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Practice Update

June 2026

2026 Budget: The Big Changes

Editor: The Federal Government handed down the Federal Budget on 12 May 2026, with some of the biggest changes to the tax system in years.

Some of the main proposed changes include:

- Delivering a new **Working Australians Tax Offset** ('WATO') to provide a permanent annual $250 tax offset to all eligible Australian workers. This applies to eligible income earned from 1 July 2027 (i.e., from the 2027/28 income year).
- Introducing a **$1,000 instant tax deduction** to allow workers to deduct up to $1,000 of work-related expenses without keeping receipts from 1 July 2026.
- **Limiting negative gearing for residential property to new builds** from 2027/28. Arrangements will remain unchanged for all existing investments made before 7:30pm AEST on 12 May 2026.
- **Replacing the 50% CGT discount with inflation-adjusted indexation** from 1 July 2027 to *"restore the taxation of real gains"*, with a **minimum tax rate of 30% on realised gains**. This will apply to all assets (including pre-CGT assets) except new builds of residential properties (where taxpayers can choose either the old or the new CGT rules to apply). It will be prospective, with gains accrued on existing investments prior to the start date to retain the 50% discount (where eligible).
- Applying a **minimum 30% tax rate on discretionary trusts** from 2028/29 to *"bring tax outcomes for trusts closer to the rates that apply to the vast majority of Australian workers."*

Some of the other proposed Budget changes affecting businesses include:

- **Making the $20,000 instant asset write-off permanent** to *"give businesses more certainty to invest"*.
- **Delivering a permanent two-year loss carry back** for companies with turnover of up to $1 billion from 1 July 2026.
- **Introducing loss refundability for start-ups** from 1 July 2028, to help new businesses invest and grow in their first two years.

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Payday Super: How to manage super during the changeover

The ATO is providing information that employers need to know to manage the changeover from quarterly super to Payday Super from 1 July 2026 (i.e., when employers will begin paying super with each payday under the Payday Super changes).

During July 2026, employers may need to manage more than one super payment, including:

- the final quarterly super payment (i.e., the June quarter payment, due 28 July); and
- one or more Payday Super payments for July paydays.

If employers do not finalise their June quarter payments by 28 July 2026 (or earlier):

- they must lodge a super guarantee charge ('SGC') statement by 28 August and pay the SGC to the ATO for the June quarter;
- the late payment offset is not available; and
- any super payments received on or after 29 July will be applied under the new Payday Super rules, even if the employer intended these payments to be made for any super owed for the June quarter.

Also, from 1 July 2026, employers calculate, pay and report super guarantee for their employees (including eligible contractors) under the Payday Super rules. This includes ensuring the money is in their employees' super accounts generally within 7 business days after payday.

Note that superannuation for pay runs in July may be due **before** their final quarterly super payment is due on 28 July, but contributions received on or before 28 July will reduce any super owing for the June quarter **first**. If there is any remainder, contributions will then be used under Payday Super.

However, the ATO assures employers that pay on time for quarterly and Payday Super that they will not risk incurring penalties.

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ATO says: "Don't delay: act now to transition from the SBSCH"!

The Small Business Superannuation Clearing House ('SBSCH') will permanently close on 1 July 2026. Therefore, employers still using it have less than a month to transition to an alternative service provider, test their new arrangements and resolve any issues before Payday Super begins.

The ATO recommends that affected employers act now to:

- download all their SBSCH records (because, after 11:59pm AEST on 30 June, user access will be closed, and they won't be able to view or retrieve any records);
- stop using the SBSCH and test their new payment method; and
- be ready to use their alternative provider to pay super.

ATO warns of Tax Time misinformation and focus areas

The ATO is warning the community to be wary of incorrect or misleading information this Tax Time, particularly claims promising greater refunds, shortcuts or hacks.

The ATO is seeing a rise in tax-related content and 'tips' being shared — especially online — and is urging taxpayers to treat unverified advice with caution.

Australians should think twice before acting on information from third-party sources such as artificial intelligence ('AI') platforms, 'finfluencers', or advice from family or friends. Although the ATO acknowledges that AI can be helpful, it can lead to inaccurate advice: *"Your tax return isn't the place for guesswork."*

The ATO also revealed that, this Tax Time, it will be focusing on areas where taxpayers are likely to make errors, including **work-related deductions** and expenses (and properly **apportioning** such expenses), and **omitted income** (including from 'side-hustles', cash jobs, and rental income).

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New ATO guidance for rental property owners

The ATO has released updated guidance to clarify how it assesses rental property income and expenses, to reflect changes in the way investors rent out their properties.

This is particularly important for clients whose rental property also doubles as a **holiday home**.

If a rental property that doubles as a holiday home is not used primarily to earn assessable income, taxpayers won't be able to claim deductions, including for ownership or use expenses (such as interest expenses, council and water rates, body corporate fees, and capital works and depreciation).

Only expenses such as advertising costs, cleaning costs after a guest stay, and booking fees and commissions will be deductible.

If the holiday home is used mainly to produce income, but there's a small portion of private use (e.g., a week or a few weekends in the off-season where there was no booking, or very low chance of a booking), then taxpayers **may** claim a deduction (although the expenses must be apportioned, and they cannot claim for the period of private use)