This month we unpack some of the most controversial proposals from the Federal Budget, including changes to negative gearing, the CGT discount and trust taxation. We examine key proposals and practical issues that can be considered now, even though some of the final details of the changes aren't yet available. We then turn to the business payments landscape, outlining the Reserve Bank's ban on card surcharges from 1 October 2026 and the practical actions businesses should take now. We explore the Government's plan to wind back the current FBT exemption for electric vehicles and how this will play out over the next few years. Finally, our SMSF year-end article highlights the critical compliance steps trustees should turn their minds to before 30 June, including valuations, contributions, pensions and documentation.

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Key 2026–27 Federal Budget tax reforms: What they mean for you

The 2026–27 Federal Budget, released on 12 May 2026, has received more attention than most budgets in recent years.

With proposed changes to negative gearing, the CGT discount and the taxation of trusts, this is a budget that has the potential to materially impact on property investors, business owners and families using discretionary trusts.

However, it is important to remember that the proposed changes are not yet law and we might yet see further developments with some of these key proposals. For example, even though legislation has been introduced into Parliament in relation to some of the measures, there is no guarantee that the Bills will be passed in their current form.

While don't yet have certainty on how this will all play out, we understand that the proposals are causing some confusion and concern and so we have set out below some comments on what we know so far.

Negative gearing – changes to apply from 1 July 2027

The Government is planning to tighten up negative gearing on established residential properties. For properties purchased after 7:30pm AEST on 12 May 2026:

- Rental losses can only be offset against rental income or capital gains from other residential properties.
- Any remaining losses must be carried forward and applied only against future residential rental income or residential property capital gains.

Grandfathering applies. If you already own an established property—or had exchanged contracts before Budget night—nothing changes in terms of negative gearing. You can continue to deduct losses against salary, business profits and other income sources until you sell the property.

The explanatory memorandum released with the legislation indicates that existing negative gearing rules will apply to properties that were acquired before Budget night, even if they weren't used as rental properties at that time. For example, if you own a property that is currently used as your private residence but you later move out and start using it to generate rental income then the Government is indicating that existing negative gearing rules can still be available. However, the position is more complex than this and there is a technical issue that could potentially change this outcome. As a result, please contact us to discuss this further if you are thinking about converting your private home into a rental property.

The new restrictions only apply to residential property, so losses relating to commercial property, shares and other asset classes should not be impacted. There are also carve-outs for commercial residential properties such as hotels, motels and boarding houses.

'New builds' remain fully eligible for current negative-gearing rules both before and after 1 July 2027, but final details of what will qualify as a 'new build' haven't been released yet. Additional carve-outs apply to build-to-rent projects and certain government-supported housing.

CGT discount - changes to apply from 1 July 2027

Individuals who hold an asset for more than 12 months often qualify for a 50% discount to

reduce the taxable gain made on sale of the asset. A similar outcome can arise when a trust makes a capital gain and this is distributed to an individual beneficiary.

However, from 1 July 2027 the CGT discount will be replaced for individuals and trusts with:

- Cost base indexation (inflation adjustment), and
- A 30% minimum tax on capital gains.

This change will apply across all CGT asset categories—including residential and commercial property, shares, business assets and even pre-CGT assets.

Importantly, gains that accrue up to 1 July 2027 will still receive the existing CGT discount or benefit from the existing exemption for pre-CGT assets. It will be necessary to determine the market value of assets at that date so that CGT calculations can be performed.

For new residential properties, investors can choose either the existing CGT discount or the new indexation / minimum tax method.

Companies won't have access to indexation and complying super funds will continue to enjoy the benefit of the existing 1/3 CGT discount. Indexation won't be available to individuals who have been classified as a foreign resident or temporary resident for tax purposes during the ownership period of the asset.

Example

Michael owns an investment property purchased before Budget night that is currently negatively geared. He can continue offsetting rental losses against his salary. When he sells:

- The portion of the gain attributable to ownership before 1 July 2027 receives the 50% CGT discount.
- The portion accruing after that date is subject to indexation plus the 30% minimum tax.

Michael's overall tax outcome will depend on his marginal rate and how long he holds the property, but in a situation like this we would typically expect Michael to pay more tax overall as a result of these changes compared with the current rules.

Practical issues

While it isn't time to panic, a review of your investment portfolio is essential.

Existing assets bought before Budget night will typically receive more favourable tax treatment compared with newer assets, but the overall impact of the proposed changes will vary depending on your situation.

Discretionary trusts – changes to apply from 1 July 2028

The introduction of a 30% minimum tax rate on the taxable income of discretionary trusts would represent a fundamental change to the way the tax system operates at the moment.

The Government is indicating that the 30% tax would initially be paid by the trustee, with beneficiaries (other than companies) receiving a non-refundable tax credit for the tax paid at the trust level.

This measure is aimed at curbing income splitting to lower-taxed family members and corporate beneficiaries (often known as bucket companies).

Some exemptions would apply, including for fixed and widely held trusts, superannuation funds, special disability trusts, deceased estates, charitable trusts, primary production income and some other specific trust types.

While the Government has indicated that existing discretionary testamentary trusts would be exempt from these changes, concerns have been raised about the application of the changes to testamentary trusts that come into existence after Budget night. However, reports in the media suggest that the Government is open

to reconsidering this aspect of the changes, but we will have to wait and see how this plays out.

To assist with transitions, three years of roll-over relief will be available for restructures into companies or fixed trusts.

Example (adapted from budget materials)

Kurt operates his business through a discretionary trust and makes a profit of $300,000. Kurt pays himself a salary of $100,000 and distributes the remaining $200,000 to four family members who have no other income. In total, Kurt and his family members pay around $42,000 in tax on this income.

If the 30% minimum tax rate rules are introduced then Kurt and his family members would pay around $86,000 in tax on this income. This is a significant increase in the total amount of tax paid on the same level of profit.

In situations like this there might be scope to restructure the business into a company to potentially access a lower 25% tax rate or pay salary / wages to some family members who are genuinely working in the business.

Practical issues

Many business and investment structures will face higher effective tax rates under the proposed changes, although the Government is planning to undertake a consultation process to refine the rules. It is possible that the final version of the rules will look a bit different to the proposals announced in the Budget.

While the start date for this measure isn't until 1 July 2028, now is the time to start modelling scenarios and comparing the pros and cons of other options. In some cases the overall impact of the changes might be minimal and no material changes will be required. In some cases it might still make sense to continue utilising discretionary trust structures, but with some alternative distribution strategies in place. In other cases it will make sense to explore whether a restructure might provide better long-term outcomes.

Other measures worth noting

- $250 Working Australians Tax Offset (from 2027–28) – increases the effective tax-free threshold for wage earners and sole traders.
- $1,000 standard deduction for work-related expenses (from 2026–27) – simplifies tax time for many employees.
- Small business measures – a permanent $20,000 instant asset write-off for plant and equipment.

What to do next

The proposed reforms are significant, but the practical impact will depend on your situation.

While we are still waiting to see how this all plays out, if you have concerns in the meantime feel free to contact us. We can review your situation, run tailored projections and help you make informed decisions. We will also keep you up to date as further details emerge and legislation progresses.

Ending card surcharges: What you need to know before 1 October 2026

The Reserve Bank of Australia (RBA) has confirmed that all surcharges on credit and debit card payments — across eftpos, Mastercard and Visa — will be banned from 1 October 2026.

This represents one of the most significant updates to Australia's payments landscape in

years and will have a direct impact on businesses and consumers.

Why this matters

Australians pay an estimated $1.6 billion in card surcharges every year. At the same time, businesses collectively bear even higher card-acceptance costs behind the scenes. Under the new rules, total merchant payment costs are expected to fall by around $910 million per year, with small businesses likely to see the largest percentage savings.

For many businesses this will mean simpler pricing, fewer compliance headaches and potentially better margins — but it also means some preparation is needed.

What's changing?

The RBA's reform package has three key components:

1. Surcharges banned

From 1 October 2026, businesses cannot add any surcharge — percentage or flat fee — for payments made using eftpos, Mastercard, Visa or related networks. Customers must see and pay one final price, whether they purchase online, at the counter, or via mobile payment.

2. Lower interchange fees

Interchange fees (the wholesale fees charged between banks when a customer pays by card) will be reduced, with new caps for foreign-issued cards. This should directly lower the cost that a business needs to pay to accept card payments.

3. Greater transparency

Banks, card schemes and payment providers must publish clearer information about fees and margins.

They must also demonstrate how reductions in wholesale fees are being passed through to retailers. This gives businesses more power to compare providers and negotiate.

These changes are supported by oversight from the Australian Competition and Consumer Commission (ACCC) and guidance from the Australian Small Business and Family Enterprise Ombudsman.

What your business should do now

1. Review your merchant fees

Look at your recent statements and determine:

- How much you currently pay in card-acceptance fees; and
- Whether you have been relying on surcharges to offset part of those costs.

If surcharges are part of your pricing strategy, you may need to adjust prices to maintain margins, where commercially appropriate.

2. Speak to your payment provider

With lower interchange fees coming and more transparency required, it's a good time to negotiate:

- Better merchant service fees
- Updated pricing plans
- POS or terminal upgrades

Small businesses often pay closer to the current fee caps, so they stand to gain the most.

3. Update your pricing and POS systems

You'll need to remove:

- Surcharge signage
- Online checkout surcharges
- Automatic percentage add-ons

All displayed prices must become all-inclusive.

4. Build changes into your cash flow

Lower merchant fees won't appear immediately, but most businesses should see reduced costs flow through during the 2026–27 financial year. This is a good time to revisit budgets, especially for cafés, retailers, trades and service-based

operators that have a high proportion of small card transactions.

5. Watch customer behaviour

Businesses might find that the removal of surcharges encourages more customers to pay by card. Higher card usage is often positive for convenience and transaction speed, but keep an eye on total acceptance costs as patterns shift.

The broader commercial picture

This reform levels the playing field to some extent.

Businesses that never applied surcharges will simply benefit from lower underlying fees. Those that did add a surcharge will enjoy simpler operations, less admin and fewer compliance risks. Over time, the changes should encourage more competition among payment providers, potentially leading to better products and lower fees across the market.

There may be secondary adjustments (for example, banks reviewing rewards programs), but the combined effort of the RBA and ACCC aims to ensure that cost savings are passed through fairly and transparently.

Final thoughts

This is ultimately a practical reform: fewer add-ons at the checkout, simpler pricing for customers, and lower complexity for businesses. Some businesses will see this as an opportunity to improve margins, streamline processes and enhance the customer experience.

We recommend reviewing your payment arrangements in the coming months. Our team can help analyse your current merchant fees, model the likely impact of the changes, and support negotiations with providers.

If you'd like tailored advice on how the end of card surcharges affects your business, please reach out — now is the ideal time to prepare.

Government to wind back electric vehicle FBT exemption in three stages

The Government has announced a staged wind-back of the current Fringe Benefits Tax (FBT) exemption for electric vehicles (EVs), following recommendations from the Statutory Review of the Electric Car Discount released in May 2026. While the policy continues to support EV uptake, it also aims to make concessions more sustainable and better targeted. The changes are expected to save the Budget an estimated $1.7 billion over five years from 2025–26.

Importantly, nothing changes immediately—the existing full FBT exemption for qualifying EVs continues until 31 March 2027.

Three-phase transition

Phase 1 — Now until 31 March 2027

The current rules remain fully in place.

Eligible EVs below the Luxury Car Tax (LCT) threshold (approximately $91,387 for fuel-efficient vehicles in 2025–26) continue to enjoy a complete FBT exemption.

For businesses and employees using novated leases or salary packaging, there is no change during this period.

Phase 2 — 1 April 2027 to 31 March 2029

The concession begins to narrow, with a focus on more affordable vehicles:

EVs costing $75,000 or less: Full FBT exemption continues if the eligibility conditions are met.

EVs priced above $75,000 and below the LCT threshold: A 25% FBT discount applies when calculating the FBT liability.

This phase is intended to encourage manufacturers to continue supplying competitively priced EVs into the Australian market, complementing the Government's New Vehicle Efficiency Standards.

Phase 3 — From 1 April 2029

All eligible EVs under the LCT threshold will receive a flat 25% FBT discount, regardless of price.

The import tariff exemption for qualifying EVs remains permanently in place.

Grandfathering of existing leases

The Government has indicated that existing arrangements will be protected: current leases will not be affected by the new rules.

Draft legislation will clarify the precise scope of this grandfathering, but businesses and employees can take some comfort that current packages will continue to qualify for existing FBT concessions.

What this means for your business and your employees

The FBT exemption has been one of the most effective incentives driving EV adoption, particularly via novated leasing, allowing employees to access EVs using pre-tax income.

The Review found that the exemption:

- Led to around 64,000 additional battery EVs in its first three years
- Reduced emissions and improved fuel savings
- Increased EV uptake across metropolitan, regional and outer-suburban areas

However, it also highlighted equity concerns (higher-income employees benefited disproportionately) and noted that costs to the Budget were growing quickly. The new phased approach aims to balance continued access to lower-cost EVs with long-term fiscal sustainability from the Government's perspective.

Practical considerations for businesses and individuals

- Consider acting before 31 March 2027: Anyone thinking about packaging an EV may benefit from entering arrangements while the full exemption still applies. Timing of orders and leases will be particularly important.
- Review fleet and salary packaging models: From 2027 onwards, the value proposition will shift. EVs at or below $75,000 will remain highly attractive under the full exemption in Phase 2.
- Commercial fleets: Businesses with high work-use vehicles may see limited impact, but reviewing total cost of ownership (including FBT, running costs and charging infrastructure) remains essential.
- Second-hand EVs: A growing used-EV market may provide cost-effective alternatives, particularly where new-vehicle thresholds become restrictive.

EV momentum remains strong. EV/PHEV sales reached 22.9% of new vehicles in March 2026, up from just 1.8% in May 2022, with an increasing number of models now available in the $30,000–$40,000 range.

Next steps

These reforms maintain support for cleaner transport while tightening the focus of concessions. As always, the fine print in the amending legislation will matter, especially when it comes to transitional rules.

If you are considering acquiring an EV—personally or for your business—or want to

understand the impact on salary packaging and fleet costs, our team can model the outcomes and advise on the optimal timing. Please let us know if you would like some assistance with working through your options.

SMSF year end reminder — what to check before 30 June

The end of the financial year is fast approaching. For SMSF members and trustees, a few timely checks now can avoid headaches later and help preserve valuable tax and contribution opportunities. Below is a checklist of the things members and trustees should consider before 30 June.

Contributions — timing matters

- Get contributions into the fund by 30 June: For both tax deductibility and contribution cap purposes, cash and electronic transfers generally need to be received by the SMSF's bank account on or before 30 June.

  When transferring amounts between different banks allow extra days for bank processing times.

- Personal deductible contributions: If you want to claim a tax deduction for a personal contribution, you must notify the fund and receive the fund's acknowledgement by the required deadline (usually before the earlier of lodging the tax return or 30 June the following year).

- If you're looking to start a pension early in the new year, you'll need to get your notice of intent to claim a deduction processed even earlier (ie, before you start the pension). Otherwise, you may miss out on the opportunity to claim a deduction for the contribution made.

Contribution strategies you might use

- Carry forward concessional amounts: Eligible members with lower total super balances (less than $500,000) at 30 June in the prior year may be able to use unused concessional caps from previous years to make larger deductible contributions this year.

  This may be useful if you have a larger capital gain in your personal name for the 2025/26 financial year.

- SMSF-only 28-day allocation rule: SMSFs can temporarily hold a June contribution in an unallocated reserve and allocate it to a member in July so it counts for the following year's caps — but this must be done correctly, documented in minutes and the fund's deed must allow it.

  Commonly referred to as a contribution reserving strategy. Again, this may allow members to take advantage of claiming a larger tax deduction this year.

Post-tax personal contributions and limits

- Non-concessional contributions and bring-forward: Whether a member can use the bring-forward rule depends on their total super balance on the prior 30 June.

  Opportunities may be available for some members to make contributions this year, including bringing forward and

taking advantage of future year contribution amounts.

- Spouse contributions and government co-contribution: Contributions made by a member for their spouse can attract a tax offset in some circumstances; low-income members may qualify for a government co-contribution if they make post-tax contributions and meet the income test.

Increase in contribution caps

Current year (2025/26) contribution caps are:

- Concessional contributions: $30,000.
- Non-concessional contributions: $120,000.

These caps will increase from 1 July 2026 to:

- Concessional contributions: $32,500.
- Non-concessional contributions: $130,000

Pensions and the transfer balance cap

- Minimum pension payments: If your fund is paying account-based pensions, make sure the minimum pension for each member has been paid by no later than 30 June 2026. Failing to pay the annual minimum pension for the financial year can create administrative complications and loss of tax concessions.
- Other types of pensions will also have minimum or set amounts that must be paid. Certain pensions also have maximum limits that should not be exceeded, as this will also have adverse outcomes.
- Transfer balance cap timing: Indexation to the general transfer balance cap will apply from 1 July 2026. Members thinking of starting a pension around the end of the 2025-26 financial year should consider timing carefully, as commencing before or after 1 July 2026 can affect how much can be moved into a tax-free retirement pension.
- Current year (2025/26) general transfer balance cap is: $2.0 million. This is set to increase to $2.1 million from 1 July 2026.
- Not everyone will have access to the general transfer balance cap, and an individual's personal transfer balance cap may be lower than this.

Records, valuations and audit readiness

- Market valuations: Ensure all assets are valued at market on 30 June (or as close to as possible) and supporting evidence is retained — especially for property, related-party assets and unlisted holdings.
- Related-party arrangements: Confirm leases, rents and services with related parties are documented and commercially reasonable.
- Pension paperwork and minutes: Check that pension commencements, commutations and lump sums are supported by correctly signed documents and trustee minutes.

If you have any questions in relation to any of the above, please contact us to discuss further.