



# PINNACLE Newsletter

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Framed | Trish Allen



## VIEW FROM THE PEAK

with Robyn Saunders

Oh my...where do we begin with this edition of The Pinnacle newsletter?

As an Accountant and Business Adviser, some of the detail in the Budget really took me by surprise. As May 12 drew nearer, we all suspected that the government had plans to introduce tax reform – we just didn't see how far-reaching the proposed reforms will be (if they are legislated as is).

The Treasurer called this Budget 'ambitious' and often referred to 'intergenerational equity', but it seems that some of the tax reforms could punish the younger people it's intended to help. Time will tell (along with some robust political debate) if the government has got it right and fair.

One important thing to remember is that many of the proposals in the Budget are subject to the passing of legislation, so watch this space.

## Key 2026-2027 Budget tax reforms: What they mean for you and your business.

*The 2026-2027 Federal Budget, released on 12 May, 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 we 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 in this edition of The Pinnacle some comments on what we know so far.

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# 2026 BUDGET & TAX.

## NEGATIVE GEARING CHANGES TO APPLY FROM 01 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.



**PEAK TIP:** Please contact us for advice 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 01 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.

## CAPITAL GAINS TAX (CGT) DISCOUNT CHANGES TO APPLY FROM 01 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 01 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 01 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 of CGT discount changes

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 01 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 tax 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.



Redressing intergenerational equity cannot happen when the proposed tax reforms are designed and structured to tax current and future investors across property, business, shares and other assets.



*Damian Knoblanche, Director*



## DISCRETIONARY TRUSTS CHANGES TO APPLY FROM 01 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 01 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. For example, 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 2027-2028) – increases the effective tax-free threshold for wage earners and sole traders.
- \$1,000 standard deduction for work-related expenses (from 2026-2027) – simplifies tax time for many employees.
- Small business measures – a permanent \$20,000 instant asset write-off for eligible plant and equipment.

We look more closely at each of these measures in our related stories in this issue of The Pinnacle.

## 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.

# Will the proposed \$1,000 instant tax deduction benefit you?

The Federal Government has released draft legislation for a new "instant" standard tax deduction that would allow eligible taxpayers to claim \$1,000 in work-related expenses at tax time without receipts. This would replace the current \$300 no-receipt immediate deduction limit.

However, this is still just a proposal. The draft legislation has been released for comment, so isn't before Parliament yet. If passed in its current form, the changes would apply from the 2026-2027 financial year. This means it won't help with your 2025-2026 tax return, but could be available next year.

It's important to understand that a tax deduction doesn't simply put a cash amount back in your pocket. Instead, deducting it offsets the tax you pay, so the actual benefit depends on your tax rate. For someone on the 32.5% tax rate, a \$1,000 deduction would reduce their tax by about \$325. Higher income earners could save up to \$450 (or \$470 including Medicare levy).

The government estimates about 6.2 million taxpayers could benefit, with average savings of around \$205.

**Here's a key point, though: if you already claim more than \$1,000 in work-related expenses, you may be better off sticking with keeping receipts and claiming your actual expenses.**

The ATO says the average Australian claims \$2,739 in work-related expenses, and the median claim is \$1,338. This means many taxpayers already claim more than the proposed \$1,000 and wouldn't financially benefit from the change.

However, people whose claims are usually close to \$1,000 or who like the idea of a predictable deduction may find it saves some record-keeping effort.

The standard deduction would cover typical work expenses like:

- home office costs;
- work clothing and uniforms;
- tools and equipment;
- car expenses for work travel; and
- stationery and work supplies.

Certain deductions would be claimable on top of the \$1,000, including charitable donations, union fees, income protection insurance, and investment-related expenses.

From 2026-2027, you also wouldn't be able to add new work equipment costing between \$300 and \$1,000 to a "low-value pool" for depreciation purposes. This could slow down tax deductions for items like computers or tools, reducing the benefit you received in earlier years.

## WHAT SHOULD YOU DO?

First, remember this is still just a proposed change to the law. Second, consider whether you typically claim more or less than \$1,000 in work-related expenses. If you claim more, the change likely won't help you.

However, changes like this can have unexpected consequences, so third, consider seeking professional advice at tax time. If you want to optimise your deduction strategy, contact our office to discuss your circumstances and ensure you're maximising your legitimate tax benefits.

# Superannuation tax changes soon.

With the new financial year about to land, there are important changes to some superannuation tax rates and numbers to keep in mind. Here's the wrap on them:

## DIVISION 296 TAX

This change will affect fewer than 0.5% of current superannuation members – approximately 80,000 Australians with extremely large super balances. For the vast majority, superannuation tax arrangements will remain unchanged.

The new Division 296 tax, commencing 01 July 2026, targets earnings on large super balances (including SMSFs) through a two-tiered system for earnings on balances exceeding \$3 million:

- the current 15% tax rate remains for earnings on balances up to \$3 million;
- earnings on the super portion between \$3 million and \$10 million will be taxed at an effective 30% rate; and
- earnings on amounts above \$10 million will face a 40% effective tax rate.

These thresholds will be indexed to the Consumer Price Index to keep pace with inflation. The new tax applies only to future realised earnings, not unrealised capital gains on unsold assets.

Importantly, for the first year only, liability is determined based on your total super balance at 30 June 2027, rather than at the start of the year.

## TOTAL SUPERANNUATION BALANCE (TSB) CALCULATIONS

Less publicised but equally important are changes to how total superannuation balances (TSB) are calculated. The new framework introduces a "TSB value" concept, with each superannuation interest having its own TSB value. Your total TSB becomes the sum of all these values across your Australian superannuation interests.

This applies from 01 July 2026 and affects all tax purposes where TSB is relevant, not just Division 296 calculations.

# Why your superannuation insurance might not cover what you expect.



**"DON'T ASSUME YOUR SUPER'S DEFAULT INSURANCE HAS YOU COVERED— WITHOUT A REVIEW, YOU COULD BE PAYING FOR COVER THAT'S INADEQUATE, DUPLICATED OR NOT THERE AT ALL."**

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 super 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 is doing the job, speak with one of our Financial Advisers to review your policy, premiums and any gaps, so you know exactly what you're paying for and whether it still fits your circumstances.

You can reach our Wealth Design team on 07 **3360 9898** or email us at [wealth@peakpartnership.com.au](mailto:wealth@peakpartnership.com.au).

# Super contribution caps set to increase from 01 July 2026.

Following the release of the December 2025 quarter average weekly ordinary times earnings (AWOTE), the annual concessional contribution (CC) cap will increase from \$30,000 to \$32,500 from 01 July 2026. The annual non-concessional contribution (NCC) cap will also increase to \$130,000.



When considering contribution opportunities, some individuals may have higher caps due to the carry forward CC rules or the NCC bring forward rules – while others with higher super balances may have a reduced or nil NCC cap. This will depend on your total superannuation balance (TSB) at the prior 30 June.

## CONCESSIONAL CONTRIBUTIONS

Concessional contributions are pre-tax contributions and can include compulsory superannuation guarantee (SG), voluntary salary sacrifice contributions and personal deductible contributions.

If your SG contributions are below your cap, you may be able to reduce your annual tax bill by making either salary sacrifice or personal deductible contributions. You may also have access to any unused concessional cap from the prior five years if your TSB was below \$500,000 on the prior 30 June.

## NON-CONCESSIONAL CONTRIBUTIONS

Non-concessional contributions are post-tax contributions. Although there typically isn't an immediate tax saving on NCCs, the superannuation accumulation (pre-retirement) tax rate of 15% is typically lower than many people's marginal tax rate and the tax rate on superannuation earnings and drawdowns may be tax-free in retirement (subject to a pension transfer balance cap of \$2,100,000 from 01 July 2026).

It can also be possible to bring forward two years of your NCC contribution cap and contribute three years at one time (\$390,000 from 01 July 2026). However, the rules are complex and your TSB and any prior NCC contributions in the current and prior two financial years need to be considered.

There may be NCC opportunities this financial year if your TSB was below \$2,000,000 on 30 June 2025.

If you'd like to understand how superannuation contributions may reduce your current and future tax bill, please reach out to one of our Financial Advisers at The Peak Partnership Wealth Design Solutions.

	2025-2026	2026-2027
Concessional Contributions	\$30,000	\$32,500
Non-Concessional Contributions	\$120,000	\$130,000

## Our New Look.

*Next time you visit The Peak Partnership, you might notice things are looking a little different.*


We've refreshed our reception area and one of our meeting rooms with some beautiful new furniture and finishing touches – creating a space that feels as modern and welcoming as the way we work with our clients every day.

A big thank you to Robyn Saunders (Director) and Cheryl Fitzsimon (Practice Manager), who somehow managed to balance their busy schedules with a flair for interior design to bring it all together.

The result is a space the entire Peak team is proud to share.



Cheryl Fitzsimon and Robyn Saunders try out our new reception set-up



# Tax deductions VS tax offsets

Understanding the differences

With the 2026-2027 Federal Budget announcing a new \$1,000 standard work-related expenses deduction and the \$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 tax deductions and tax offsets can reduce how much tax you pay, but they work in quite different ways.

## TAX DEDUCTIONS

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 the Medicare levy and other factors.

## TAX OFFSETS

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.

Let's talk if you want to know more about your entitlements this tax time.

You can reach us on 07 3360 9888 or [email@peakpartnership.com.au](mailto:email@peakpartnership.com.au).



Trish Allen, Client Services Officer

# FRAMED | TRISH ALLEN.

**SHE'S BACK!** We we're saddened in 2022 when Trish Allen, one of our Wealth Design team, decided on a career redirection but we're excited to welcome Trish back to her familiar role as Client Services Officer (CSO).

Your classic quiet achiever, Trish is back in her role as Client Services Officer – working closely with Estelle Kraus (Wealth Design Client Services Manager) and our Financial Advisers – Pat Kelly, Jenny Kitching and Greg Bennett.

With 16 years' experience in the financial services profession and a Diploma of Financial Planning to back her up, Trish joins our team of highly-skilled CSOs in ensuring seamless implementation and ongoing administration of all things superannuation, investing and life insurance for our clients.

For an exceptionally demanding role, Trish takes it all in her stride with a smile, saying that helping clients realise their financial goals through wealth creation and asset protection is what makes her day.

Meantime, having Trish back at The Peak makes our day, every day.

## Working Australians Tax Offset coming from 01 July 2027

**BUDGET ANNOUNCEMENT:** A new Working Australians Tax Offset (WATO) will be introduced to provide a permanent annual \$250 tax offset from 01 July 2027 to all eligible Australians for their income derived from work (such as wages and salaries and the business income of sole traders).

The WATO will increase the effective tax-free threshold for income derived from work by nearly \$1,800 to \$19,985 (or up to \$24,985 for workers eligible for the Low Income Tax Offset). The Treasurer said this is the largest permanent increase in the effective tax-free threshold since 2012-2013.

The offset will apply for income earned from work for the second half of 2027 and will automatically reduce workers' tax liability for the 2027-2028 income year.

The WATO is in addition to the already legislated tax cuts that apply from 01 July 2026 and 01 July 2027, and the previously announced \$1,000 instant tax deduction for work-related expenses from the 2026-2027 income year.

The Government believes that the combined benefit to a worker on average earnings of the tax cuts, new tax offset and instant tax deduction will be up to \$2,816 from 2027-2028 (or \$54 per week).

## Instant asset write-off for small businesses permanently extended

**BUDGET ANNOUNCEMENT:** The Government will permanently extend the \$20,000 instant asset write-off for small businesses with a turnover of up to \$10 million.

The current \$20,000 threshold was set to expire on 30 June 2026, with the threshold then reverting to a \$1,000 threshold. However, with this permanent extension, small businesses will have more certainty over asset purchases going forward.

Assets valued \$20,000 or more can continue to be placed into the small business simplified depreciation pool. Pool deductions are broadly 15% in the first year an asset is added to the pool and 30% for later years.

The provisions that prevent small businesses from re-entering the simplified depreciation regime for five years after opting out will also continue to be suspended until 30 June 2027.

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