



WealthDesign FP

May Newsletter

Federal Budget released

Labor's 2026 - 2027 budget has been released to fanfare from some, and criticism from others. Treasurer Jim Chalmers says the budget will "Tip the scales, putting money back into the pocket of workers, and increase taxes on investors". With oncoming, and ongoing conflicts globally, perpetuated by the Trump administration, the future of the global economy is up in the air. This budget is meant to offset a lot of the domino effects that global conflicts have, from fuel, to groceries.

The pressure across the spectrum is being felt by workers, and young Australians, who feel the crunch of the cost-of-living crisis the most, and this budget is set to balance the economy in favour of every day, working Australians. Grab a bikkie and coffee! Here's what we know about the budget!

Winners

Working class Australians are center stage for this year's budget, as income earners are expected to receive a tax offset up to \$250.

Home buyers are expected to benefit from the changes to capital gains tax discounts, and negative gearing (More on that later). A sizeable \$2 Billion will be allocated over four years for councils and utilities for the development of **public infrastructure**. **Aged Care** will receive funding to acquire 5,000 additional residential beds. **Healthcare** will be allocated 16% of total expenses, with \$25 Billion going to public hospitals. **Small Businesses** will benefit from a new tax scheme that will allow them to reduce profits from two previous years due to losses.

Losers

Investors will be waving goodbye to a previous capital gains tax discount of 50%, and saying hello to paying a minimum 30% on tax gains. **Landlords** will no longer be able to take advantage of negative gearing. Claims against income tax can be made when the associated costs with the investment properties exceed the property's rental income, returning the strategy back to the days of its inception during the Lyons government. **Family Trusts** will need to pay a minimum 30% tax on discretionary trusts from July 2028, with beneficiaries needing to declare their trust income on tax returns. **Older Australians** will have a private health subsidy scrapped, which originally saved them up to \$255 a year.

Increase in Defence Spending

With ongoing conflicts perpetuated in Iran and the middle east by the Trump administration, an increase to defence spending has been allocated, with a whopping \$53 billion allocated towards defence over the next decade, with \$14 billion to be spent over the next four years. Including spending on the AUKUS submarine, missile systems, drone/counter-drone technologies. With no end in sight for the conflict, defence and aids to cost-of-living are expected to maintain a growth in its presence in ongoing budgets.

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Home Buyers

Ambitious changes to capital gains taxes and negative gearing means the market is expected shift 75,000 homes from the hands of investors into the ownership of first time home owners. Foreign investors will also be banned from purchasing existing homes effective immediately for two years (until July 2029). This ban does not effect their ability to buy into new homes for investments, but will rather protect existing homes to priorities first time home buyers.

\$105.9 million will be allocated to developing AI tools to help buyers navigate paperwork and proverbial red tape. This comes as a surprise as the controversial Robo-debt scandal is still being felt to this day.

\$2 billion will be allocated over four years to help build roads, sewage systems, pipes and other public infrastructure. An expected 65,000 homes will benefit from this , increasing the net amount of homes by 30,000

Changes to Family Trusts

Treasurer Jim Chalmers claimed “[We will] introduce a minimum 30% tax rate on capital gains from July next year and on discretionary trusts from July the year after. This is about better aligning the taxes paid on these types of income with the taxes paid on wages.”

This change is in an effort to flatten the tax differential paid by non-trust and trust families. Farmers who use family trusts will be exempt from these changes. Increased taxes on family trusts are expected to “level the playing field” for Australians who pay less taxes than those with trusts, with the leveler being the increase in taxes paid by family trusts. Beneficiaries are also obligated to declare trust income on their yearly tax returns. These changes are expected to be the first of many in order to lighten the load for working class Australians, with tax researcher Kristen Sobeck claiming “So what we really need the federal government to do in the future is to lighten the load on workers and look to reforming the GST. “

NDIS

As indicated by early leaks and researchers, big changes have been made to the NDIS. A missive halt to the growth rate of the NDIS has been implemented, cutting back from 10% to a more modest 5-6% in the long term .

These cuts are being made in an effort to ease the strain on NDIS, transitioning over 160,000 once eligible participants onto state-run programs by 2030.

The budget forecasts spending growth will drop below inflation to 2% a year. These changes come after the NDIS expected cost went from \$12.5 billion to \$50 Billion, which put a strain on the economy. With the extreme savings and cuts to NDIS, and transitioning eligible participants to state-run programs, the federal government is expected to save \$37.8 billion over the forward estimates, avoiding a \$13 billion blow-out.

Talk to us today – the right advice starts with a conversation