230.8 million over ten years from 2026-27 (and \$25.7 million per year ongoing and indexed) to continue supplementary local road funding for South Australia. <p>AUKUS PLANNING</p> <ul style="list-style-type: none"> \$7.5 million for the AUKUS Planning Study and Business Case for key transport infrastructure upgrades in South Australia.
Tasmania	<p>ROAD PLANNING</p> <ul style="list-style-type: none"> \$4.0 million for the East Derwent Highway - Bowen Bridge to Bridgewater Improvements planning in Tasmania.

KEY COMMITMENTS BY STATE/ TERRITORY

Western Australia	<p>ROAD UPGRADES</p> <ul style="list-style-type: none">• \$552.0 million for Anketell Road Upgrades, Westport (Stage 1A and 1B) in Western Australia. <p>HENDERSON DEFENCE PRECINCT</p> <ul style="list-style-type: none">• The Government has provided \$30.0 million in 2025-26 to support the design and commencement of early works for interim facilities at the Henderson Defence Precinct in Western Australia.
Victoria	<p>SUBURBAN RAIL LOOP</p> <ul style="list-style-type: none">• \$3.8 billion over four years from 2026-27 in additional funding for Suburban Rail Loop East in Victoria. <p>ROAD AND RAIL PROJECTS</p> <ul style="list-style-type: none">• \$76.4 million for the Melton Line Electrification.• \$50.0 million for the Western Freeway Upgrade (Melton to Caroline Springs).



AUTHORED BY

Sarah Mudaliar

The Budget signals a further expansion of the ATO's already extensive information-gathering powers, with the Government progressing targeted exceptions to tax secrecy and enhancements to information powers to support integrity, compliance and effective administration of the tax system. This sits alongside significant investment in compliance infrastructure more broadly, including Medicare fraud prevention (\$745.1 million), securing the Digital ID system underpinning ATO services (\$357.4 million), and further funding for the Counter Fraud Strategy. Notably, the ATO will also be given new powers to pause and waive the recovery of tax debts from taxpayers who are victims of fraud by tax intermediaries, and to recover those debts from the intermediaries directly.

Protecting the tax system against fraud

- 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 superannuation systems.
- This proposal will enhance the ATO's 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.
- The Government will also strengthen the ATO's ability to combat fraud by tax agents and other intermediaries. The ATO will be given powers to pause the recovery of tax debts of taxpayers who are victims of fraud by tax intermediaries, and waive those debts in appropriate circumstances, and to recover the debts from the tax intermediaries.
- Existing garnishee powers will also be expanded to include jointly held assets in circumstances where such arrangements are being used to frustrate recovery actions.
- The Government will also 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 ATO will undertake additional targeted compliance activities over the two years from 2026-27 to further address fraud in the system, including in relation to the Research and Development Tax Incentive.
- This measure is estimated to increase receipts by \$217.8 million and increase payments by \$72.9 million over the five years from 2025-26. The ATO will partially meet the cost of this measure from within existing resources.

Child support tax compliance

- The Government will provide \$182.6 million over four years from 2026-27 to close loopholes enabling weaponisation, financial abuse, and non-compliance in the child support scheme to make it safer and more effective for children and parents.
- Funding includes \$22.0 million over four years from 2026-27 (and \$0.6 million per year ongoing) to improve the accuracy of child support assessments by strengthening tax lodgement enforcement, extending Single Touch Payroll data sharing arrangements, and improving Australia's international child support arrangements.

Strengthening Medicare integrity

- The Government will provide \$745.1 million over four years from 2026-27 to strengthen the integrity and functionality of critical Medicare systems and infrastructure to ensure health services in Australia are delivered efficiently and effectively.
- These measures will enable the Government to achieve savings of \$674.1 million over four years from 2026-27 (and \$230.8 million per year ongoing) by reducing fraud and non-compliance in the Medicare Benefits Schedule and the Pharmaceutical Benefits Scheme.

Business registers stabilisation

- 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.



Environment, ESG & Future Made in Australia



AUTHORED BY
Jason Barnes



AUTHORED BY
Brooke Hanson

The Budget introduces a range of measures across the Climate Change, Energy, the Environment and Water portfolio, headlined by \$2.2 billion in savings over 14 years through the redirection of uncommitted funding from renewable energy and water programs. Key areas of investment include environmental law reform, particularly the establishment of a National Environmental Protection Agency and streamlined approvals processes, along with continued funding for biodiversity protection, Great Barrier Reef restoration, water reform and carbon crediting integrity.

Climate portfolio savings

- The Government will achieve savings of \$2.2 billion over 14 years from 2025-26 by redirecting funding across the Climate Change, Energy, the Environment and Water portfolio.
- Savings include:
 - \$1.3 billion over ten years from 2026-27 (and an average of \$70.8 million per year from 2036-37 to 2038-39) from redirecting part of the \$19.7 billion 2024-25 Budget measure titled Future Made in Australia - Making Australia a Renewable Energy Superpower, by reducing uncommitted funding under the Battery Breakthrough Initiative and Solar Sunshot programs and reducing funding available for Round 2 of Hydrogen Headstart to \$1.0 billion;
 - \$164.4 million over three years from 2026-27 by reducing uncommitted funding under the Powering the Regions Fund from the non-delivery of Australian Carbon Credit Units under Carbon Abatement Contracts in 2023-24 and 2024-25;
 - \$111.5 million over six years from 2025-26 by redirecting uncommitted grant funding in the Climate Change, Energy, the Environment and Water portfolio;
 - \$103.9 million over seven years from 2028-29 by returning uncommitted funding from the National Water Grid Fund;
 - \$93.8 million over two years from 2025-26 from reducing expected uncommitted funding under the Powering the Regions Fund - Critical Inputs to Clean Energy Industries Stream and the termination of a grant under the Stream from the 2023-24 Budget measure titled Powering the Regions Fund - final design;
 - \$78.6 million over four years from 2025-26 from reprioritising uncontracted funding under the Regional Hydrogen Hubs program, including from the 2022-23 October Budget measure titled Townsville Hydrogen Hub; and
 - \$67.0 million over seven years from 2027-28 by returning uncommitted funding from the National Environmental Science program.
- The Government has already provided partial savings for this measure.
- The savings will fund other Government policy priorities in the Climate Change, Energy, the Environment and Water portfolio, and the Industry, Science and Resources portfolio with respect to savings from the Battery Breakthrough Initiative.

Implementing environmental reforms

- The Government will provide funding to implement significant reforms to the Environment Protection and Biodiversity Conservation Act 1999, including the establishment of a National Environmental Protection Agency, including:
 - \$36.9 million over two years from 2026-27 for the Department of Climate Change, Energy, the Environment and Water (DCCEEW) and the Clean Energy Regulator to continue administering the Nature Repair Market, and develop additional methods to increase investment in nature and facilitate delivery of environmental offsets;
 - \$28.0 million over two years from 2026-27 for DCCEEW and the Department of Agriculture, Fisheries and Forestry to work with impacted states to develop landscape-scale approval pathways to allow existing forestry operations under Regional Forest Agreements to continue under the reformed environmental laws;
 - \$13.2 million over two years from 2026-27 for DCCEEW to establish the Restoration Contributions Holder to deliver environmental offsets on behalf of proponents; and
 - ongoing funding to establish the new National Environmental Protection Agency as a statutory agency from 1 July 2026, responsible for enforcing environmental laws, conducting audits, strengthening environmental protection and streamlining project approvals.
- The long-term sustainability of the National Environmental Protection Agency will be further supported through improved cost recovery arrangements. The Government will commence a phased transition to new cost recovery arrangements, progressively increasing fees and introducing levies relating to environmental protection activities.
- This measure builds on the 2023-24 Budget measure titled Nature Positive Plan - better for the environment, better for business and the 2024-25 Budget measures titled Nature Positive Plan - additional funding and Future Made in Australia - Strengthening Approvals Processes.

Accelerating environmental approvals

- The Government will provide funding to accelerate and streamline approvals processes and implement reforms to strengthen Australia's foreign investment framework, including:
 - The Government has legislated reforms to the Environment Protection and Biodiversity Conservation Act 1999. These reforms will reduce the delays for environmental approvals, which is estimated to save up to \$6.9 billion a year in regulatory costs;
 - \$105.9 million over four years from 2026-27 for the Department of Climate Change, Energy, the Environment and Water (DCCEEW) and the National Environmental Protection Agency (NEPA) to modernise environmental information, data and digital systems (including through the use of artificial intelligence) to improve user experience and enable simpler, faster environmental approvals;
 - \$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;
 - \$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; and
 - funding to support states and territories to implement bioregional plans and strategic assessments in priority areas.
- The cost of this measure will be partially met from savings identified in the Climate Change, Energy, the Environment and Water portfolio, fees and existing resources of the Treasury and the ATO.
- This measure builds on the 2023-24 Budget measure titled Nature Positive Plan - better for the environment, better for business and the 2024-25 Budget measure titled Future Made in Australia - Strengthening Approvals Processes.

Protecting Australia's native species

- The Government will provide additional funding of \$110.8 million over two years from 2026-27 to continue activities to protect native species and Australia's biodiversity.
- Funding includes:
 - \$99.6 million over two years from 2026-27 to support conservation and planning activities, including actions to slow the rate of environmental and native species decline, and aid recovery of Australia's native species and special landscapes; and
 - \$11.2 million in 2026-27 to maintain critical preparedness against High Pathogenicity Avian Influenza (HPAI H5) incursions, including through initiatives that boost resilience of priority native wildlife across high-risk locations.
- The cost of this measure will be partially met from savings identified in the Climate Change, Energy, the Environment and Water portfolio.
- The Treasury manages Commonwealth payments to the states and territories.
- This measure extends the 2022-23 October Budget measure titled Saving Native Species and the 2025-26 MYEFO measure titled Saving Native Species (Conservation Planning Component) - continuing funding, and builds on the 2024-25 MYEFO measure titled Supporting Australia's Avian Influenza Preparedness and Response.

Protecting the Great Barrier Reef

- The Government will provide \$91.8 million over two years from 2026-27 to continue activities to protect and restore the Great Barrier Reef. Funding includes:
 - \$86.8 million over two years from 2026-27 to continue reef protection activities, reef restoration projects and support implementation of the Reef 2050 Long-term Sustainability Plan; and
 - \$5.0 million in 2026-27 to continue reef monitoring, protection, and stewardship activities through the Tourism Reef Protection Initiative.
- The cost of this measure will be partially met from savings identified in the Climate Change, Energy, the Environment and Water portfolio.
- This measure extends the 2022-23 October Budget measures titled Reef 2050 Long-term Sustainability Plan - implementation and Shovel Ready Catchment and Reef Restoration Projects, and the 2025 PEFO measure Additional Funding for the Tourism Reef Protection Initiative.

Carbon crediting and emissions reporting

- The Government will provide \$23.3 million in 2026-27 to strengthen the Government's climate capability and support emissions reduction activities. Funding includes:
 - \$13.3 million in 2026-27 to maintain and strengthen the capability of Australia's National Greenhouse Accounts to deliver high-quality emissions data and track progress against Australia's emissions reduction targets; and
 - \$8.9 million in 2026-27 to boost method development and strengthen integrity under the Australian Carbon Credit Unit scheme.
- The cost of this measure will be met from savings identified in the Climate Change, Energy, the Environment and Water portfolio.
- This measure builds on the 2022-23 October Budget measure titled Commonwealth Climate Risk and Opportunity Management Program, the 2023-24 Budget measure titled Capturing Australia's Emissions Reduction Data - additional funding, and the 2024-25 Budget measure titled Improving the Australian Carbon Credit Unit Scheme.

Water reform

- The Government will provide additional funding of \$21.1 million over four years from 2026-27 (and \$1.5 million per year ongoing) to continue water reform activities.
- Funding includes:

- \$6.8 million in 2026-27 to continue arrangements for First Nations people to own, access and manage water in Australia;
 - \$3.9 million in 2026-27 to continue supporting the transparency, integrity and understanding of water markets, deliver key reforms and work with affected communities on the Murray-Darling Basin (Basin) Plan; and
 - \$3.9 million in 2026-27 to continue support for the hydrological modelling platform underpinning implementation of the Basin Plan.
- The cost of this measure will be partially met from savings identified in the Climate Change, Energy, the Environment and Water portfolio.
 - This measure extends the 2022-23 October Budget measure titled Murray-Darling Basin - water market reform, the 2023-24 Budget measures titled National Water Reform - First Nations peoples' water ownership and Future-proofing the Murray-Darling Basin, and builds on the 2022-23 October Budget measure titled Water for Australia Plan and the 2024-25 Budget measures titled Sustaining Water Functions and Climate Change, Energy, the Environment and Water - cost recovery arrangements.



AUTHORED BY
Frankie Wickens

This Budget makes significant changes to the R&D tax incentive scheme. Core R&D offset rates have been increased by 4.5%, and there has been an increase in the cap on eligible R&D expenditure to \$200 million, though the cap remains despite the recommendation in the Ambitious Australia review that it be removed altogether. A boost to the turnover threshold for access to the refundable tax offset from \$20 million to \$50 million should assist Australian startups. The minimum expenditure threshold is similarly being increased. Venture capital tax incentives are also being expanded.

In terms of productivity, companies with less than \$1b in aggregated annual global turnover will now be able to access loss carry-backs for 2 years, limited by their franking account balance. Start-ups with aggregated annual turnover of less than \$10m generating losses in their first 2 years will be able to generate a refundable tax offset, subject to limitations. Further, the \$20,000 instant asset write-off for small businesses will continue permanently. Amendments to regulation in the financial sector are flagged, including a reduction in unnecessary reporting and disclosure.

The Budget puts forward a grab-bag of relatively minor measures to assist Australians with the cost-of-living crisis, including a \$250 offset available to every working Australian taxpayer, a \$1,000 instant tax deduction, and a minor increase in the Medicare levy low-income thresholds. Given the massive increases in the cost of living of late, there are surprisingly few direct measures to alleviate the pressures on Australians.

To particularly address higher petrol prices arising from the conflict in the Middle East, the Budget offers a temporary reduction in fuel excise and the road user charge for heavy vehicles for 3 months from 1 April 2026, and provides funding to a variety of measures to increase Australia's fuel resilience and resistance to fuel price shocks in the future.

Australian gas will also be partly shielded from global volatility with domestic supply increased via the establishment of the Domestic Gas Reservation Mechanism, requiring Australian LNG exporters to supply 20% of their exported gas volumes to the domestic wholesale gas market.

Research & Development

Reforming the R&D tax incentive

The Government is reforming the Research and Development Tax Incentive (R&DTI). From 1 July 2028, the Government will:

- Increase the offset for core R&D expenditure by around 25 to 50 per cent, through a 4.5 percentage point increase in core R&D offset rates;
- Reduce the intensity threshold from 2 per cent to 1.5 per cent, enabling more firms that engage in substantial core R&D to qualify for higher offset rates;
- Remove eligibility of supporting R&D expenditure for the R&DTI;
- Enable growing firms to retain access to the refundable tax offset for longer by increasing the turnover threshold for the highest offset rate from \$20 million to \$50 million;

- For firms below the \$50 million turnover threshold, maintain older firms' eligibility for the higher offset rate while limiting refundability to firms under 10 years of age;
- Lift the maximum R&DTI expenditure threshold from \$150 million to \$200 million; and
- Lift the minimum expenditure threshold from \$20,000 to \$50,000, with research activities valued below this amount required to be undertaken with a registered Research Service Provider or Cooperative Research Centre to be eligible for the R&DTI.

This measure forms part of the first stage of the Government's response to the Ambitious Australia: Strategic Examination of Research and Development Final Report. The reforms will unlock 20 per cent more business R&D for each dollar of tax offset and a further \$400 million increase in R&D investment by young firms each year.

Promoting Research, Development and Innovation

The Government will provide funding to support Australian science and research and development capabilities, including:

- \$387.4 million over four years from 2026-27 (and \$38.0 million per year ongoing) to support the CSIRO, including additional funding for work on biosecurity to safeguard Australia's agriculture sector;
- \$273.0 million over four years from 2026-27 for the National Measurement Institute;
- \$40.1 million over five years from 2025-26 to establish the Neale Daniher MND Clinical Network;
- \$24.3 million over two years from 2026-27 to provide an uplift in operating resources for the National Health and Medical Research Council;
- \$21.7 million over two years from 2026-27 to the Australian Space Agency; and
- \$15.8 million over two years from 2026-27 to continue the development of the National One Stop Shop to streamline approvals for clinical trials and human research.

The Government will establish a National Resilience and Science Council to advise on Research, Development and Innovation objectives, priorities and performance and improve coordination of government research and development and industry initiatives as a first step in responding to the recommendations of the Ambitious Australia: Strategic Examination of Research and Development final report.

The Government has also made a provision for future spending of \$508.5 million over four years to increase disbursements from the Medical Research Future Fund, from \$650.0 million in 2025-26 increasing to \$1.0 billion annually from 2030-31, with funding to be held in the Contingency Reserve pending finalisation of the National Health and Medical Research Strategy.

Expanding Venture Capital Tax Incentives

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 reflect asset caps that have not been adjusted for over 20 years and will unlock more investment in venture capital by global and local investors - including super funds - supporting the next wave of innovative Australian businesses to start up and scale up. 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 eligible venture capital investor program will be closed to new applications from 7.30PM (AEST) 12 May 2026.

Productivity

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.

Loss Refundability for Businesses and Start-Ups

The Government will provide tax relief to businesses and start-ups by reforming the treatment of tax losses.

For tax years commencing on or after 1 July 2026, companies with aggregated annual global turnover of less than \$1 billion will be able to carry back a tax loss and offset it against tax paid up to two years earlier. Loss carry back will apply to revenue losses only and will be limited by a company's franking account balance.

This will benefit up to 85,000 businesses each year. Reintroducing loss carry back is estimated to decrease receipts by \$2.3 billion over the five years from 2025-26.

The Government will also introduce loss refundability for small start-up companies. For tax years commencing on or after 1 July 2028, start-up companies with aggregated annual turnover of less than \$10 million that generate a tax loss in their first two years of operation will be able to utilise the loss to generate a refundable tax offset. The offset will be limited to the value of fringe benefits tax and withholding tax on wages paid in respect of Australian employees in the loss year.

This is predicted by the Government to benefit up to 25,000 start-ups each year.

Making the small business instant asset write-off permanent, and PAYG timing changes

From 1 July 2026, the Government will permanently extend the \$20,000 instant asset write-off for small businesses with turnover up to \$10 million. Assets valued at \$20,000 or more can continue to be placed into the small business simplified depreciation pool. The provisions that prevent small businesses from re-entering the simplified depreciation regime for 5 years after opting out will continue to be suspended until 30 June 2027.

The Government will also provide \$10.9 million to the ATO to expand its pilot of dynamic pay as you go (PAYG) instalment calculations, and will expand access to monthly payments. 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. Taxpayers with a demonstrated history of non-compliance will be required to report and pay PAYG instalments monthly. The ATO will remove interest charges for businesses that accidentally get their instalment variation wrong when using ATO-approved calculators.

Regulatory systems and secure data access

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; and
- \$62.0 million over two years from 2026-27 to extend the operation and participation in 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.

Accelerating Approvals

- The Government has legislated reforms to the Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act), which are estimated to save up to \$6.9 billion a year in regulatory costs. The Government will provide funding to accelerate and streamline approvals processes and implement reforms to strengthen Australia's foreign investment framework, including:

- \$105.9 million over four years from 2026-27 for the Department of Climate Change, Energy, the Environment and Water (DCCEEW) and the National Environmental Protection Agency (NEPA) to modernise environmental information, data and digital systems (including through the use of artificial intelligence) to improve user experience and enable simpler, faster environmental approvals
- \$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.

The Government will also:

- amend the *Telecommunications Act 1997* and the *National Broadband Network Companies Act 2011* to streamline approvals for telecommunications infrastructure, support the removal of redundant facilities, improve the National Broadband Network and strengthen consumer safeguards
- introduce legislation to amend the *Foreign Acquisitions and Takeovers Act 1975*, the *Foreign Acquisitions and Takeovers Regulation 2015* and the *Foreign Acquisitions and Takeovers Fees Imposition Regulations 2020* to implement these reforms
- amend the *National Consumer Credit Protection Regulations 2010* to extend the small business exemption from responsible lending obligations for a further ten years, until October 2036, to support easier and timely access to finance for small businesses.

Selecting Migrants and Recognising Skills

In relation to migration, the Government will:

- set the 2026-27 permanent Migration Program planning level at 185,000 places and allocate 132,240 places to the Skill stream;
- across both the Skill and Family streams of the permanent Migration Program, prioritise applications from onshore migrants;
- make amendments to the permanent migration points test;
- reform the Working Holiday Maker program; and
- provide \$85.2 million over four years from 2026-27 to the Department of Employment and Workplace Relations for better recognition of migrant skills through faster, more flexible skills assessments including a new skills assessment system for Trades Recognition Australia.

Abolishing Nuisance Tariffs

The Government will abolish a second tranche of 497 nuisance tariffs from 1 July 2026. This builds on the removal of 457 nuisance tariffs in July 2024. Together, the Government will have removed almost 1,000 tariffs over two years. This will streamline around \$23 billion worth of trade and save businesses \$157 million in compliance costs per annum.

This measure will eliminate tariffs on a wide range of imported goods including wine glasses, tyres, air conditioners, margarine and bitumen. The Government will also consult on abolishing additional tariffs to further cut costs for Australian businesses.

Economic Security

The Government will provide \$38.9 million over four years from 2026-27 (and \$7.3 million per year ongoing) to increase Australia's economic security and resilience to strategic shocks and threats. Funding includes:

- \$20.3 million over four years from 2026-27 (and \$5.2 million per year ongoing) for the Treasury to provide a dedicated economic security and sector assessment function to inform policy responses to global shocks and emerging economic threats and support closer collaboration between policy and intelligence agencies.
- \$18.5 million over four years from 2026-27 (and \$2.2 million per year ongoing) to uplift ASIC and APRA's 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.

Cost of Living

Working Australians Tax Offset

The Government will deliver a new, permanent tax cut for every working Australian taxpayer by introducing a \$250 Working Australians Tax Offset from the 2027-28 income tax year. Over 13 million Australian workers will benefit from the WATO, of whom 97 per cent are expected to receive the full \$250 offset.

Temporary Reduction of Fuel Excise

The Government has temporarily reduced the excise and excise-equivalent customs duty rates (excise rates) applying to most fuel products and the road user charge for heavy vehicles, for 3 months from 1 April 2026.

The excise rates have been reduced by a total of 60.9 per cent, equating to a 32 cent per litre reduction for petrol and diesel. States and territories have agreed to provide the Commonwealth up to \$400 million to enable increased GST revenue to be returned through lower excise, which equates to 5.7 cents per litre of the cut for petrol and diesel. The road user charge for heavy vehicles has also been reduced from 32.4 cents per litre to zero.

\$1,000 Instant Tax Deduction

The Government will introduce an instant tax deduction of up to \$1,000 from the 2026-27 income tax year. The Government predicts an average tax saving of \$205.

Australian tax residents will not need to itemise and claim work-related expenses if claiming less than \$1,000. Individuals who incur work-related expenses greater than the instant tax deduction can continue to claim their deductions in the usual way.

Fuel Security and Resilience

The Budget includes funding for:

- \$54.7 million over five years from 2025-26 (and \$8.9 million per year ongoing) to support ongoing management of Australia's fuel security framework, including oversight of the Fuel Security Services Payment, the MSO and the National Fuel Security Plan communications campaign
- \$40.5 million in 2026-27 to accelerate the electrification of Australia Post's delivery fleet
- \$10.0 million over two years from 2026-27 for the Australian Energy Regulator to expand electricity market monitoring and reporting activities
- \$10.0 million in 2026-27 to support feasibility studies into new or expanded fuel refining capabilities, to be co-funded with state and territory jurisdictions
- \$9.2 million over two years from 2025-26, terminating 31 December 2026, for the Department of the Prime Minister and Cabinet to establish a Fuel Supply Taskforce to coordinate Australia's fuel security during Middle East conflict-related disruptions
- \$4.5 million over three years from 2026-27 for the Commonwealth Scientific and Industrial Research Organisation to maintain and enhance its Transport Network Strategic Investment Tool to model transport options to support resilience and enhance responses to disruption

The Government has also passed legislation to double the maximum penalties for major contraventions of the *Competition and Consumer Act 2010* and the Australian Consumer Law from \$50m to \$100m, and tasked the ACCC to undertake weekly public reporting on fuel price movements and market conditions across capital cities and more than 190 regional locations to deter harmful conduct in the fuel industry and supply chains during the Middle East conflict.

Medicare Levy Low-Income Thresholds

The Government will increase the Medicare levy low-income thresholds for singles, families, and seniors and pensioners by 2.9 per cent from 1 July 2025.

Consumer Energy Resources and Bill Savings

The Government will provide \$143.2 million over five years from 2025-26 (and \$0.7 million in 2030-31) to maximise consumer and community benefits of the energy transition. Funding includes:

- \$97.2 million over five years from 2025-26 to continue implementing the National Consumer Energy Resources Roadmap, including establishing a National Technical Regulator to develop, coordinate and streamline regulation of consumer energy resources
- \$15.9 million over four years from 2026-27 (and a \$2.0 million equity injection in 2026-27) to uplift the Australian Energy Regulator to deliver energy consumers the best deal through network regulation, the Energy Made Easy website, implementation of the recommendations of the National Electricity Market wholesale market settings review and compliance and enforcement activities
- reprofiling \$15.4 million over four years from 2025-26 to expand the scope of the Dealership and Repairer Initiative for Vehicle Electrification Nationally program and extend the program by an additional year to better meet industry needs
- \$14.6 million over five years from 2025-26 (and \$0.7 million in 2030-31) to maintain proportionate battery system inspections under the Cheaper Home Batteries program.

Domestic Gas Reservation

The Government will provide \$35.5 million over four years from 2026-27 to ensure a secure and ongoing supply of affordable gas through the domestic wholesale gas market, including via the establishment of a Domestic Gas Reservation Mechanism.

The domestic gas reservation percentage will be set at the equivalent to 20 per cent of exports. The Domestic Gas Reservation Mechanism will commence on 1 July 2027.



AUTHORED BY
Alana Stone

The Budget introduces a range of measures aimed at increasing workforce participation and promoting skills and training. The headline reforms include the overhauling of the skills assessment system for migrants, a new pathway for university students with TAFE qualifications in the same area to accelerate their degrees, and investments in employment services, remote jobs and apprenticeships.

Skills recognition overhaul

- The Government will allocate around 70 per cent of places (132,240 of 185,000) in the 2026-27 permanent Migration Program planning level to the Skill stream.
- The Government will provide \$85.2 million over four years from 2026-27 to the Department of Employment and Workplace Relations to accelerate the recognition of migrant skills. Measures include:
 - \$75.1 million over four years from 2026-27 for a new, modern skills assessment system for Trades Recognition Australia (TRA) to facilitate the integration of occupational licensing. This includes working with states and territories to pilot streamlined assessment-to-licensing pathways for priority trades such as electricians and plumbers
 - \$5.6 million over three years from 2026-27 for TRA to deliver a new program of skills assessments for onshore visa holders, ensuring their existing qualifications and practical trade experience is recognised for the purposes of gaining employment and meeting workforce shortages.
- The Government will provide a pathway for university students with TAFE qualifications in the same area to complete their degrees quicker through a National Credit Recognition Framework.

Schools reform

- The Government will achieve savings of \$472.1 million over four years from 2026-27 (and \$203.3 million per year ongoing) including by increasing compliance activities to safeguard Australia's investment in schooling.
- The Government will provide \$40.4 million over four years from 2026-27 (and \$5.8 million per year ongoing) for the Department of Education to strengthen compliance arrangements for students with disability loadings.
- The Government will provide \$5.6 million over two years from 2026-27 to undertake exploratory work with states and territories on options for a viable pathway to establish a new Teaching and Learning Commission to provide better coordination between curriculum, teaching, assessment, research and reporting practices through integrating agencies.

Employment services and support

- The Government will provide \$316.1 million over five years from 2025-26 (and \$36.7 million per year ongoing) to continue supporting Australians into employment and improve participant experience. Funding includes:
 - \$285.6 million over five years from 2025-26 (and \$35.9 million per year ongoing) for improvements to the employment services system and to support future reform

- \$26.5 million over three years from 2026-27 to increase resourcing for the National Customer Service Line to support job seekers and employers.

Remote jobs and economic development

- The Government will invest \$299.0 million over five years from 2025-26 (and \$161.7 million per year ongoing) to create an additional 3,000 jobs under the Remote Jobs and Economic Development program, bringing the total number of jobs funded under the program to 6,000.

Employment and workplace relations reprioritisation

- The Government will achieve savings of \$297.9 million over five years from 2025-26 (and \$106.3 million per year ongoing) by better targeting apprenticeship supports and redirecting uncommitted funding across programs in the Employment and Workplace Relations portfolio. Savings include:
 - \$266.2 million over four years from 2026-27 (and \$106.3 million per year ongoing) through reforms to the Australian Apprenticeships Incentive System, redirecting employer incentives to small and medium employers and Group Training Organisations, and better aligning support with national priorities
 - \$25.3 million over four years from 2025-26 by returning uncommitted funding for states and territories from National Skills Agreement policy initiatives
 - \$6.4 million in 2025-26 by returning uncommitted funding from grant programs.

Skills and training supports

- The Government will provide funding of \$36.7 million over four years from 2026-27 (and \$9.1 million per year ongoing) to extend support for skills and training priorities. This funding includes \$35.2 million over four years from 2026-27 (and \$9.1 million per year ongoing) for Jobs and Skills Australia to continue providing advice under its legislated requirements on Australia's labour market and skills and training needs.

Promoting research, development and innovation

- The Government will provide \$102.8 million over four years from 2026-27 to enhance access to STEM Discovery in Western Australia. Funding includes:
 - \$100.0 million over four years from 2026-27 to build a new, upgraded Scitech Discovery Centre in Perth, conditional on co-investment by the Western Australian Government
 - \$2.8 million over four years from 2026-27 to expand Questacon's Library Travelling Exhibits program to Western Australia.

Inclusion support program

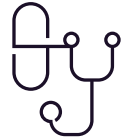
- The Government will provide \$54.8 million in 2026-27 to help early childhood education and care services increase their capacity to support the inclusion of children with additional needs, through tailored support and funding to services.

Improving outcomes in Australian schools

- The Government will provide \$26.1 million over four years from 2026-27 (and \$5.0 million per year ongoing) to support measures which will contribute to improving educational outcomes in Australian schools. Funding includes:
 - \$18.2 million over four years from 2026-27 (and \$5.0 million per year ongoing) to support the Online National Assessment Platform and continue national testing of the National Assessment Program - Literacy and Numeracy
 - \$1.8 million in 2026-27 to extend the Australian Academy of Science school programs in science, technology, engineering and mathematics (STEM) to boost the confidence and capability of STEM teachers and students
 - \$1.7 million in 2026-27 to support Life Ed Australia to improve existing and develop new preventative health and safety education modules, including mental health and wellbeing, online safety, and respectful relationships.

Tertiary education quality and standards

- The Government will provide \$9.4 million over four years from 2026-27 (and \$1.9 million per year ongoing) to allow the Tertiary Education Quality and Standards Agency (TEQSA) to have stronger enforcement and monitoring powers to step in and act when it is justified in the public interest. This will allow TEQSA to help ensure universities meet the standards students, staff and the Australian community expect.
- It will support TEQSA to respond to recommendations from the 2025 Australian Senate inquiry into the quality of governance at Australian higher education providers and the 2025 Special Envoy's Plan to Combat Antisemitism.



AUTHORED BY
Suzy Madar



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Damien MacRae

The Budget represents a significant investment in health and aged care, anchored by a renewed National Health Reform Agreement providing \$220.3 billion over five years for public hospitals, \$5.9 billion in new Pharmaceutical Benefits Scheme listings, and \$2.1 billion to strengthen Medicare. In aged care, \$1.4 billion is allocated to improve access to home care support and \$606.5 million to stimulate residential bed supply.

National Health Reform Agreement

- \$220.3 billion will be invested over five years in public hospital services and the implementation of the 2026-2031 Addendum to the National Health Reform Agreement (NHRA), including:
 - \$24.4 billion over five years from 2026-27 in additional NHRA funding
 - \$221.0 million in additional funding to the Australian Capital Territory, Northern Territory, and Tasmania to support public hospitals until the Independent Health and Aged Care Pricing Authority (IHACPA) completes its review of small jurisdictional price weighting and
 - \$200.0 million over five years from to states and territories for the NHRA Better Health Outcomes for Aboriginal and Torres Strait Islander People Schedule, with funding to be matched by the states and territories.
- The Budget also provides \$210.6 million over eight years to fast-track the delivery of new national digital health infrastructure, implement and monitor activities under the NHRA and MBS, and maintain access to cancer treatments while public prices in radiation oncology are reset.

Pharmaceutical Benefits Scheme (PBS) listings

\$5.9 billion will be provided over five years for new and amended listings on the PBS and the Repatriation Pharmaceutical Benefits Scheme.

Modernising private health

- \$3.0 billion in savings over four years will be provided by removing the age-based uplift of the Private Health Insurance Rebate (the **PHI Rebate**) from 1 April 2027, to enable a simplified and more equitable distribution of the PHI Rebate.
- The savings from this measure will be invested in the aged care sector to deliver more residential aged care beds and improve affordability and access to home care supports.

Strengthening Medicare

- \$2.1 billion will be provided over five years (and \$599.6 million per year ongoing) to promote access to high quality primary and specialist health care services and to increase access to bulk billing. Funding includes:
 - \$1.8 billion over five years (and \$580.2 million per year ongoing) to fund Medicare Urgent Care Clinics for urgent, but not life-threatening, conditions and
 - \$119.3 million over three years to extend the Practice Incentives Program Quality Improvement Incentive for two years until 30 June 2028 to support general practices to achieve continuous quality improvement.

- The Budget will also extend contingency arrangements to support a nationally consistent rollout of the free, nationwide 24/7 telehealth service 1800MEDICARE, and will extend the current Specialist Training Program grant agreements with specialist medical colleges by one year from February 2027.
- \$745.1 million will be provided over four years (and \$17.6 million per year ongoing) to strengthen the integrity and functionality of critical Medicare systems and infrastructure to ensure health services in Australia are delivered efficiently and effectively. Funding includes:
 - \$598.3 million over two years to support the continued operations and enhancement of My Health Record, including delivering targeted system improvements that will underpin implementation of further legislative reforms to expand sharing by default requirements under the *Modernising My Health Record (Sharing by Default) Act 2025* (Cth) and
 - \$146.8 million over four years (and \$17.6 million per year ongoing) to establish enhanced, expanded, and ongoing Medicare integrity capabilities to improve non-compliance and fraud detection, disruption, and prevention efforts in relation to the MBS and PBS.

Securing the NDIS

- The Budget will provide \$1.7 billion over five years (and \$110.9 million per year ongoing) to support people with disability and to improve the quality of supports delivered through the National Disability Insurance Scheme (NDIS). Funding includes:
 - \$358.5 million over five years to develop and implement a new enrolment and digital payment system to improve payment integrity and reduce fraud and non-compliant payments
 - \$280.1 million over five years (and \$53.0 million per year ongoing) to continue the Fraud Fusion Taskforce and invest in detection of and response to fraud and non-compliant payments
 - \$270.1 million to prepare for the roll-out and implementation of new framework planning from 1 April 2027 and
 - \$182.6 million over four years (and \$46.1 million per year ongoing) to introduce mandatory registration of high-risk NDIS providers, with costs partially offset by \$27.1 million over three years (and \$5.4 million per year ongoing) in receipts from expanded cost recovery arrangements.
- This measure is projected to reduce growth in NDIS payments by \$37.8 billion over four years, relative to the NDIS Actuary's updated projections. NDIS payments are projected to be below the 2025-26 MYEFO estimates by \$23.9 billion over five years from 2025-26.
- \$200.0 million will be provisioned over three years to establish an Inclusive Communities Fund to support community organisations to deliver group-based social and community participation activities and individual capacity building support for NDIS participants.

Improving access to home care

\$1.4 billion will be provided over four years (and \$377.3 million per year ongoing) to improve affordability and access to home care supports, including:

- \$1.0 billion over four years (and \$336.8 million per year ongoing) to ensure 'personal care' (including showering) is fully funded and
- \$389.8 million over four years (and \$40.5 million per year ongoing) to implement Support at Home program refinements, including to assessments, hardship applications and the end-of-life pathway, and to bring forward the release of Support at Home program places in 2026-27.

Residential aged care supply

- \$606.5 million will be provided over four years (and an additional \$3.0 billion from 2030-31 to 2035-36) to respond to the Residential Aged Care Accommodation Pricing Review to increase bed supply. Funding includes:
 - \$348.4 million over four years (and an additional \$2.7 billion from 2030-31 to 2035-36) to introduce capital subsidies for residential aged care providers, including:
 - \$30.00 per supported resident per day upon commencement of newly constructed homes, payable for up to 25 years
 - \$15.00 per supported resident per day upon commencement of significantly expanded homes, payable for up to 15 years

- \$224.3 million over four years (and an additional \$317.5 million from 2030-31 to 2035-36) for dementia care support, including the expansion of the Hospital to Aged Care Dementia Support program from 11 to 20 locations nationally and up to 20 additional Specialist Dementia Care Program units.
- \$1.1 billion will be held in the Contingency Reserve for future spending to increase the Accommodation Supplement and introduce an additional payment for high supported resident ratios.

Better care for older Australians

The Budget will provide \$565.1 million over four years (and \$2.1 million per year ongoing) to increase regulatory, governance and quality arrangements, sector viability and workforce supports to provide better care for older Australians. Funding includes:

- \$259.9 million in 2026-27 for technology systems and
- \$120.3 million in 2026-27 in additional funding for the Aged Care Quality and Safety Commission.

Improving access and uptake of medicines and vaccines

The Budget will provide \$590.7 million over five years from 2025-26 (and \$60.9 million per year ongoing) to improve access to medicines, vaccines, and health technology.

- \$449.3 million over five years (and \$60.9 million per year ongoing) to support the addition of the Respiratory Syncytial Virus (RSV) vaccine Arexvy® to the National Immunisation Program (NIP) for older Australians aged 75 and over and Aboriginal and Torres Strait Islander peoples from the age of 60
- \$71.0 million over three years to continue the Precision Oncology Screening Platform Enabling Clinical Trials program to give patients with advanced or poor prognosis cancer access to comprehensive genomic profiling to identify matches to potential clinical trials
- \$41.2 million over four years to improve vaccination rates amongst children under five and
- \$0.5 million in 2026-27 to support revised Strategic Agreements with the medicines industry to sustain continued access to new medicines.

Preventive health

- \$488.2 million will be invested over five years (and \$107.8 million per year ongoing) to improve health outcomes through preventive health, equitable access and early intervention. This includes \$431.0 million over four years (and \$107.8 million per year ongoing from 2030-31) to extend the Federation Funding Agreement for Public Dental Services for Adults.
- The Budget also extends access to the Child Dental Benefits Schedule to state and territory dental services on an ongoing basis from 2026-27.

Health protection

The Budget provides funding of \$447.9 million over five years (and \$96.5 million per year ongoing, including \$299.9 million in capital funding over five years from 2025-26 and \$74.2 million per year ongoing) for health care preparedness and prevention measures. This includes \$379.4 million over five years (and \$96.5 million per year ongoing) to provide funding certainty for the National Medical Stockpile for pandemic preparedness and response to health emergencies, including \$20.0 million in 2025-26 for an Emergency Health Resilience Preparedness Fund to respond to supply chain shocks or disruptions due to ongoing conflict in the Middle East.

Mental health

The Budget provides \$283.2 million over four years to continue to strengthen Australia's mental health and suicide prevention system, including \$277.5 million in 2026-27 to extend the National Mental Health and Suicide Prevention Agreement (the **Agreement**) to 30 June 2027.



The Digital Economy, AI & Technology



AUTHORED BY
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The Budget directs substantial funding towards digital government infrastructure, cyber security and online safety. The headline item is a \$654.3 million commitment over four years to maintain the security of the Australian Government's Digital ID System.

Other notable allocations include \$198.1 million to modernise business registers and extend participation in the Consumer Data Right, \$160.4 million for the Services Australia Cyber Security Uplift program, and \$112.7 million to address online gambling harms.

The Budget also provides funding for the use of artificial intelligence to accelerate environmental approvals and introduces measures targeting scam prevention and news media sustainability.

Digital ID system

- The Government will provide \$654.3 million over four years from 2026-27 to maintain the security and reliability of the Australian Government's Digital ID System. Funding includes:
 - \$357.4 million over four years from 2026-27 to the ATO to maintain operation of myID and the Relationship Authorisation Manager, including implementation of additional security controls and functionality.
 - \$135.2 million over four years from 2026-27 to Services Australia to continue its role as the Australian Government Digital ID System Administrator and maintain the operation of the Digital ID Exchange and myGov LinkID.
 - \$98.0 million over four years from 2026-27 to the Australian Competition and Consumer Commission to continue Digital ID regulatory functions.
 - \$30.8 million over four years from 2026-27 to the Department of Finance to continue policy leadership and governance of the Digital ID program.
 - \$22.2 million over four years from 2026-27 to the Office of the Australian Information Commissioner to continue to provide privacy oversight under the Digital ID legislation and Identity Verification Service programs.

Better regulation and data

- 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 ACNC'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 ATO.
 - \$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.

Services Australia digital uplift and cybersecurity

- The Government will provide \$160.4 million over four years from 2025-26 for the Services Australia Cyber Security Uplift program.
- The Government will provide additional funding of \$26.5 million over three years from 2025-26 to improve the functionality, availability and security of the myGov platform and \$19.8 million in 2025-26 for planning, feasibility assessment and proof-of-concept activities for the Services Australia long-term ICT architecture strategy.
- The Government will also provide \$89.3 million over four years from 2026-27 to sustain and enhance cyber security initiatives.

Addressing online gambling harms

- The Government will provide \$112.7 million over five years from 2025 to address online gambling harms through improved consumer protections, expanded support services and targeted public awareness and education campaigns. Funding includes:
 - \$28.7 million over four years from 2026-27 to improve BetStop by strengthening data matching systems and enhancing usability to optimise client safety outcomes.
 - \$22.6 million over five years from 2025-26 to implement wagering advertising reform, boost compliance and enforcement actions against illegal gambling services and enhance consumer protections from harmful online lottery products.
 - \$22.4 million over three years from 2026-27 to develop and implement a national online gambling public awareness campaign to empower people affected by gambling harm.

Accelerating approvals

- The Government will provide funding to accelerate and streamline approvals processes and implement reforms to strengthen Australia's foreign investment framework, including \$105.9 million over four years from 2026-27 for the Department of Climate Change, Energy, the Environment and Water and the National Environmental Protection Agency to modernise environmental information, data and digital systems (including through the use of artificial intelligence) to improve user experience.
- The Government will also amend the *Telecommunications Act 1997* and the *National Broadband Network Companies Act 2011* to streamline approvals for telecommunications infrastructure, support the removal of redundant facilities, improve the National Broadband Network and strengthen consumer safeguards.

News and media sustainability

- The Government will legislate a formula-based model to distribute revenue raised by the News Bargaining Incentive to support the sustainability of news and public interest journalism.

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.
- The Government will provide \$12.7 million in 2026-27 to extend the operation of the National Anti-Scam Centre to continue protecting consumers and businesses from scam activity for a further year.



AUTHORED BY
Ryan Ng



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Nick Ong

The cornerstone of the Government's energy and resources measures is the \$11.9 billion National Fuel Security Plan, which includes the establishment of a Fuel and Fertiliser Security Facility (up to AUD7.5 billion) and a \$3.2 billion Australian Fuel Security Reserve. Beyond fuel security, the Budget redirects \$2.2 billion in savings from renewable energy programs (including Hydrogen Headstart and the Battery Breakthrough Initiative), introduces a Domestic Gas Reservation Mechanism set at the equivalent of 20 per cent of exports, provides \$173.3 million to support Australia's critical minerals industry, and allocates over \$1 billion (including forward estimates) to support heavy industry including green aluminium and steelmaking. The measures also include significant funding to accelerate environmental and resources project approvals, and a temporary reduction in fuel excise estimated to decrease receipts by \$3.8 billion.

Energy sovereignty - fuel security and resilience

- The Government will provide up to \$11.9 billion over five years from 2025-26 to support Australian households, businesses and industry through the National Fuel Security Plan, including:
 - the establishment of a Fuel and Fertiliser Security Facility to increase additional supply and storage of fuel and fertiliser by providing up to USD5.0 billion (approximately AUD7.5 billion) in financial support including loans, equity, guarantees, insurance and price support
 - the establishment of a \$3.2 billion Australian Fuel Security Reserve to increase long term fuel supply and storage in combination with an increase to the Minimum Stockholding Obligation (MSO), to increase Australia's fuel reserves to 50 days
 - the National Reconstruction Fund Corporation to deliver the \$1.0 billion Economic Resilience Program from 2025-26 to support freight, fuel, fertiliser and other critical supply chains affected by global market disruptions
 - \$55.0 million in 2026-27 to deliver the Transport Resilience and Capacity Kickstart pilot program to incentivise increased freight volumes by rail and maritime transport
 - \$54.7 million over five years from 2025-26 (and \$8.9 million per year ongoing) to support ongoing management of Australia's fuel security framework, including oversight of the Fuel Security Services Payment, the MSO and the National Fuel Security Plan communications campaign
 - \$40.5 million in 2026-27 to accelerate the electrification of Australia Post's delivery fleet
 - \$10.0 million over two years from 2026-27 for the Australian Energy Regulator to expand electricity market monitoring and reporting activities
 - \$10.0 million in 2026-27 to support feasibility studies into new or expanded fuel refining capabilities, to be co-funded with state and territory jurisdictions
 - \$9.2 million over two years from 2025-26, terminating 31 December 2026, for the Department of the Prime Minister and Cabinet to establish a Fuel Supply Taskforce to coordinate Australia's fuel security during Middle East conflict-related disruptions
 - \$4.5 million over three years from 2026-27 for the Commonwealth Scientific and Industrial Research Organisation to maintain and enhance its Transport Network Strategic Investment Tool to model transport options to support resilience and enhance responses to disruption

- \$4.0 million over three years from 2026-27 to develop a green fuel bunkering strategy to support the Government's existing \$1.1 billion Cleaner Fuels program, with costs to be met from within the existing resources of the Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts
- ongoing funding from 2025-26 for the Department of Industry, Science and Resources to maintain its industry and supply chain analytical platform to monitor supply chains
- The Government has also passed legislation to double the maximum penalties for major contraventions of the Competition and Consumer Act 2010 and the Australian Consumer Law from \$50.0 million to \$100.0 million, and tasked the Australian Competition and Consumer Commission (ACCC) to undertake weekly public reporting on fuel price movements and market conditions to deter harmful conduct in the fuel industry and supply chains during the Middle East conflict.
- The Government will also introduce legislation to streamline the ACCC's authorisation and class exemption powers to allow industry to coordinate under exceptional circumstances where it provides broader benefits.

Climate change, energy and environment - savings

- The Government will achieve savings of \$2.2 billion over 14 years from 2025-26 by redirecting funding across the Climate Change, Energy, the Environment and Water portfolio. Savings include:
 - \$1.3 billion over ten years from 2026-27 (and an average of \$70.8 million per year from 2036-37 to 2038-39) from redirecting part of the \$19.7 billion 2024-25 Budget measure titled Future Made in Australia - Making Australia a Renewable Energy Superpower, by reducing uncommitted funding under the Battery Breakthrough Initiative and Solar Sunshot programs and reducing funding available for Round 2 of Hydrogen Headstart to \$1.0 billion
 - \$164.4 million over three years from 2026-27 by reducing uncommitted funding under the Powering the Regions Fund from the non-delivery of Australian Carbon Credit Units under Carbon Abatement Contracts in 2023-24 and 2024-25
 - \$111.5 million over six years from 2025-26 by redirecting uncommitted grant funding in the Climate Change, Energy, the Environment and Water portfolio
 - \$103.9 million over seven years from 2028-29 by returning uncommitted funding from the National Water Grid Fund
 - \$93.8 million over two years from 2025-26 from reducing expected uncommitted funding under the Powering the Regions Fund - Critical Inputs to Clean Energy Industries Stream and the termination of a grant under the Stream from the 2023-24 Budget measure titled Powering the Regions Fund - final design
 - \$78.6 million over four years from 2025-26 from reprioritising uncontracted funding under the Regional Hydrogen Hubs program, including from the 2022-23 October Budget measure titled Townsville Hydrogen Hub
 - \$67.0 million over seven years from 2027-28 by returning uncommitted funding from the National Environmental Science program
- The savings will fund other Government policy priorities in the Climate Change, Energy, the Environment and Water portfolio, and the Industry, Science and Resources portfolio with respect to savings from the Battery Breakthrough Initiative.

Electric car discount - FBT

- The Government is adjusting settings of the electric car discount to maintain incentives for the shift to electric vehicles while transitioning to more sustainable settings for the longer term. Please see the *Personal Tax* and *Corporate and International Tax* sections above.

Industry, science and resources - savings

- The Government will achieve savings of \$266.2 million over five years from 2025-26 (and an additional \$1.9 billion from 2030-31 to 2042-43) by redirecting uncommitted grant funding in the Industry, Science and Resources portfolio. The savings from this measure will be reprioritised to other Government policy priorities in the Industry, Science and Resources portfolio.

Implementing environmental reforms

- The Government will provide funding to implement significant reforms to the Environment Protection and Biodiversity Conservation Act 1999, including the establishment of a National Environmental Protection Agency, including:
 - \$36.9 million over two years from 2026-27 for the Department of Climate Change, Energy, the Environment and Water (DCCEEW) and the Clean Energy Regulator to continue administering the Nature Repair Market, and develop additional methods to increase investment in nature and facilitate delivery of environmental offsets
 - \$28.0 million over two years from 2026-27 for DCCEEW and the Department of Agriculture, Fisheries and Forestry to work with impacted states to develop landscape-scale approval pathways to allow existing forestry operations under Regional Forest Agreements to continue under the reformed environmental laws
 - \$13.2 million over two years from 2026-27 for DCCEEW to establish the Restoration Contributions Holder to deliver environmental offsets on behalf of proponents
 - ongoing funding to establish the new National Environmental Protection Agency as a statutory agency from 1 July 2026, responsible for enforcing environmental laws, conducting audits, strengthening environmental protection and streamlining project approvals.
- The long-term sustainability of the National Environmental Protection Agency will be further supported through improved cost recovery arrangements. The Government will commence a phased transition to new cost recovery arrangements, progressively increasing fees and introducing levies relating to environmental protection activities.

Supporting Australian industry

- The Government will provide funding to support Australia's heavy industry, including manufacturing. Funding includes:
 - \$222.6 million over two years from 2025-26 to continue providing support and stabilisation to the Whyalla Steelworks during administration, including:
 - \$215.9 million over two years from 2025-26 as the Commonwealth's co-contribution to South Australia for the administration costs of the Whyalla Steelworks
 - \$6.8 million in 2026-27 to continue the joint taskforce with the South Australian Government including through the provision of independent legal, commercial and probity advice to facilitate negotiations with potential buyers of the Whyalla Steelworks
 - \$50.0 million in 2029-30 (and an additional \$950.0 million from 2030-31 to 2039-40) to close the energy price gap for green aluminium at the Boyne Smelter
 - the Commonwealth's co-contribution to support the workers of the Liberty Bell Bay manganese smelter during its administration.

Critical minerals investment

- The Government will provide \$173.3 million over five years from 2025-26 to support growth of Australia's critical minerals industry. Funding includes:
 - \$150.0 million over four years from 2026-27 for stockpiling of critical minerals
 - \$20.4 million over two years from 2026-27 for the Department of Foreign Affairs and Trade and the Department of Industry, Science and Resources to support the operation of the Critical Minerals Strategic Reserve
 - \$2.9 million over three years from 2025-26 to support delivery of Australia's international critical minerals commitments.
- Partial funding for this measure will be held in the Contingency Reserve until stockpiling opportunities are identified.

Accelerating energy and resources approvals

- The Government will provide funding to accelerate and streamline approvals processes and implement reforms to strengthen Australia's foreign investment framework, including:

- \$105.9 million over four years from 2026-27 for the Department of Climate Change, Energy, the Environment and Water (DCCEEW) and the National Environmental Protection Agency (NEPA) to modernise environmental information, data and digital systems (including through the use of artificial intelligence) to improve user experience and enable simpler, faster environmental approvals
- \$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
- \$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.

Consumer energy resources and bill savings

- The Government will provide \$143.2 million over five years from 2025-26 (and \$0.7 million in 2030-31) to maximise consumer and community benefits of the energy transition. Funding includes:
 - \$97.2 million over five years from 2025-26 to continue implementing the National Consumer Energy Resources Roadmap to help consumers save on bills and benefit from the energy transition, including establishing a National Technical Regulator to develop, coordinate and streamline regulation of consumer energy resources
 - \$15.9 million over four years from 2026-27 (and a \$2.0 million equity injection in 2026-27) to uplift the Australian Energy Regulator to deliver energy consumers the best deal through network regulation, the Energy Made Easy website, implementation of the recommendations of the National Electricity Market wholesale market settings review and compliance and enforcement activities
 - reprofiling \$15.4 million over four years from 2025-26 to expand the scope of the Dealership and Repairer Initiative for Vehicle Electrification Nationally program and extend the program by an additional year to better meet industry needs
 - \$14.6 million over five years from 2025-26 (and \$0.7 million in 2030-31) to maintain proportionate battery system inspections under the Cheaper Home Batteries program.
- The cost of this measure will be met from savings identified in the Climate Change, Energy, the Environment and Water portfolio.

Domestic gas reservation

- The Government will provide \$35.5 million over four years from 2026-27 to ensure a secure and ongoing supply of affordable gas through the domestic wholesale gas market, including via the establishment of a Domestic Gas Reservation Mechanism. Funding includes:
 - \$30.6 million over four years from 2026-27 to develop and implement the Domestic Gas Reservation Mechanism and for gas market analysis and policy development to support market reliability and energy security
 - \$4.9 million in 2026-27 to modernise offshore resources regulation to support gas investment and help mitigate supply shortfalls, including providing more clarity on consultation requirements for offshore resources approvals.
- The domestic gas reservation percentage will be set at the equivalent to 20 per cent of exports. The Domestic Gas Reservation Mechanism will commence on 1 July 2027.
- The Government will also continue the policy and coordination functions of the Offshore Decommissioning Directorate.

National solar panel recycling pilot

- The Government has provided \$24.7 million over three years from 2025-26 to deliver a national pilot for recycling solar panels and establish up to 100 pilot collection sites nationwide to reduce waste and reuse valuable minerals to support the energy transition.

Carbon crediting and emissions reporting

- The Government will provide \$23.3 million in 2026-27 to strengthen the Government's climate capability and support emissions reduction activities. Funding includes:
 - \$13.3 million in 2026-27 to maintain and strengthen the capability of Australia's National Greenhouse Accounts to deliver high-quality emissions data and track progress against Australia's emissions reduction targets
 - \$8.9 million in 2026-27 to boost method development and strengthen integrity under the Australian Carbon Credit Unit scheme
 - \$1.0 million in 2026-27 to continue to build climate risk management capabilities and systems across the Australian Public Service.

Safe circular economy - continuing

- The Government will provide additional funding of \$17.0 million in 2026-27 to continue delivery of the Government's circular economy policy, program and legislative functions.
- The cost of this measure will be partially met from savings identified in the Climate Change, Energy, the Environment and Water portfolio.

Foreign resident CGT - renewables concession

- 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.

Fuel excise and road user charge

- The Government has temporarily reduced the excise and excise-equivalent customs duty rates (excise rates) applying to most fuel products and the road user charge for heavy vehicles, for 3 months from 1 April 2026.
- The excise rates have been reduced by a total of 60.9 per cent, equating to a 32 cent per litre reduction for petrol and diesel. States and territories have agreed to provide the Commonwealth up to \$400 million to enable increased GST revenue to be returned through lower excise, which equates to 5.7 cents per litre of the cut for petrol and diesel. The road user charge for heavy vehicles has also been reduced from 32.4 cents per litre to zero.
- This measure is estimated to decrease receipts by \$3.8 billion and decrease payments by \$1.3 billion over the five years from 2025-26.



AUTHORED BY
Sam Ellul

The Budget delivers a substantial increase in defence funding, with an additional \$6.8 billion over four years (and \$35.6 billion over the decade), bringing total portfolio funding to \$887 billion to 2035-36.

Defence accounts for approximately 6.2 per cent of total expenses in 2026-27, with expenses projected to grow by 18.8 per cent over the period to 2029-30.

Additional measures provide continued resourcing for the Nuclear-Powered Submarine program (\$863.8 million), enhanced defence cooperation in the Indo-Pacific (\$600 million), and ongoing implementation of the Royal Commission into Defence and Veteran Suicide response (\$311.9 million).

On the Government services side, Services Australia receives \$2.2 billion in additional funding, and the Government extends its program of savings on consultants, contractors and non-wage expenses, achieving a further \$2.7 billion in savings in 2029-30 and bringing total savings in this area to \$14.8 billion since 2022-23.

National defence strategy and investment

2026 National Defence Strategy and Integrated Investment Program

- The Government will provide additional funding of \$6.8 billion over four years from 2026-27 (and \$35.6 billion over ten years from 2026-27) to support the delivery of the 2026 National Defence Strategy and Integrated Investment Program to enhance Defence capability, preparedness and resilience.
- Together with the additional investments in 2024, the Albanese Government is investing an additional \$30 billion over the forward estimates and \$117 billion over the decade. This brings total funding in the portfolio to \$887 billion to 2035-36.
- Of this, the Government is investing \$425 billion over the decade to increase the ADF's self-reliance and contribute to regional deterrence.
- This measure includes part of the \$12 billion investment committed by the Government during 2025-26 Mid-Year Economic and Fiscal Outlook to deliver the Henderson Defence Precinct.
- The investment in Defence is matched by establishment of the Defence Delivery Agency on 1 July 2027.

Nuclear-Powered Submarine Program - Continuation of government resourcing

- The Government will provide \$863.8 million over four years from 2026-27 for continued support to the Nuclear-Powered Submarine program.
- Funding includes:
 - \$711.9 million over four years from 2026-27 for the ongoing operation of the Australian Submarine Agency, to manage the delivery of Australia's Nuclear-Powered Submarine program, including the continuation of the Nuclear Graduate program.
 - \$51.7 million over two years from 2026-27 for the Department of Foreign Affairs and Trade to provide policy and international law advice and diplomatic support for the Nuclear-Powered Submarine program.

- \$35.3 million over two years from 2026-27 for the Australian Safeguards and Non-Proliferation Office within the Department of Foreign Affairs and Trade to deliver safeguards and nuclear security regulation.
- \$23.6 million over two years from 2026-27 for the Australian Radiation Protection and Nuclear Safety Agency to support regulatory approvals, provide scientific advice, and conduct radiological monitoring.

Nuclear-Powered Submarine Program - further program support

- The Government will provide \$218.4 million over eight years from 2026-27 for continued support to the Nuclear-Powered Submarine program.
- Funding includes:
 - \$110.0 million over five years from 2026-27 to support housing and related services for personnel deployed to Submarine Rotational Force - West, to be delivered through Defence Housing Australia.
 - \$87.9 million over eight years from 2026-27 for workforce initiatives to grow, train and retain a sovereign qualified and highly skilled workforce to support the Nuclear-Powered Submarine program.

Australian Naval Infrastructure Equity Injection

- The Government will provide Australian Naval Infrastructure Pty Ltd with an equity injection over four years from 2026-27 to support construction of the Nuclear-Powered Submarine Construction Yard in South Australia.

Enhancing Defence Cooperation in the Indo-Pacific

- The Government will provide \$600.0 million over four years from 2026-27 to deliver initiatives to realise the benefits of the Papua New Guinea - Australia Mutual Defence Treaty and expand Defence infrastructure investments in the Pacific and South-East Asia.
- Funding includes:
 - \$421.6 million over four years from 2026-27 to be held in the Contingency Reserve to support regional engagement through initiatives under development with partner governments to be considered in a future economic update.
 - \$113.8 million over four years from 2026-27 to build dual-use infrastructure in PNG to support integration between the PNG Defence Force and the Australian Defence Force (ADF).
 - \$64.6 million over two years from 2026-27 to deliver a pilot program to recruit suitable PNG citizens into the ADF.

Veteran support

Royal Commission into Defence and Veteran Suicide

- The Government will provide additional funding of \$311.9 million over four years from 2026-27 (and an additional \$271.5 million over two years from 2030-31) to implement the Government's response to the Final Report of the Royal Commission into Defence and Veteran Suicide. Funding includes:
 - \$282.1 million over four years from 2026-27 (and an additional \$271.5 million over two years from 2030-31) to progress the implementation of the recommendations.
 - \$29.8 million over three years from 2026-27 to establish the National Veterans' Data Asset.

Continuing to Support Veterans and their Families

- The Government will provide \$173.7 million over five years from 2025-26 (and \$58.8 million per year ongoing) to continue supporting veterans and their families.
- The Government will achieve savings of \$779.5 million over five years from 2025-26 (and \$352.4 million per year ongoing) through better targeting of services for veterans and their families.

Independent Inquiry into Military Sexual Violence in the Australian Defence Force

- The Government will provide \$16.6 million over two years from 2026-27 for the Defence and Veterans' Service Commission to undertake an Independent Inquiry into Military Sexual Violence in the Australian Defence Force, implementing the Australian Government Response to Recommendation 25 of the Final Report of the Royal Commission into Defence and Veteran Suicide.

Defence industry and assistance

Supporting Defence Industry and the Strategic Policy Sector

- The Government will provide \$106.4 million over six years from 2026-27 to continue support for a growing defence industry sector and the strategic policy sector through grants. Funding includes:
 - \$59.1 million over five years from 2027-28 to establish an open competitive grant program to continue support for the strategic policy sector.
 - \$47.3 million over four years from 2026-27 to extend the Defence Industry Internship Program and the School Pathways Program, promoting career pathways in defence industry.

Government

Services Australia - additional resourcing

- The Government will provide additional funding of \$2.2 billion over five years from 2025-26 to improve the way Services Australia delivers services to the Australian community, including:
 - \$1.7 billion over two years from 2026-27 for frontline staff to help manage claims and maintain service standards and to continue emergency response capability.
 - \$287.0 million over three years from 2025-26 to enhance security at Services Australia centres and respond to recommendations of the Security Risk Management Review for Services Australia.

Reducing Spending on Consultants, Contractors and Labour Hire, and Non-wage Expenses - one year extension

- The Government will achieve savings of \$2.7 billion in 2029-30 by further reducing spending on external labour and other non-wage expenses like travel, hospitality and property.
- This measure builds on previous Budget measures reducing spending on external labour and non-wage expenses, bringing the total savings from reducing external labour and non-wage costs to \$14.8 billion since 2022-23.

Home Affairs - additional resourcing

- The Government will provide \$303.0 million over four years from 2026-27 (and \$2.7 million per year ongoing) to support the delivery of priorities in the Home Affairs portfolio, including:
 - \$117.8 million in 2026-27 to continue implementing reforms to strengthen Australia's Anti-Money Laundering and Counter-Terrorism Financing Act 2006, to enhance detection and disruption of illicit financing
 - \$70.0 million in 2026-27 to continue to protect the Australian community from the threats posed by convicted high risk terrorist offenders
- The Government will also provide \$604.2 million over five years from 2025-26 (and \$8.1 million per year ongoing) in response to the antisemitic Bondi terrorist attack on 14 December 2025. This includes:
 - \$207.4 million over five years from 2025-26 (and \$8.1 million per year ongoing) to combat the influences of antisemitism, violent extremism and hate in Australian communities.
 - \$131.1 million over four years from 2025-26 for the Attorney-General's Department to establish the Royal Commission on Antisemitism and Social Cohesion.

Supporting Border Security

- The Government will provide \$88.6 million in 2026-27 to support Australia's border security, including \$55.8 million to address border and biosecurity threats from illegal foreign fishing activities in Australia's northern waters.



AUTHORED BY

Lachlan MacKinnon

The 2026-27 Budget contains several measures of relevance to pro bono and legal assistance funding. The largest allocations include \$793.7 million for Closing the Gap investments, \$308.6 million to ending gender-based violence, \$182.6 million to address systems abuse in the Child Support Scheme, and \$167.4 million to strengthen the integrity of the migration system (including \$74.2 million to increase the efficiency of merits and judicial review processes and establish a pre-filing duty lawyer pilot). Other relevant measures include continued funding for the National Strategy to Prevent and Respond to Child Sexual Abuse, and \$7.7 million to extend the Economic Pathways to Refugee Integration program.

Closing the gap further investments

- The Government will provide \$793.7 million over five years from 2025-26 (and \$176.1 million ongoing) to achieve better outcomes for First Nations people under the National Agreement on Closing the Gap.
- Funding includes:
 - \$299.0 million over five years from 2025-26 (and \$161.7 million per year ongoing) to create an additional 3,000 jobs under the Remote Jobs and Economic Development program, bringing the total number of jobs funded under the program to 6,000
 - \$144.1 million over two years from 2026-27 to continue to meet urgent infrastructure needs of the Aboriginal Community Controlled Health Services sector to deliver better health services to First Nations people
 - \$55.5 million over three years from 2026-27 for the Clontarf Foundation to extend its existing program for the 2027 and 2028 school years to support school engagement for at-risk First Nations young men
 - \$53.0 million over five years from 2025-26 to complete the construction of dialysis units and associated workforce accommodation under the Better Renal Services for First Nations Peoples Budget measure and to provide operational funding to support delivery of renal dialysis services at these sites
 - \$44.4 million over four years from 2025-26 to extend funding for the ten existing Birthing on Country services which provide First Nations-led maternal care
 - \$42.8 million over five years from 2025-26 (and \$9.3 million per year ongoing) to establish permanent, statutory arrangements for the National Commission for Aboriginal and Torres Strait Islander Children and Young People to support better outcomes for the safety and wellbeing of First Nations children and young people
 - \$32.7 million over three years from 2026-27 to expand the Store Efficiency and Resilience Package to support an additional 75 remote stores to improve storage and operational capacity
 - \$30.0 million over three years from 2026-27 to continue support for the Australian Indigenous Education Foundation to provide secondary school scholarships for high-achieving First Nations students for the 2027 and 2028 school years
 - \$27.4 million over four years from 2025-26 to expand the Low-Cost Essentials Subsidy Scheme enabling 225 remote stores across Australia to apply
 - \$23.8 million over two years from 2026-27 to extend the Indigenous Boarding Provider grants program for rural and remote First Nations students for the 2027 school year

- \$18.9 million over four years from 2026-27 (and \$5.1 million per year ongoing) to help 13YARN manage growing call volumes, continue vital community and digital engagement and train and upskill crisis supporters to deliver text-based support to First Nations people
- \$6.3 million over three years from 2026-27 for a national First Nations housing peak body to represent the Aboriginal and Torres Strait Islander housing sector and support better housing outcomes for First Nations people and communities
- \$4.5 million in 2026-27 to support the Coalition of Peaks secretariat function and its ongoing work relating to the implementation of the National Agreement on Closing the Gap.
- The Government will support the commissioning of two First Nations youth mental health services in remote locations directly through the National Aboriginal Community Controlled Health Organisation.

Electoral participation

Indigenous Electoral Participation Program

- The Government will provide \$36.6 million over four years from 2026-27 (and \$7.9 million per year ongoing) to the Australian Electoral Commission to extend the Indigenous Electoral Participation program.

Ending gender-based violence

- The Government will provide \$308.6 million over five years from 2025-26 (and \$15.9 million per year ongoing) to further support women and children leaving violent relationships and strengthen the frontline family, domestic and sexual violence workforce.
- Funding includes:
 - \$218.3 million over five years from 2025-26 to support initial actions under the Our Ways - Strong Ways - Our Voices: National Aboriginal and Torres Strait Islander Plan to End Family, Domestic and Sexual Violence 2026-2036 to end violence against Aboriginal and Torres Strait Islander women and children
 - \$61.2 million over four years from 2026-27 (and \$15.9 million per year ongoing) to support the next phase of the 500 new frontline and community sector workers initiative
 - \$11.7 million over six months in 2026-27 to continue the Family Violence and Cross Examination of Parties Scheme to protect victims of family violence in family law proceedings
 - \$5.4 million in 2026-27 for the eSafety Commissioner to continue the Technology-Facilitated Abuse Support Service to assist frontline workers and victim-survivors to navigate and respond to tech-facilitated abuse.

Social services

Addressing Systems Abuse in the Child Support Scheme

- The Government will provide \$182.6 million over four years from 2026-27 (and \$19.6 million per year ongoing) to close loopholes enabling weaponisation, financial abuse, and non-compliance in the child support scheme to make it safer and more effective for children and parents.
- Funding includes:
 - \$78.6 million over four years from 2026-27 (and \$13.9 million per year ongoing) to provide stronger protections for parents in Private Collect arrangements, improve pathways from Private Collect into Agency Collect, remove requirements for open exchange of information, and give Services Australia greater ability to stop abuse and weaponisation
 - \$39.6 million over four years from 2026-27 (and a \$2.1 million per year save ongoing) to ensure more child support is paid in full and on time by expanding the use of employer withholding and enabling faster disbursements of payments to child support recipients through legislative and system changes
 - \$23.3 million over four years from 2026-27 (and \$4.6 million per year ongoing) to improve the awareness and understanding of options available to separated parents entering the child support scheme and its interactions with Family Tax Benefit

- \$22.0 million over four years from 2026-27 (and \$0.6 million per year ongoing) to improve the accuracy of child support assessments by strengthening tax lodgement enforcement, extending Single Touch Payroll data sharing arrangements, and improving Australia's international child support arrangements
- \$18.4 million over four years from 2026-27 (and \$2.6 million per year ongoing) to increase the use of Departure Prohibition Orders to recover child support debts from payer parents with large arrears.

Immigration

Strengthening the Integrity of the Migration System

- The Government will provide \$167.4 million over four years from 2026-27 to strengthen the integrity of Australia's migration system.
- Funding includes:
 - \$74.2 million over four years from 2026-27 to the Federal Court of Australia and the Federal Circuit and Family Court of Australia (FCFCOA) to address misuse of the protection visa system by increasing the efficiency of the merits and judicial review processes, and to establish a pre-filing pilot for a duty lawyer legal assistance service in the Sydney and Melbourne FCFCOA registries
 - \$46.4 million over four years from 2026-27 to strengthen systems capability across the migration system
 - \$27.0 million over two years from 2026-27 to continue information and education activities to improve migrant workers' awareness of workplace safeguards, protections and compliance measures related to migration law
 - \$19.8 million over four years from 2026-27 to the Department of Home Affairs for enhanced scrutiny of onshore and offshore student visa applications, ensuring the integrity of the international student visa system.

Child sexual abuse prevention

National Strategy to Prevent and Respond to Child Sexual Abuse - continuation

- The Government will provide \$12.1 million in 2026-27 to the Attorney-General's Department, National Indigenous Australians Agency, Australian Federal Police, Australian Communications and Media Authority, Australian Institute of Criminology, and the Treasury to continue initiatives to prevent, disrupt and combat child sexual abuse, and maintain support services for victims and survivors of child sexual abuse.

Economic pathways to refugee integration

Home Affairs - additional resourcing (relevant sub-measure)

- \$7.7 million in 2026-27 to extend the Economic Pathways to Refugee Integration program to boost refugee employment.

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