



# client alert

## tax news | views | clues

### Budget offers personal tax relief but super largely untouched

The 2026–2027 Federal Budget's headline personal tax measures will reshape financial planning strategies from 2027. A new \$250 working Australians tax offset (WATO) will apply from 1 July 2027, effectively increasing the tax-free threshold for work income to \$19,985. Combined with the previously announced \$1,000 standard deduction for work-related expenses, workers could see substantial tax savings. The government confirmed existing modest tax rate reductions will proceed, with the 16% rate dropping to 15% in 2026–2027 and 14% in 2027–2028 for income between \$18,201 and \$45,000.

From 1 July 2027, the 50% capital gains tax discount will be replaced with inflation-adjusted indexation, accompanied by a minimum 30% tax rate on realised gains. This affects all assets held by individuals, trusts and partnerships for more than 12 months, including pre-1985 assets. The changes include transitional arrangements so only gains arising after 1 July 2027 face the new rules.

Complying super funds, including SMSFs, will continue receiving their existing one-third capital gains tax discount, so super funds will maintain their 10% effective tax rate on capital gains for assets held longer than 12 months. This makes superannuation even more attractive relative to personal investments, particularly given the new minimum 30% tax rate applying outside super.

From 1 July 2028, discretionary trusts will face a minimum 30% tax rate on taxable income. Beneficiaries will receive non-refundable credits for tax paid by trustees, but this could result in higher effective tax rates for lower-income beneficiaries who would normally pay less than 30%. The government will provide expanded rollover relief for three years from 1 July 2027.

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

### Business tax relief package for immediate support

The Federal Budget announcements include a comprehensive business tax relief package designed to support companies and encourage investment and innovation.

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

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

From 1 July 2028, discretionary trusts will face a minimum 30% tax rate on taxable income. Beneficiaries will receive non-refundable credits for tax paid by trustees, but this could result in higher effective tax rates for lower-income beneficiaries who would normally pay less than 30%. The government will provide expanded rollover relief for three years from 1 July 2027 to help restructure discretionary trusts into companies or fixed trusts.

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

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

The Research and Development Tax Incentive faces major reforms from 1 July 2028. Core research and development offset rates will increase by

4.5 percentage points, while the intensity threshold drops from 2% to 1.5%.

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

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

---

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

With the 2026–2027 Federal Budget announcing a new \$1,000 standard work-related expenses deduction and a \$250 working Australians tax offset (WATO) for future financial years, you might be wondering about the difference between these two types of tax benefits. Both deductions and offsets can reduce how much tax you pay, but they work in quite different ways. Tax deductions reduce your taxable income before your tax is calculated. Common deductions you might already claim include:

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

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

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

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

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

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

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

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

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

## Planning ahead

While the newly announced measures won't apply to 2025–2026 tax returns, it's worth reviewing your current deductions and offsets. Are you claiming all the deductions you're entitled to? Are you receiving all available offsets? The ATO automatically calculates some offsets like LITO when you lodge, but others need to be claimed in the offsets section of your tax return.

---

## Navigating financial advice in the social media age

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

Research shows 63% of Gen Z Australians use social media for financial information, with over half expressing trust in content from financial influencers. In April, ASIC issued warning notices to four social media influencers suspected of providing unlicensed financial advice, including making claims about guaranteed returns.

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

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

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

**Important:** Clients should not act solely on the basis of the material contained in Client Alert. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. Client Alert is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without our prior approval.

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

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

Social media algorithms prioritise content engagement over accuracy. Content designed to generate views, comments and active sharing may not represent balanced or comprehensive financial guidance. Sensational claims often perform better algorithmically than measured, educational content, so the financial content you see may be skewed toward attention-grabbing rather than genuinely helpful information.

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

Before acting on financial guidance from any source, verify the person's qualifications and licensing status using ASIC's professional registers. Licensed professionals are subject to ongoing education requirements, professional standards and regulatory oversight. They have professional indemnity insurance and must operate within established complaint resolution frameworks.

---

## Why your super insurance might not cover what you expect

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

### **"Everyone gets cover automatically"**

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

### **"Default cover will be enough"**

Default cover is a starting point, not a tailored solution. Default cover may be lower than, or different from, cover available outside super; eligibility rules and exclusions can apply; and cover can stop if your account becomes inactive, your balance is too low, you change funds (unless arrangements are made to transfer or replace it) or you reach an age limit.

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

### **"My cover follows me when I switch funds"**

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

### **"If I stop contributing, nothing changes"**

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

### **"More accounts means more protection"**

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

### **"It's always the cheapest option"**

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

### **Where to from here?**

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

**Important:** Clients should not act solely on the basis of the material contained in Client Alert. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. Client Alert is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without our prior approval.