

Federal Budget 2026-27

13 May 2026

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Overview

- The Budget pitch
- Economic outlook
- Budget outlook
- Savings measures
- Tax reform
- What's in it for Super
- Other significant measures
- Q & A



The Budget Pitch

Key themes

- Tax reform.
- Housing affordability: intergenerational inequality.
- Short-term cost-of-living relief with long-term fiscal repair.

Why this budget will spark a boom in home renovations

Investors will likely respond to the changes in two key ways: relentlessly upgrade the family home and buy property through superannuation.

AFR, 13 May 2026



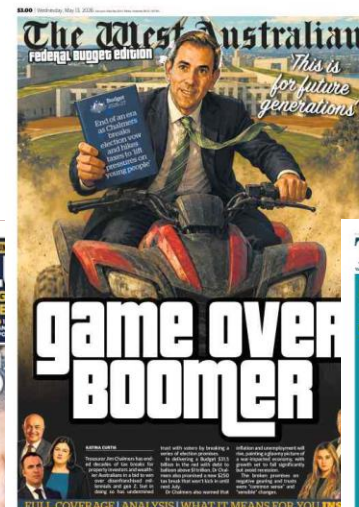
Budget tax hits on investors have made superannuation a winner

News Corp, 13 May 2026



Political fight brewing over budget tax reform as Coalition vows to fight Labor's changes

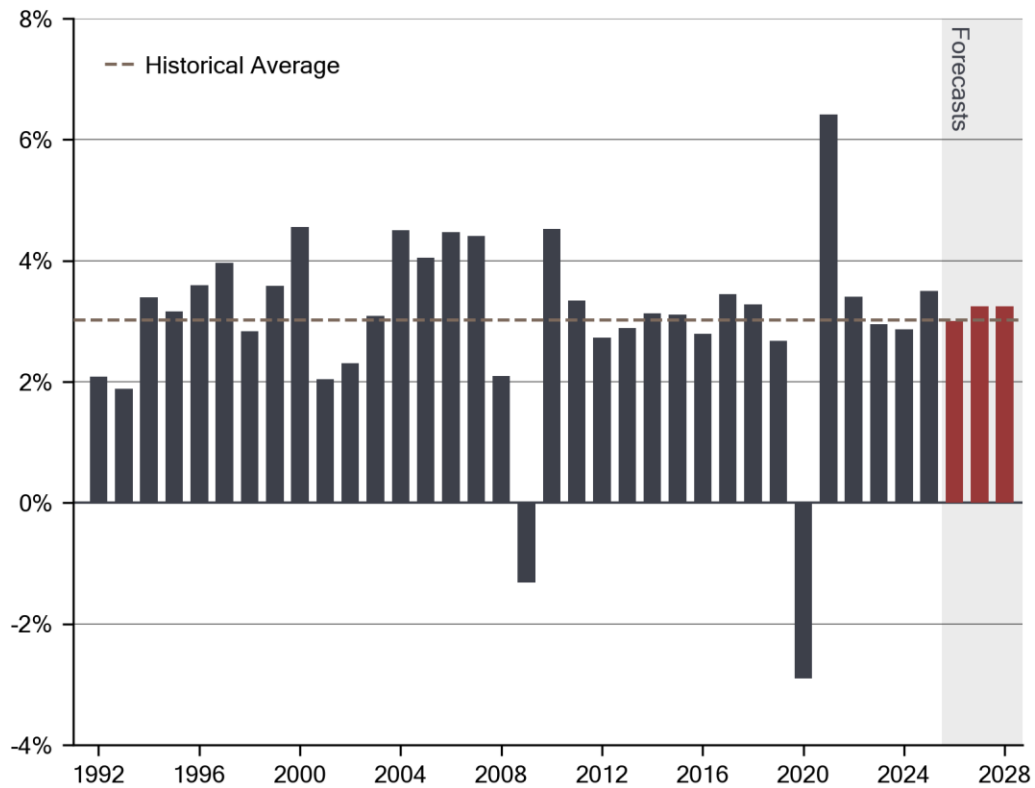
ABC, 13 May 2026



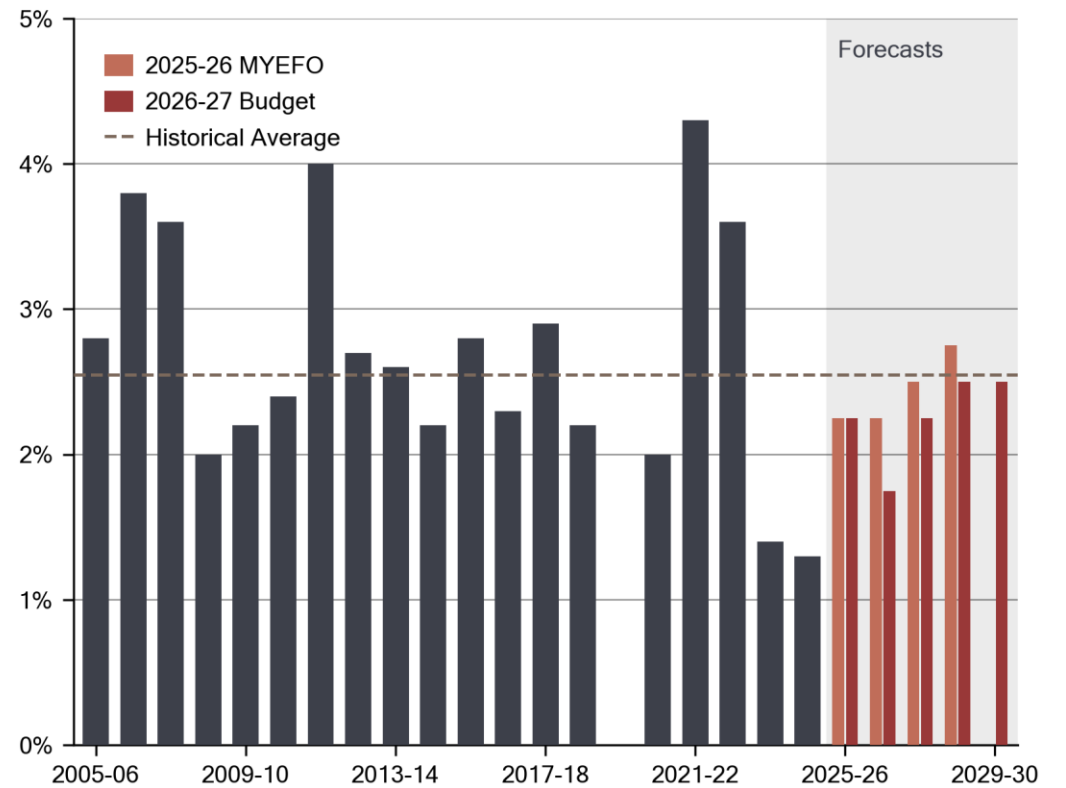
Economic Outlook - Growth



Global economic growth remains under pressure



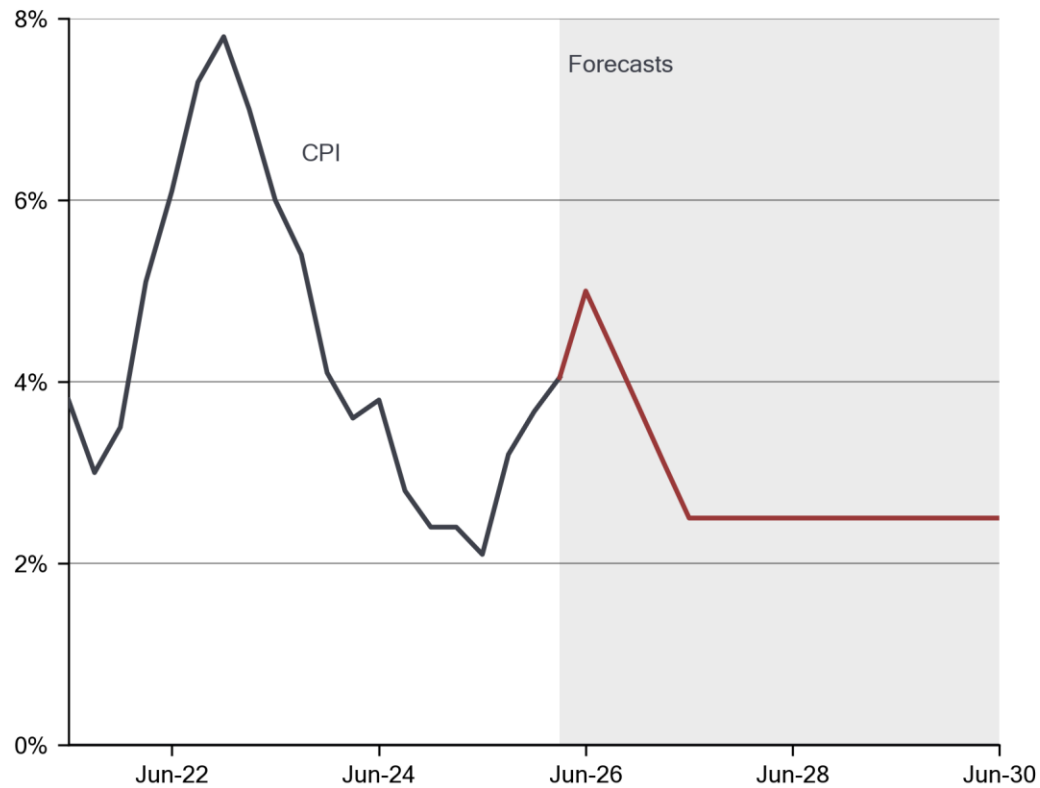
Domestic GDP growth downgraded from 2025-26 MYEFO



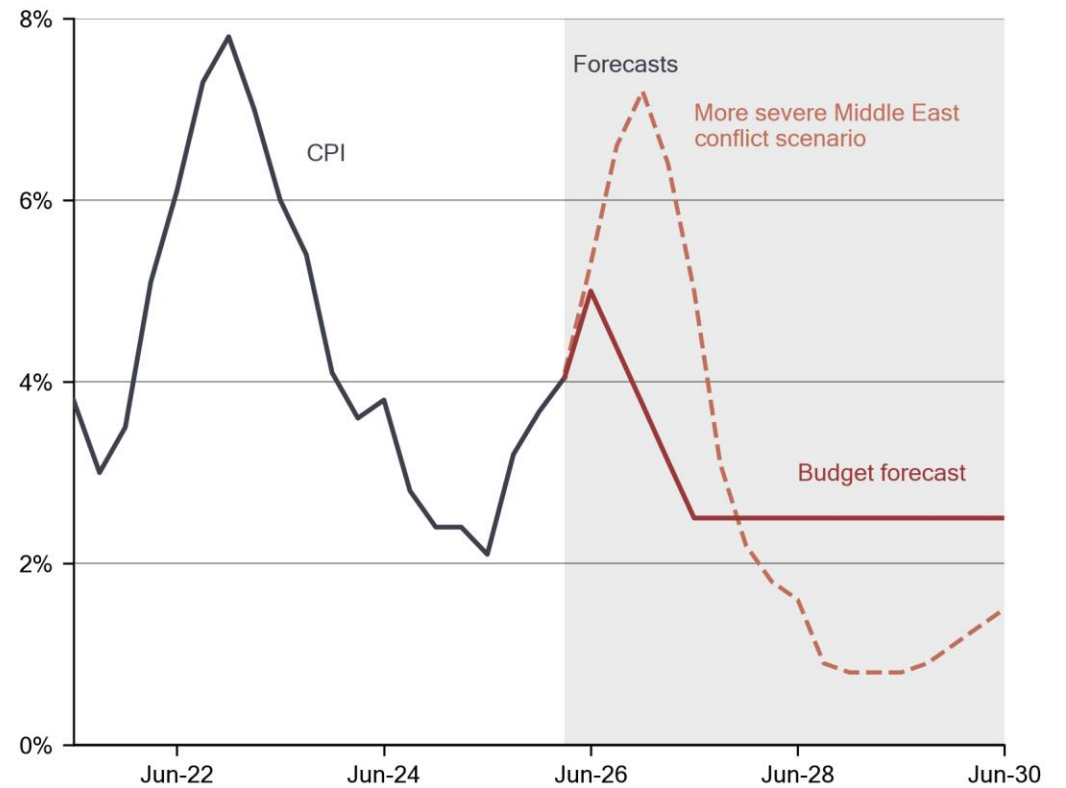
Economic Outlook - Inflation



Central scenario for inflation seems quite optimistic



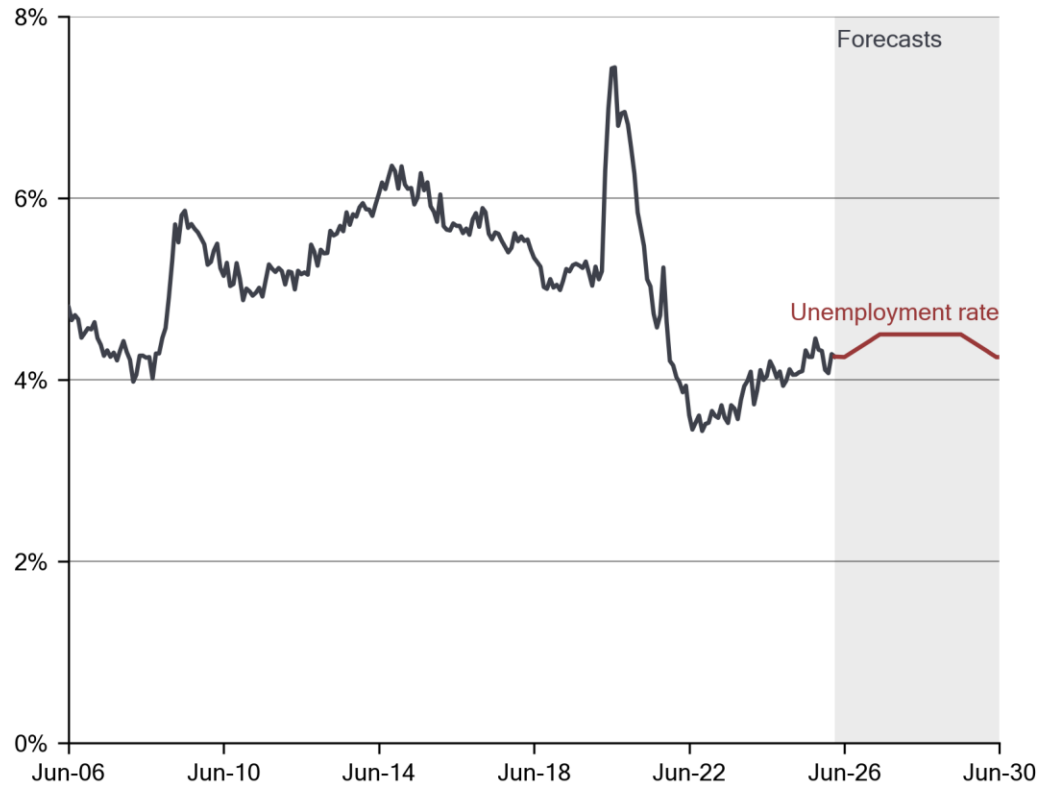
... Other scenarios more severe



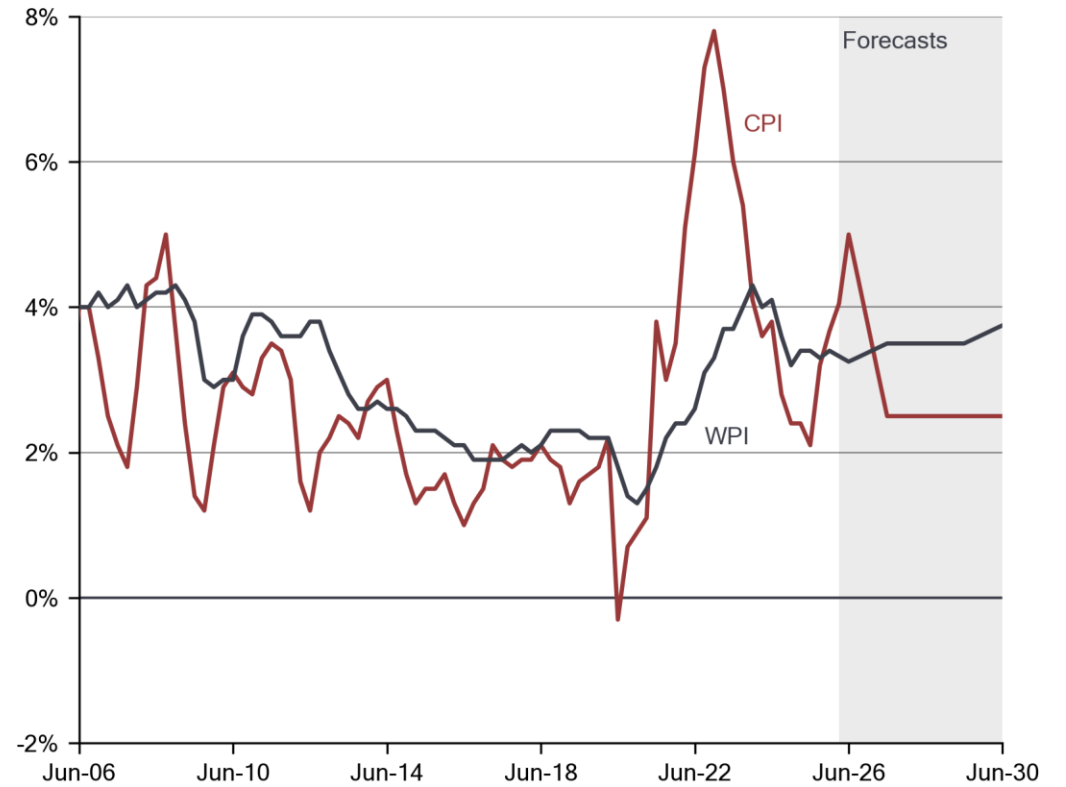
Economic Outlook - Unemployment & Wages



Unemployment rate forecast to remain low



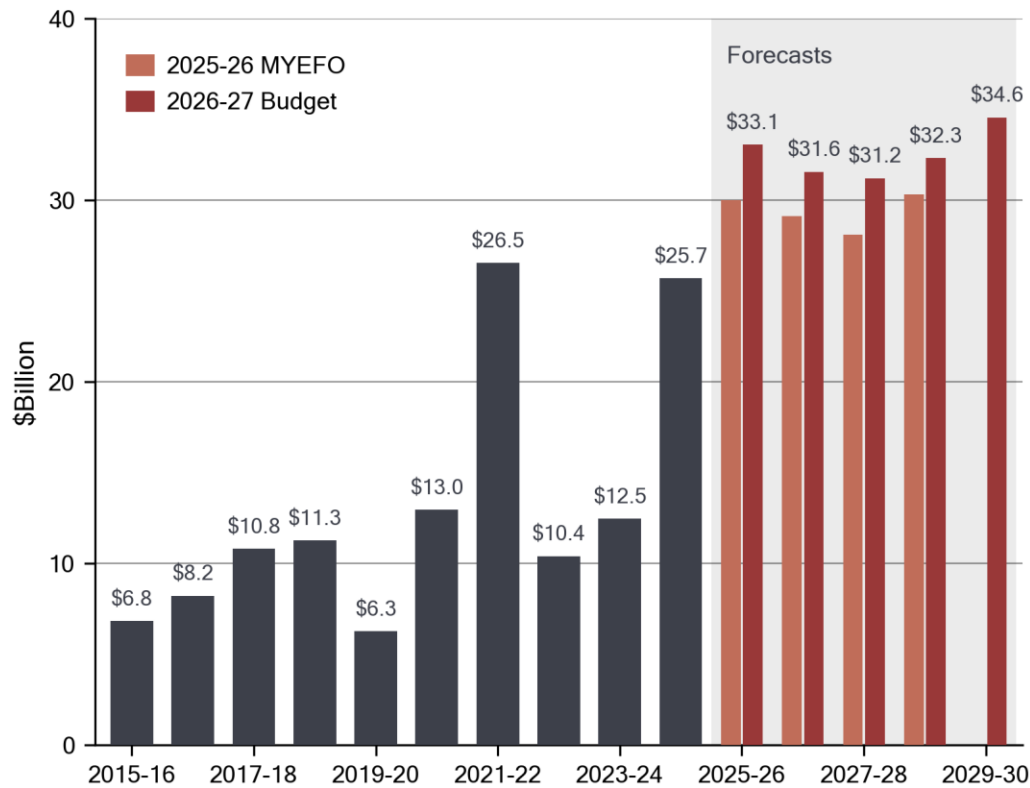
... and resilient wages growth will support contributions



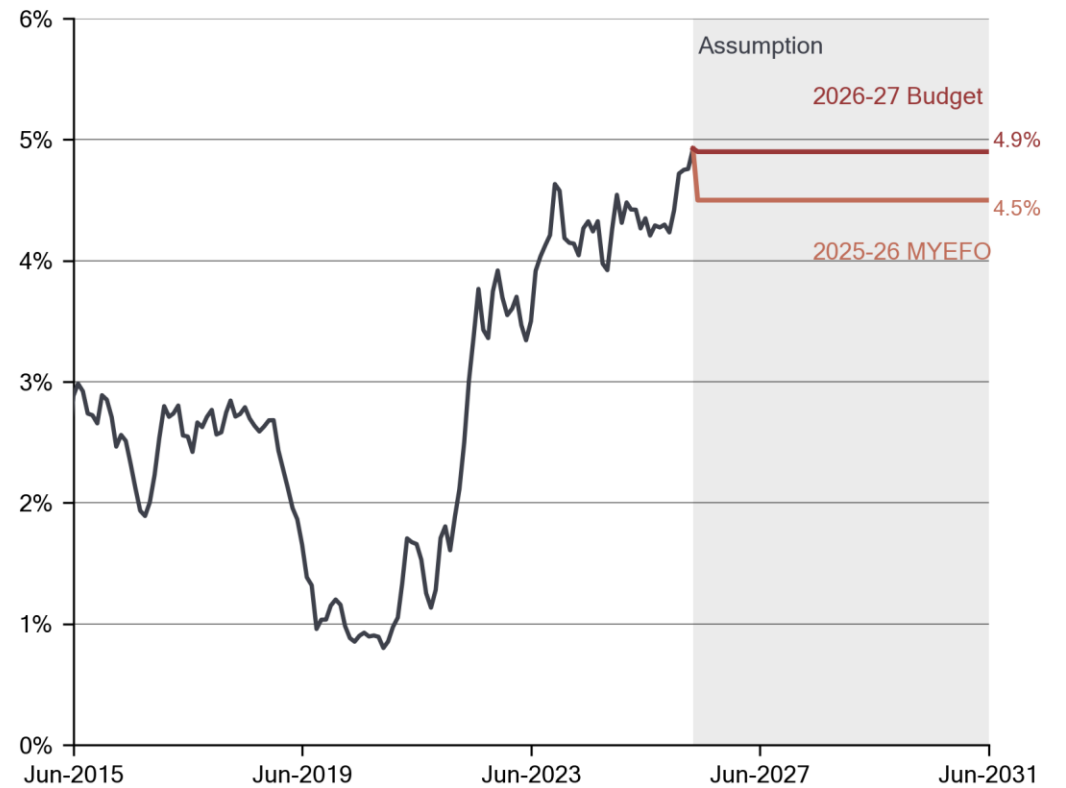
Economic Outlook - Investment



\$13.8b extra in super tax revenue over the forwards



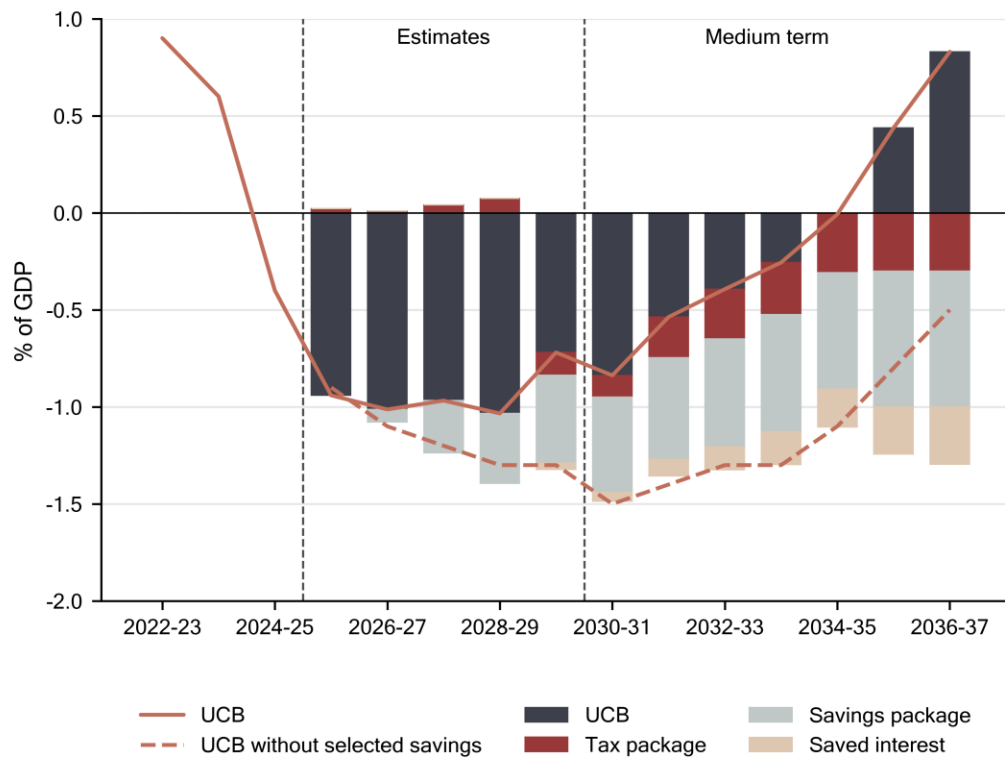
Upward revision in Government bond yields



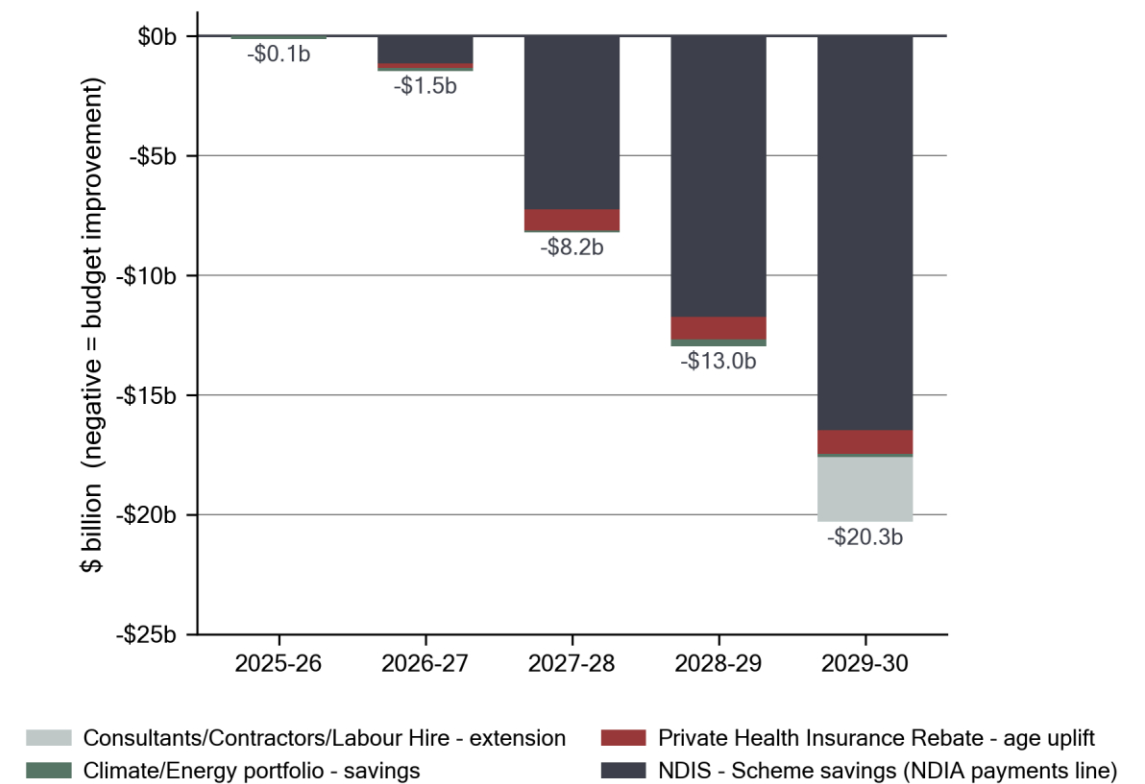
Budget Outlook - Savings measures



Structural improvements to the Budget



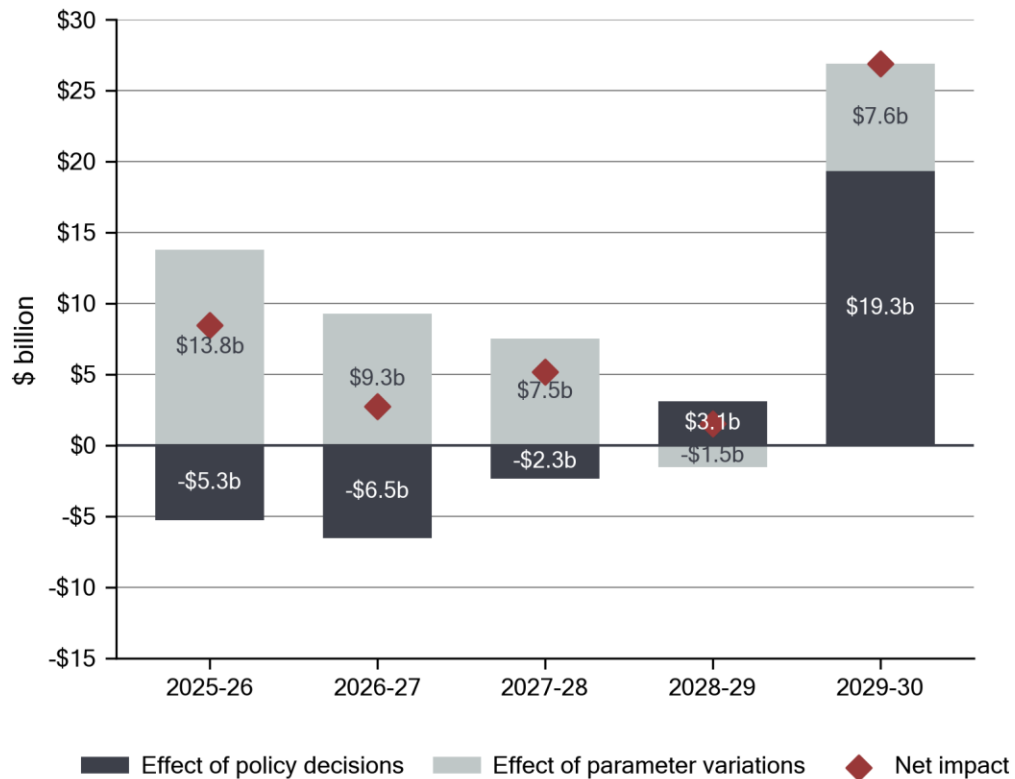
Decomposition of key savings measures by year



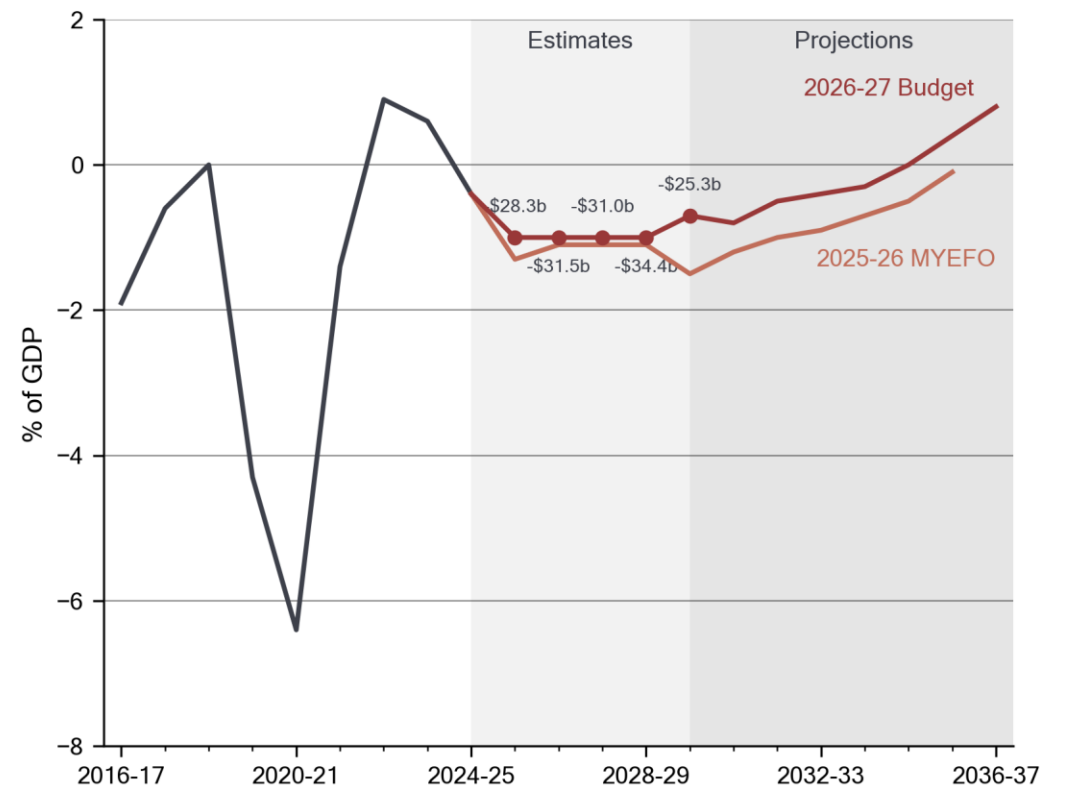
Budget Outlook - policy decisions vs parameter variations



Net policy decisions and parameter variations improve cash balance by \$45b



Underlying cash balance expected to return to balance in 2034-35



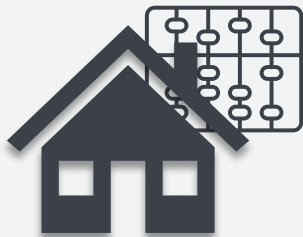
Tax reform



Negative gearing & CGT reform

From 1 July 2027

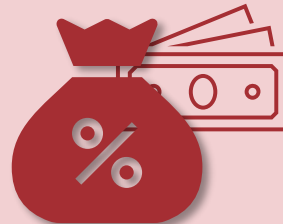
- 50% CGT discount replaced with cost base indexation + 30% minimum tax on real gains
- Negative gearing limited to new builds for residential property
- **Super funds retain existing 1/3 CGT discount**
- Widely held trusts (most MITs) also excluded
- **Integrity gap to watch: SMSFs and LRBAs**



Minimum tax on discretionary trusts

From 1 July 2028

- 30% minimum tax on discretionary trust income
- Complying super funds excluded
- Top 10% of households hold over 90% of private trust wealth. Over 95% of Australians don't receive trust income.
- Raises \$4.5bn – helps fund tax cuts for workers



Personal income tax relief

From 1 July 2026 and 2027

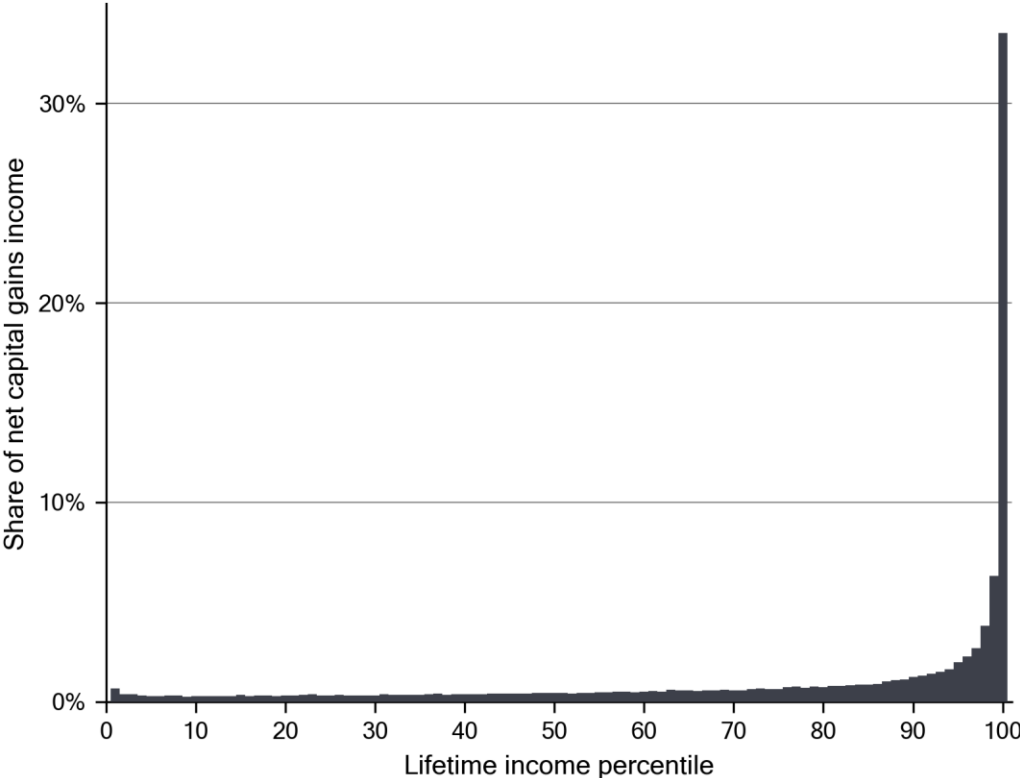
- New \$250 WATO from 2027-28 – benefits 13m workers, 6.3m women
- \$1,000 instant tax deduction for work-related expenses from 2026-27
- Legislated rate cuts: 16% → 15% → 14% for \$18,201-\$45,000 bracket
- **Total benefit up to \$2,816/yr from 2027-28**



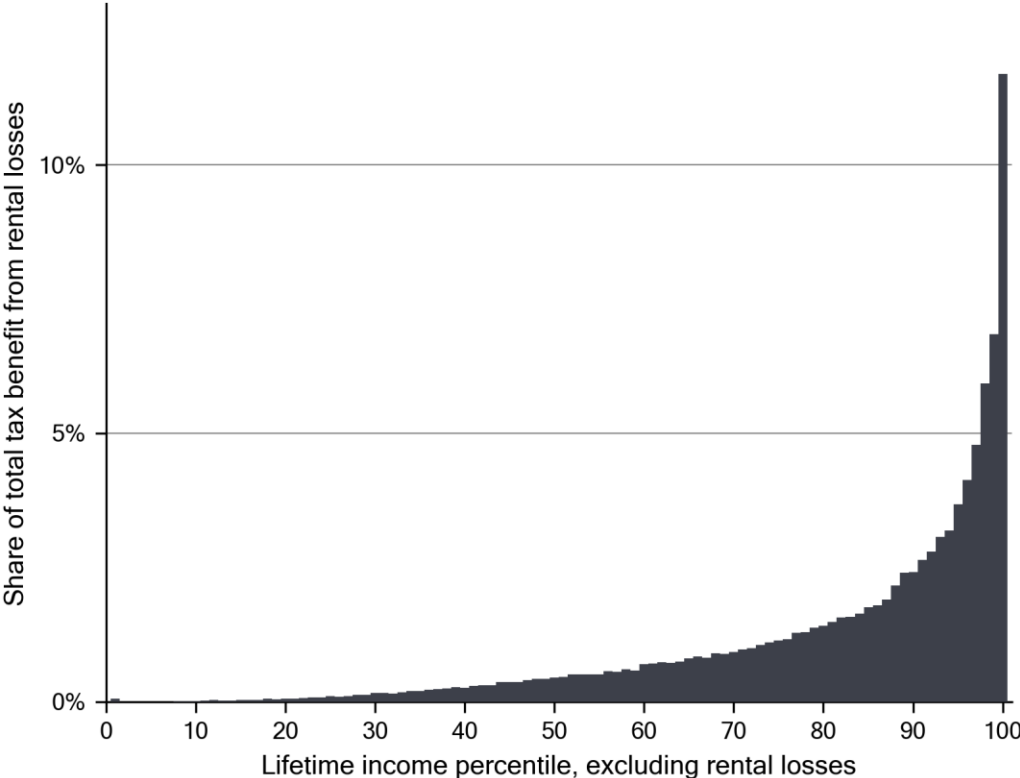
Tax reform - Distributional considerations



Capital gains typically flow to those with high lifetime income



Negative gearing tax benefits typically flow to those with higher incomes



What's in it for Super?



Consumer safety package

\$17.8m over four years

- **ASIC oversight of Managed Investment Schemes strengthened** (\$10.3m to ASIC), partially offset by cost recovery
- Direct response to **Shield** and **First Guardian** collapses
- Strengthens governance, supervision and enforcement of MIS



Performance test under review

Consultation closes 19 June 2026

- Four reform options on the table:
 - Benchmark settings
 - Risk-adjusted return assessment
 - Routine benchmark review
 - Extending coverage to platforms
- **SMC's view:** Platform extension is essential – millions of consumers without visibility of performance

Payday super on track

But ATO targets are missing

- **1 July start date confirmed** No further policy changes
- **ATO has not yet set performance targets for unpaid super recovery.**
 - Will only do so when it has "sufficient data"
- **\$5.7bn in unpaid super affects 3.3 million workers** every year
- Government must set the ATO bold, public recovery targets

A better operating environment

Quiet wins for funds

- **Venture Capital tax incentives expanded** (from 1 July 2027)
 - VCLP and ESVCLP caps lifted; supports later-stage investment in biotech, clean energy, AI.
- **Red tape relief**
 - ASIC disclosure simplification, aligned private debt portfolio holdings disclosure, 7 APRA super reporting standards revoked, 'tell us once' data reporting confirmed.