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LEADING ACCOUNTANTS AND BUSINESS ADVISORS

2026/2027 FEDERAL BUDGET

Contents

Budget Overview

Key Budget messages

In his Budget Speech Treasurer Jim Chalmers said, "This Budget delivers the largest savings package on record. There are $63.8 billion in savings. Our decisions improve the Budget in net terms by $26.1 billion once you take our responsible provisions into account. A big part of our savings package will restore the NDIS to its original intent and secure its future, so it grows in a sustainable way in line with programs like Medicare. This difficult but necessary reform will save $37.8 billion over the forward estimates. On top of savings there's also very substantial spending restraint. Real spending growth averages just 1.5 per cent for the eight years to June 2030. This is the lowest average growth rate in any eight-year period for almost three and a half decades and less than half the 30-year average."

He said, "The core of this Budget is an economic strategy with five main parts:

- Getting through the global oil shock and building resilience;
- Taking the pressure off people where we can;
- Making the economy more productive to lift living standards over time;
- Reforming the tax system for workers, businesses and future generations – including a new tax cut for every working Australian taxpayer; and
- Making the budget stronger, more sustainable, and helping to take the pressure off inflation by saving more than we spend."

He also said, "At a time when Australians are under pressure, this Budget delivers more help with the cost-of-living and new tax cuts for workers. And in an era where people feel like the system no longer works for them, this Budget doesn't just acknowledge that – it acts on it. By levelling the playing field for first home buyers, backing the aspiration and innovation of small business. And renewing the fundamental bargain between generations, to help bring the dream of home ownership within reach of more young Australians. No other budget in the 2000s has set out this much responsible Budget repair and this much economic reform."

Main policy decisions – Summary

For more details see: Policy decisions - details

Tax – Income Tax Offset

The Budget announces a new Tax Offset deduction for income earners to take effect from the 2027-28 income year. (Paid in 2028-29.) The Working Australians Tax Offset (WATO) provides an additional tax cut of up to $250 for most income earners.

Tax – Capital Gains Tax discount

As widely forecast before the Budget the Government is replacing the existing 50 per cent Capital Gains Tax discount with an inflation-adjusted system. However the change goes much further than was widely forecast, applying to existing assets, but with the new arrangements only applied to gains from 1 July 2027. Under the new system, real gains will be taxed at a minimum rate of 30 per cent. Investors in new housing will be able to choose the existing 50 per cent CGT discount or the new arrangements.

Tax – Negative gearing

Under the changes to negative gearing announced in the Budget the Government will limit new negative gearing claims to new housing builds from 1 July 2027. But the Budget Papers say, “Existing arrangements will remain unchanged for all properties held before Budget night, and investors who buy new builds will still be able to deduct losses from other income.

Tax – Trusts

The Budget announced the Government will introduce a minimum tax of 30 per cent on discretionary trusts from 1 July 2028. The change is forecast to reduce the tax take in the first three years but then jump to $4.4 billion in 2029-30, the second largest improvement in the Budget over the Forward Estimates after changes to the NDIS.

Tax – Tax loss carryback and loss refundability for startups

The Budget reintroduces loss carry back for small business and loss refundability for start-ups. From 2026–27, eligible companies who make a loss will be able to use that loss to get a refund against tax paid in the prior two income years. The Government is also introducing loss refundability to support new start-up businesses.

Tax – Instant Asset Tax Write-off

The Budget permanently extends the $20,000 instant asset write-off (IAWO) for small businesses from 1 July 2026, for small businesses with turnover up to $10 million.

Housing – Housing Infrastructure Fund

The Budget includes $2 billion to build enabling infrastructure like water and sewerage pipes for housing developments,

NDIS

Ahead of the Budget the Albanese Government announced a major overhaul of the National Disability Insurance Scheme designed to save $35 billion in expected cost increases over the next four years and a claimed $150 billion over the next decade.

Aged care

As part of a major shakeup in the health, disability and aged care portfolios, the Government announced ahead of the Budget that it will abolish the controversial aged care co-payment for people receiving in-home assistance with showering, dressing and support in managing continence. The change will be funded by the abolition of the additional private health insurance rebate paid to those over 65 with private insurance.

Links to all Budget documents

All 2026-27 Budget documents referred to below under 'References' can be found at the official Budget 2026-27 url: Budget 2026-27

Budget outcome

In his Budget Speech Treasurer Jim Chalmers said, "This Budget delivers the largest savings package on record. There are $63.8 billion in savings. Our decisions improve the Budget in net terms by $26.1 billion once you take our responsible provisions into account."

The Budget Papers said (BP1 – Overview) that over the forward estimates debt and deficits are lower every year compared to the 2025–26 MYEFO. The budget deficit for 2026–27 is $31.5 billion, an improvement of $2.8 billion compared to MYEFO. The budget is projected to return to balance in 2034–35 and a surplus of 0.8 per cent of GDP in 2036–37.

As at 30 June 2027, gross debt is $1,051.0 billion, $18.0 billion lower than at MYEFO and $173.0 billion lower than the estimate the Government inherited. As a share of GDP, gross debt is expected to peak 1.2 percentage points lower and two years earlier than at MYEFO.

The Government said it had made $63.8 billion of savings and reprioritisations in the Budget.

The Treasurer said, "A big part of our savings package will restore the NDIS to its original intent and secure its future, so it grows in a sustainable way in line with programs like Medicare. This difficult but necessary reform will save $37.8 billion over the forward estimates. On top of savings there's also very substantial spending restraint. Real spending growth averages just 1.5 per cent for the eight years to June 2030. This is the lowest average growth rate in any eight-year period for almost three and a half decades and less than half the 30-year average."

According to the Budget Overview – Resilience and reform, "The budget is $44.9 billion stronger over the forward estimates than the mid-year update and more than a quarter of a trillion dollars better over the eight years to 2029–30 than the estimate the Government inherited.

"Gross debt peaks earlier and is lower in every year compared to the mid-year update. Gross debt peaks 1.2 percentage points lower than the mid-year update and is $173 billion lower in 2026–27 than the estimate at the 2022 PEFO.

"The Government's fiscal management is underpinned by savings and reprioritisations, spending restraint and banking revenue upgrades. These actions mean this Budget is helping to take the pressure off inflation and delivering substantial improvements in the fiscal position over time. In this Budget, the Government is saving more than we are spending, with net decisions positive for the second consecutive update. Net decisions are $26.1 billion when accounting for the responsible provisions made in previous updates."

The Budget at a glance

	Estimates					Projections
	2025–26	2026–27	2027–28	2028–29	2029–30	2036–37
Underlying cash balance						
$ bn	-28.3	-31.5	-31.0	-34.4	-25.3	
Per cent of GDP	-1.0	-1.0	-1.0	-1.0	-0.7	0.8
Per cent of GDP at MYEFO	-1.3	-1.1	-1.1	-1.1	-1.5	
Gross debt						
$ bn	982.0	1,051.0	1,120.0	1,193.0	1,249.0	
Per cent of GDP	33.1	34.0	35.2	35.8	35.6	27.2
Per cent of GDP at MYEFO	34.0	35.4	36.1	36.4	36.8	

Ahead of the Budget *The Australian Financial Review*'s political editor Phillip Coorey reported (11 May) that Treasurer Jim Chalmers had confirmed that while the bottom line over the next four years would be healthier than that last budget update in December, there would be no surplus in the next four years.

"'It won't be in the next four years, but we will get the budget deficits down,' Chalmers told Sky News. 'We will get those deficits down a bit in the budget on Tuesday night because we will be saving more than we spend.'"

References
Budget Paper No 1 - Statement 1 – Budget Overview
Budget Overview: Resilience and reform

Economic Outlook and Forecasts

Economic overview
In the wake of the Middle East war and other inflationary pressures, Treasury is now forecasting inflation will peak at 5 per cent in 2025-26 before falling to 2½ per cent in each of the two following years.

This compares with its forecast in last year's Budget (before the Middle East war) of 3 per cent in 2025-26 and 2½ per cent in 2026-27.

Its forecast for economic growth is for 2¼ per cent in 2025-26, followed by 1¾ per cent (2026-27) and 2¼ per cent 2027-28. Compared to last year's Budget, forecasts are unchanged for 2025-26 and 2½ per cent for 2026-27.

In his Budget Speech Treasurer Jim Chalmers said, "Treasury now expects global growth to slow from 3.5 per cent last year to just 3 per cent this year.

"Inflation is spiking all around the world – and Australia is not immune from these global price rises."

He said, "Australians have been paying a hefty price for this war, at the bowser and beyond.

"We were already dealing with price pressures in our economy, but Treasury's now forecasting inflation to peak around 5 per cent in the middle of the year because of the conflict.

"For the same reasons, it's expecting growth to come in ½ a percentage point lower next financial year, to be 1 ¾ per cent overall."

Economic growth
The Budget Papers say that as a result of the Middle East conflict and the global oil shock, economic growth in Australia is forecast to slow from 2¼ per cent in 2025–26 to 1¾ per cent in 2026–27.

Higher fuel prices are expected to dampen consumption and put pressure on business operations. In sectors like agriculture and construction, these impacts will be exacerbated by higher fertiliser and plastic prices.

The Budget says the economy grew strongly in 2025, "with broad growth underpinned by a pick-up in private sector activity across both household consumption and private investment."

Nominal GDP is forecast to grow by 6¾ per cent in 2025–26, reflecting the impact of higher commodity prices and inflationary pressures. Nominal GDP is forecast to grow by 4¼ per cent in 2026–27, as economic growth and domestic inflation moderate and the terms of trade are assumed to fall.

Inflation
The Budget says headline inflation is forecast to peak at 5 per cent in the year to the June quarter 2026. It is then expected to decline, in line with the assumption that global oil prices ease over 2026–27, to 2½ per cent in the year to the June quarter 2027. The Papers say, "inflation is forecast to sustainably return to the RBA's target band in the middle of 2027.

They say, “Australia was facing inflationary pressures immediately prior to the Middle East conflict. Headline and underlying inflation both returned to the RBA’s target band briefly in 2025 but increased again to be above 3 per cent towards the end of the year. These developments reflected a mix of temporary and persistent factors.”

Trimmed mean inflation was 3.3 per cent in the year to March 2026. “The Government’s temporary cut to the fuel excise is limiting the impact of higher petrol and diesel prices on households and headline inflation, the Papers say.

Domestic economy – detailed forecasts

	Outcomes[b]	Forecasts		
	2024-25	2025-26	2026-27	2027-28
Real gross domestic product	1.3	2 1/4	1 3/4	2 1/4
Household consumption	1.2	2 1/4	1 3/4	2 1/2
Dwelling investment	4.3	5	4	3 1/2
Total business investment[c]	-0.1	4	2 1/2	2
By industry				
Mining investment	-1.0	1/2	1	0
Non-mining investment	0.2	5	3	2 1/2
Private final demand[c]	1.3	3	2	2 1/2
Public final demand[c]	4.2	2 3/4	2 3/4	2 1/2
Change in inventories[d]	-0.1	0	0	0
Gross national expenditure	1.9	2 3/4	2 1/4	2 1/2
Exports of goods and services	0.7	3 1/2	1	2
Imports of goods and services	3.3	5	3 1/2	3
Net exports[d]	-0.6	- 1/4	- 1/2	- 1/4
Nominal gross domestic product	3.6	6 3/4	4 1/4	2 3/4
Prices and wages				
Consumer price index[e]	2.1	5	2 1/2	2 1/2
Wage price index[f]	3.4	3 1/4	3 1/2	3 1/2
GDP deflator	2.3	4 1/4	2 1/2	1/2
Labour market				
Participation rate (per cent)[g]	67.0	66 3/4	67	67 1/4
Employment[f]	2.1	1 1/2	1 1/2	1 3/4
Unemployment rate (per cent)[g]	4.2	4 1/4	4 1/2	4 1/2
Balance of payments				
Terms of trade[h]	-4.1	4 1/2	- 1/4	-7 1/4
Current account balance (per cent of GDP)	-2.5	-1 3/4	-2 3/4	-4
Net overseas migration[i]	305,000	295,000	245,000	225,000

a) Percentage change on preceding year unless otherwise indicated.
b) Calculated using original data unless otherwise indicated.
c) Excluding second-hand asset sales between the public and private sector.
d) Percentage point contribution to growth in GDP.
e) Through-the-year growth rate to the June quarter.
f) Seasonally adjusted, through-the-year growth rate to the June quarter.
g) Seasonally adjusted rate for the June quarter.
h) Key assumptions were set at the end of April 2026. Spot prices for key commodities are assumed to decline from elevated levels over four quarters to the end of the March quarter 2027 as follows: iron ore declines to US$60/tonne; metallurgical coal declines to US$140/tonne; thermal coal declines to US$70/tonne; and LNG declines to US$10/mmBtu. The gold price is assumed to decline over eight quarters to the end of the March quarter 2028 to US$3,325/troy ounce. All bulk commodity prices are in free on board (FOB) terms
i) Net overseas migration is forecast to be 225,000 in 2028–29 and 2029–30.

International GDP growth forecasts

	Outcomes	Forecasts (Calendar Years)		
	2025	2026	2027	2028
Australia	2.0	2	2	2 1/2
China	5.0	4 3/4	4 1/2	4 1/2
India	7.5	6 1/4	6 1/2	6 1/2
Japan	1.2	3/4	3/4	3/4
Republic of Korea	1.0	1 3/4	2	2
United States	2.1	2 1/4	2	2
Euro area	1.5	1	1 1/4	1 1/4
United Kingdom	1.4	3/4	1	1
Other East Asia[(b)(c)]	4.5	3 3/4	3 3/4	3 3/4
Major trading partners[(b)]	3.8	3 1/4	3 1/4	3 1/4
World[(b)]	3.5	3	3 1/4	3 1/4

Oil Price

The Treasurer in his Budget speech said, “Treasury’s central forecast assumes oil stays around $100 per barrel until the end of next month and glides to $80 by the end of June next year.” He also said, “Treasury also presents a more severe scenario where the oil price peaks at $200 and takes three years to fall back down. We would still avoid a recession, but unemployment would spike to pre-pandemic levels and inflation would peak above 7 per cent.”

Employment and unemployment

The Budget Papers say, “Employment is expected to continue to grow, and the participation rate is expected to remain close to its recent record high. The unemployment rate is forecast to remain low by historical standards, gradually increasing from 4¼ per cent in the June quarter 2026 to 4½ per cent in the June quarter 2027 and the June quarter 2028. The unemployment rate is expected to remain well below its average in the decade before the pandemic.

Employment is expected to continue growing over the forecast period. Employment is forecast to grow by 1½ per cent through the year to the June quarter 2026 and the June quarter 2027 and 1¾ per cent through the year to the June quarter 2028.

Wages

The Wage Price Index is forecast to grow by 3¼ per cent through the year to the June quarter 2026, before increasing to 3½ per cent through the year to the June quarter 2027 and the June quarter 2028.

The Wage Price Index growth is expected to continue. Wages set through enterprise agreements are expected to moderate. Award wage growth is expected to continue to be supported by several recent Fair Work Commission decisions.

The increase in inflation is expected to result in a decline in real wages over 2025–26. Real wages are forecast to grow again in 2026–27 and 2027–28 as inflationary pressures eases.

Immigration

The Budget Papers say net overseas migration is forecast to be 225,000 in 2028–29 and 2029–30. The Papers say net overseas migration (NOM) has declined by around 45 per cent from its peak in 2022–23 and is forecast to continue declining through to 2027–28. NOM is forecast to be moderately higher than previously expected in 2025–26 and 2026–27, which reflects that migrants on temporary visas are departing Australia at lower rates than in the past. Arrivals of New Zealand citizens are also expected to remain strong, reflecting Australia’s relatively favourable labour market conditions. “Migration policy changes in this Budget will place downward pressure on NOM,” the Budget says.

Household consumption

Household consumption is forecast to grow by 2¼ per cent in 2025–26, before slowing to 1¾ per cent in 2026–27 as higher prices from the conflict in the Middle East weigh on real incomes and spending (Chart 2.8).

Housing investment
Housing investment is forecast to grow by 5 per cent in 2025–26 as strong commencements increase the pipeline of work under construction. Growth in dwelling investment is expected to continue, but at a slower pace: 4 per cent in 2026–27 and 3½ per cent in 2027–28.

Business investment
Business investment growth picked up substantially in the second half of 2025. Momentum is expected to continue, with business investment forecast to grow by 4 per cent in 2025–26, 2½ per cent in 2026-27 and 2 per cent in 2027–28. “Recent capital expenditure expectations have been revised upwards, but these could be unwound as businesses factor in the impact of higher input prices as a result of the conflict in the Middle East,” The Budget says.

References
Budget Paper No 1 - Statement 2 – Economic Outlook

Fiscal policy

Total Budget spending and revenue – Budget outcome
The Budget says that since the Mid-Year Fiscal and Economic Outlook (MYEFO) in December, the Budget’s underlying cash balance has improved for each year of the forward estimates. In 2026–27, the deficit is forecast to be $31.5 billion, $2.8 billion lower than at MYEFO. In 2029–30, the deficit is $25.3 billion, less than half the projection at MYEFO.

As a share of the economy, the deficit is expected to be 1.0 per cent in 2026–27 to 2028–29 and then improve to 0.7 per cent in 2029–30. The deficits over the forward estimates are half the average between the Global Financial Collapse and COVID-19 pandemic.

The budget is projected to return to balance in 2034–35 and to a surplus of 0.8 per cent of GDP in 2036–37, supported by structural savings and reforms to the tax system. “The improvement in the budget position is underpinned by savings and reprioritisations, spending restraint, and banking revenue upgrades; putting the budget in a stronger position in every year compared to the mid-year update,” the Budget says.

It says the Government is delivering $63.8 billion of savings and reprioritisations. Over the five years to 2029–30, net policy decisions improve the budget by $26.1 billion, including previously made provisions.

The Government’s real payments growth averages 1.1 per cent over the four years to 2029–30, and 1.5 per cent over the eight years to 2029–30, less than half the 30-year average. Payments as a share of the economy are forecast to decline from 26.8 per cent in 2026–27 to 26.2 per cent in the last year of the forward estimates. Payments–to–GDP are lower than at MYEFO

The Budget says it has made $63.8 billion in savings and reprioritisations, “taking the total to $177.9 billion since the 2022 PEFO.”

References
Budget Paper No 1 - Statement 3 – Fiscal Strategy and Outlook
Budget Paper No 1 - Statement 4 – Revenue
Budget Paper No 1 - Statement 5 – Expenses and Net Capital Investment

Decisions taken but not yet announced
Most year’s Budgets include several line items: ‘Decisions taken but not yet announced.’ No details of these measures are provided in the Budget, which are yet to be announced by the Government.

The Budget Papers show that there are significant tax and spending measures yet to be announced for the 2026-27 financial year and over the Forward Estimated (to 2029-30.) Tax and receipt measures not yet announced in 2026-27 amount to a substantial $2.3 billion (net) rising to $5.7 billion (net) in 2029-30

Additional spending not yet announced is $1.77 billion in 2026-27, which falls to a spending cut of $1.45 billion in 2029-30.

These figures (of decisions not yet announced) are included in the Budget totals.

The category, spread between several tables buried in the Budget papers, is funds the Government has provisioned for future announcements. DTBNYA also includes policies that have been announced but whose costs cannot be published for reasons such as 'commercial in confidence'.

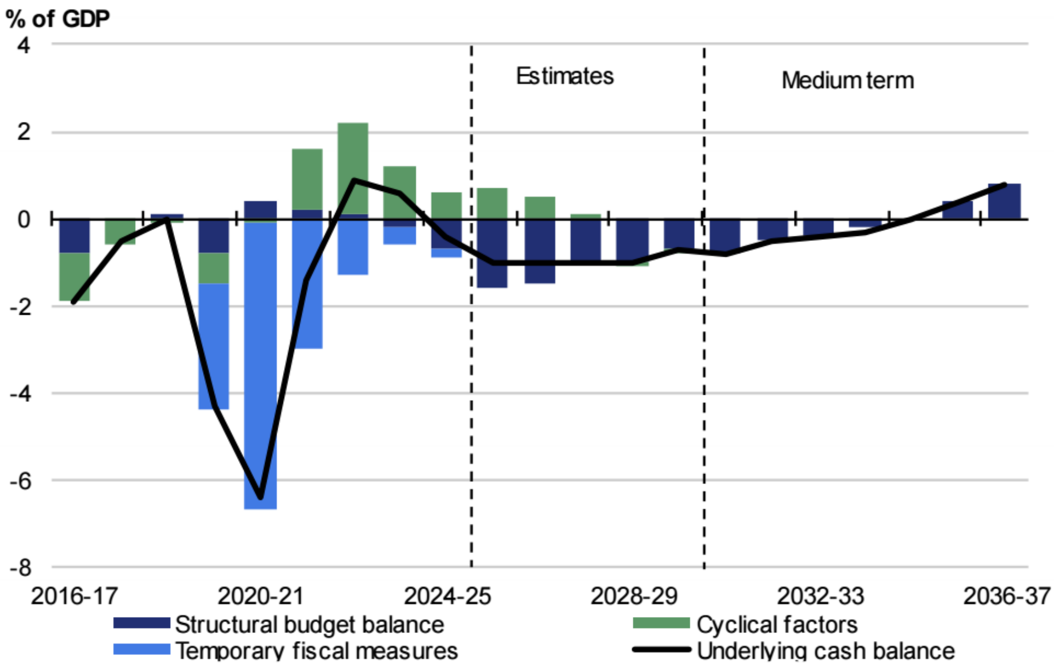
References
[Budget Paper No 2 Budget Measures – Part 1 Receipts]
[Budget Paper No 2 Budget Measures – Part 2 Payments]

Budget Strategy
The Budget's Fiscal Strategy and Outlook in Budget Paper No 1 sets out the Government's broad Budget strategy. It is required by the Charter of Budget Honesty Act introduced in 1998 by Peter Costello, the treasurer in the Howard Government and was recommended by the National Commission of Audit which the Howard Government established when elected.

The Budget Papers say, "The Government's Economic and Fiscal Strategy will make our economy more resilient and deliver a stronger and more sustainable budget. The Strategy is focused on the objectives of strong, inclusive and sustainable economic growth, full employment, growing real wages, ensuring women's economic participation and equality, and improving living standards for all Australians."

References
[Budget Paper No 1 Statement 3 – Fiscal Strategy and Outlook]

Structural deficit
The structural budget balance estimates what the Budget balance would be after stripping out the impact on the surplus or deficit of cyclical factors such as changes in commodity prices and changes in economic growth. It is an estimate but can provide insight into the sustainability of fiscal settings.



The Budget Papers say, "The structural budget balance is expected to reach surplus by the end of the medium term. The structural position remains in deficit in the near term, peaking at 1.6 per cent of GDP in 2025–26, before improving gradually to reach surplus in the last two years of the projection period. Cyclical factors are estimated to have a positive contribution to the underlying cash balance in 2025–26 and 2026–27, in large part due to elevated commodity prices. This recedes as commodity prices return to their assumed long-run levels."

References
Budget Paper No 1 Statement 3 – Fiscal Strategy and Outlook

Policy Decisions – Details

Tax – Income Tax Offset
The Budget announces a new Tax Offset deduction for income earners to take effect from the 2027-28 income year. (Paid in 2028-29.) A possible new Tax Offset had been speculated ahead of the Budget but not its details.

The Working Australians Tax Offset (WATO) provides an additional tax cut of up to $250 in addition to previously announced tax cuts from the 2024–25 Budget and the two upcoming rounds announced in the 2025–26 Budget.

The Tax Offset is forecast to cost the Budget $3 billion in 2028-29 (its first full year of operation) and $3.6 billion in 2029-30, the third largest new spending imitative in the Budget after increased hospital funding and increased defence spending.

The Budget Overview – Resilience and Reform says, "This will benefit over 13 million Australian workers and deliver further, meaningful cost-of-living relief. Around 6.3 million women will benefit from the WATO in 2027–28. The WATO is a permanent, annual tax offset of up to $250 from the 2027–28 income year for all Australian workers. This increases the effective tax-free threshold for Australian workers by nearly $1,800 to $19,985 (or up to $24,985 for workers eligible for the Low-Income Tax Offset). This is the largest permanent increase in the effective tax-free threshold since 2012–13. Of the 13 million Australian workers who receive the WATO, 97 per cent are expected to receive the full $250 offset.

"The WATO will provide a tax cut for Australians for their income derived from work. It will help workers keep more of what they earn and support workforce participation for lower-income workers, particularly women and those caring for children.

In his Budget Speech Treasurer Jim Chalmers announced, "We will put more money into the pockets of 13.3 million workers with a new $250 Working Australians Tax Offset It will begin from the second half of 2027 and be paid each year, ongoing and automatically in your tax return just like the instant deduction we're rolling out as well. This offset is targeted to workers and represents the most meaningful, permanent increase to the effective tax-free threshold since Labor last increased it more than a decade ago."

He said, "The $6.4 billion tax offset is the biggest cost-of-living measure in this budget."

References
See: Prime Minister's media release: Tax reform for workers, businesses and future generations
Budget Overview: Resilience and reform

Tax – Capital Gains Tax discount
As widely forecast before the Budget the Government is replacing the existing 50 per cent Capital Gains Tax discount with an inflation-adjusted system, removing the effects of inflation on asset values and taxing real gains in value.

However, the change goes much further than was widely forecast, applying to existing assets, but with the new arrangements only applied to gains from 1 July 2027. Gains accrued before July 2027 on properties and assets sold after that date will be assessed under the old system.

Under the new system, real gains will be taxed at a minimum rate of 30 per cent.

Investors in new housing builds will be able to choose the existing 50 per cent CGT discount or the new arrangements.

The Budget Papers do not separate the increase in tax revenue from the CGT changes and from changes to negative gearing (below). However revenue for the two in 2028-29 (the first year of impact) is forecast to increase by $1.4 billion and by $3 billion in 2029-30.

In his Budget speech Treasurer Jim Chalmers announced the Government was “replacing the 50 per cent capital gains tax discount with inflation-adjusted indexation, to restore the taxation of real gains. These changes will be prospective, and new builds will retain the option to use the 50 per cent discount.

The Budget said that “while supply is an important driver of housing affordability, tax also plays a role.”

Changes in the Budget to CGT replace the existing 50 per cent CGT discount with a discount based on inflation, coupled with a minimum 30 per cent tax on gains from 1 July 2027.

The Budget said, “This reform means that investors will only pay tax on their real capital gain, restoring the original intent of the CGT arrangements. It will support productive investment in assets such as higher density housing and shares while reducing incentives for debt-financed investment in some areas, like existing detached housing. It means investors with lower gains will pay less tax, while those with gains well above inflation will pay more.

The CGT reforms will only apply to gains arising after 1 July 2027.

The Budget said, “The impact on housing supply from these tax measures will be more than offset by measures that increase housing supply.”

Pre-Budget leaks strongly suggested the Budget would significantly change the capital gains tax discount for housing. The Government did not confirm the details of the changes but dropped strong hints that changes would be made.

References
See: Prime Minister's media release: Tax reform for workers, businesses and future generations
Budget Overview: Resilience and reform

Tax – Negative gearing
Under the changes to negative gearing announced in the Budget the Government will limit new negative gearing claims to new housing builds from 1 July 2027.

But the Budget Papers say, “Existing arrangements will remain unchanged for all properties held before Budget night, and investors who buy new builds will still be able to deduct losses from other income.

“Investors who buy established housing after Budget night will still be able to deduct losses against residential property income. They will be able to carry forward unused losses to future years but won't be able to deduct them against other income like wages.”

The Budget Papers do not separate the increase in tax revenue from the CGT changes and from changes to negative gearing. However revenue for the two in 2028-29 (the first year of impact) is forecast to increase by $1.4 billion and by $3 billion in 2029-30.

In his Budget speech Treasurer Jim Chalmers said, “We’ll limit negative gearing for residential property to new builds from July next year.”

A number of news articles in the last week have suggested that existing negative gearing rules would be scaled back in the Budget. However, details of the changes were not reported.

References

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See: Prime Minister's media release: Tax reform for workers, businesses and future generations
Budget Overview: Resilience and reform

Tax – Trusts

The Budget announced the Government will introduce a minimum tax of 30 per cent on discretionary trusts from 1 July 2028 with some exceptions. "This will create more equal treatment between workers who earn a living from wages and people the with income from trusts, and help fund a $250 tax offset for every working Australian taxpayer."

The change is forecast to reduce the tax take in the first three years but then jump to $4.4 billion in 2029-30, the second largest improvement in the Budget over the Forward Estimates after changes to the NDIS.

The Budget Overview – Resilience and reform said, "There are many legitimate reasons to use discretionary trusts, but the number has doubled over the past 20 years, faster than the growth in the number of companies, making the system unsustainable.

"Rollover relief will be provided for three years from 1 July 2027 to assist small businesses and others that wish to restructure."

In his Budget speech Treasurer Jim Chalmers said, "We'll (…) introduce a minimum 30 per cent tax rate on capital gains from July next year and on discretionary trusts from July the year after."

Ahead of the Budget, *The Australian Financial Review*'s political editor Phillip Coorey reported on 5 May, "Cabinet met on Monday to finalise key measures following months of deliberation. The only tax policy from Labor's controversial 2019 election agenda that will not be included in the May 12 budget is the abolition of cash refunds for excess franking credits.

"'We've already got tax cuts coming,' the Treasurer said when asked whether there would be more in next week's budget."

He reported, "The third key tax increase in the budget will be the introduction of a minimum 30 per cent tax rate on disbursements made from trusts. To minimise political blowback, the government is expected to exempt farmers and estate planning from the change.

"Labor took a similar policy to the 2019 election. Since then, the use of trusts has continued to climb, with more than a million existing today."

On 4 May Coorey and *The AFR*'s economics editor John Kehoe reported, "Asked if trusts were used to minimise tax by streaming income to family members and if the government was preparing changes, (Assistant Treasurer Daniel) Mulino said such structures were used for various reasons. 'Clearly, trusts are suitable for a number of people,' Mulino said on Sky News. 'There are a range of different mechanisms that people use. And look, as a broader tax consideration, what I would say is that we want a tax system which treats different means by which income is earned and distributed as evenly as possible and as fairly as possible.'"

Under current policy, discretionary trust distributions to individuals aged 18 years and over are taxed at the recipient's marginal tax rates, which can be as low as zero for those whose income is below the tax-free threshold up to $18,200 (although with the low-income tax offset, the effective tax-free threshold is about $22,500).

"The proposal would tax these distributions at a minimum tax rate of 30 per cent, effectively taxing trusts like companies. To mitigate potential political backlash, it is understood there will be exemptions for farmers and trusts used for estate planning," *The AFR* reported.

References

See: Prime Minister's media release: Tax reform for workers, businesses and future generations
Budget Overview: Resilience and reform

Tax – EV tax concesssions
Ahead of the Budget the Government announced it will limit the existing tax concessions for EVs (electric vehicles) purchased under novated leases. The existing discount will continue until the end of March 2027. Between April 2027 and April 2029, the full FBT discount will apply only for EVs costing up to $75,000, while the vehicles that cost more than this threshold but below the luxury car tax will receive a 25% discount. From April 2029, all EVs below the luxury tax threshold will receive the 25% discount on the Fringe Benefits Tax.

The changes won't affect existing leases.

Treasurer Jim Chalmers and Energy Minister Chris Bowen made the announcement in a joint statement, claiming the new rules will encourage manufacturers to offer more affordable and cheaper-to-run EVs in the Australian market. Dr Chalmers and Mr Bowen said in a joint statement, "The electric car market has rapidly matured since we came to government, and these changes will ensure our tax settings are still suitable".

The tax discount was originally forecast to cost about $90 million this financial year, but its uptake has been well above expectations and it is now estimated it will cost the government $1.35 billion. Dr Chalmers and Mr Bowen said the new rules would encourage manufacturers to offer EVs to the Australian market that were more affordable and cheaper to run. They said the tax changes had been informed by the Electric Car Discount Review, released on Tuesday. The review was required under legislation.

References
[Treasurer's media release: Fairer tax treatment to encourage affordable EVs]

Tax – Tax loss carryback and loss refundability for startups
The Budget reintroduces loss carry back for small business and loss refundability for start-ups.

The Government said this "expands incentives for venture capital and better targeting the Research and Development Tax Incentive."

The loss refundability measures are forecast to cost $2.7 billion over the Forward Estimates, starting at $911 million in 2027-28.

The Budget Overview – Resilience and reform said "The Government is reintroducing loss carry back to support business risk taking and resilience. From 2026–27, eligible companies who make a loss in the current income year will be able to use that loss to get a refund against tax paid in the prior two income years. This will benefit up to 85,000 companies, mostly small businesses.

"The Government is also introducing loss refundability to support new start-up businesses. From 2028–29, small start-ups in their first two years of operation will be able to get a refund for tax losses, up to the value of fringe benefits tax and withholding tax paid on employee wages. This will benefit up to 25,000 young companies each year, providing valuable cash flow support."

In his Budget Speech Treasurer Jim Chalmers said, "We'll permanently introduce two-year loss carry-back for all companies up to $1 billion in turnover – bolstering resilience and risk taking. And we'll introduce loss refundability for start-ups, to help new businesses invest and grow in their first two years. We'll also expand tax incentives for venture capital and better target the Research and Development Tax Incentive to support more high-impact innovation."

References
[Treasurer's media release: A Budget that backs innovation and investment]

Tax – Instant Asset Tax Write-off
The Budget permanently extends the $20,000 instant asset write-off (IAWO) for small businesses from 1 July 2026. Small businesses with turnover up to $10 million will be able to immediately deduct eligible assets costing less than $20,000.

The Government said this is estimated to improve cash flow for small businesses by around $890 million over the next five years.

References
Treasurer's media release: A Budget that backs innovation and investment

Housing – Housing Infrastructure Fund
The Budget includes $2 billion to build enabling infrastructure like water and sewerage pipes for housing developments, which Housing Minister Clare O'Neil said will unlock 65,000 new homes over the decade.

Announcing the new funds Treasurer Jim Chalmers said (on Sunday, 10 May) "we are announcing an extra $2 billion to build 65,000 new homes right around Australia. And this is all about the power and water and local road infrastructure that we need to get more projects over the line. It is part of a $47 billion investment. It is about supporting local governments and state governments working closely together to build more homes in communities that desperately need and deserve them. Projects like this one are making sure that we can build more homes. So, an extra $2 billion in a really tight and responsible budget, I think, reflects the priority that we have placed on building more homes.

"We understand that the status quo in housing is not working. Too many people are locked out. There aren't enough homes, and so the government is focused on this housing challenge. The Budget will have substantial housing policies to address these challenges."

The $2 billion adds to more than $4 billion Labor has announced for critical infrastructure since coming to office in 2022 and $45 billion spent on trying to overcome Australia's housing crisis. Despite this, the government remains well behind schedule to achieve its target of building 1.2 million new homes by mid-2029.

Treasurer Jim Chalmers said Tuesday's budget would have a major focus on building homes, and O'Neil flagged further announcements in coming days, saying it would be fundamentally a housing budget. Ms O'Neil said Sunday's $2 billion announcement was for "boring but essential" work to get more homes built. The money will be largely spent on so-called 'green fields developments, which are new suburbs, but also enable urban infill. Such costs are usually covered by developers and local governments, but a surge in construction prices over the past five years has made it uneconomic to pursue some developments without government support.

The $2 billion will be spent preparing greenfield sites. The Coalition pledged $5 billion ahead of the 2025 federal election on a similar housing infrastructure policy. Labor has pledged to build 1.2 million new homes over the five years to mid-2029 but is on track to fall between 250,000 and 300,000 short.

References
Treasurer's transcript: Joint press conference, Belconnen, Canberra - 10 May 2026

Productivity package
The Budget Overview: Resilience and reform says the Government's productivity reforms will reduce regulatory burden by $10.2 billion each year, boost long-run GDP by around $13 billion a year, and progress 13 of the 17 reform areas identified by the Productivity Commission's five pillar inquiries.

The Budget includes measures to boost productivity by "better selecting migrants and recognising their skills" at a cost of $1.6 billion over the Forward Estimates.

It also includes $654 million in spending to establish a Digital ID, to boost productivity. Productivity will also be enhanced with $760 million in spending over the Forward Estimates for Promoting Research, Development and Innovation including Australia's Economic Accelerator program.

The Budget Overview: Resilience and reform says, "The Government's productivity reforms will reduce regulatory burden by $10.2 billion each year, boost long-run GDP by around $13 billion a year, and progress 13 of the 17 reform areas identified by the Productivity Commission's five pillar inquiries."

References
Budget Overview: Resilience and reform

NDIS
Ahead of the Budget the Albanese Government announced a major overhaul of the National Disability Insurance Scheme designed to save $35 billion in expected cost increases over the next four years and a claimed $150 billion over the next decade.

The changes, broadly outlined by Health, Disability and Aging Mark Butler, were included in the Budget. They would be “easily the most important part of the savings package that we will present on budget night,” Treasurer Jim Chalmers said.

Under the changes:
- People with lower support needs will be moved off the scheme and over the next two years the average spending on plans will reduce to about A$26,000 – back to where it was in 2023 – down from the current $31,000.
- Spending on third parties who manage most NDIS plans and claims will be cut by 30 per cent, and more providers will need to be registered, particularly those giving personal care.

Mr Butler said the changes would cut the number on the scheme, currently 760,000, by 160,000 to about 600,000 by the end of the decade, instead of the number growing to well over 900,000.

Spending growth will be about 2 per cent a year for the next four years, only half the current inflation rate, before rising to about 5 per cent annual growth after that. At present the NDIS cost is growing at 10 per cent.

Instead of a projected $70 billion in 2030, the cost of the scheme will be about $55 billion, Mr Butler said. Currently the scheme is costing about $50 billion.

Despite earlier speculation, the reforms do not remove particular conditions from NDIS eligibility. Under new rules eligibility will depend on people’s level of disability. Changes will apply to those presently on the NDIS as well as to new entrants. There will be tighter criteria for unscheduled reassessments of plans, as well as tighter assessment of support for new entrants. Plan rollovers will be ended and a stop will be put to unspent funds being rolled over. Diagnosis lists will be removed as the means of entry to the scheme.

Mr Butler said, “Part of the challenge we face is that the NDIS has become a soft target for shonks and rorters – as well as the worst elements of organised crime”.

He said, “These reforms are about much more than budget savings. This is about saving the NDIS itself.” He said, “If we act now, we can safeguard and strengthen it, so that it serves Australians it was created to help…. But if we wait, if we hang back, if we imagine that hard choices can wait for easier times. Then the decision will simply be taken out of our hands. The social licence will be lost. And the NDIS will not be able to deliver what Australians with disability deserve.”

NDIS participants will see changes from July as Labor seeks to reduce the frequency that plans are reassessed, stop rolling over unspent funds every year, and cut social and community activity budgets.

The government faced a sharp backlash from some – but not all - disability representatives. Several welcomed the changes. An NDIS co-architect and chief executive of Aruma Disability Services, Martin Laverty, who backed the overhaul, said the permanently and significantly disabled should be assured by the criteria because their functionality would not be in doubt.

However many expressed concern at the lack detail so far.

The Morrison government proposed independent assessments of all participants in 2021 when the scheme began to spiral out of control, but was opposed by Labor and the disability sector.

The government will provide an extra $10 billion to support those removed from the NDIS, with the money to be diverted into state services. The reaction of states, which are to be required to fund 50 per cent of the cost under the “Thriving Kids” program aimed at those with less severe disabilities, was mixed. The Queensland Government was strongly critical of the plan but New South Wales premier Chris Minns said the NDIS needed to be on a firmer financial and economic footing. “I’m not going to throw sand in the gears of the federal government. They’re grappling with an issue that, if I were in their shoes, I’d be doing the same thing.”

State and territory governments raised concerns that they won’t be able to support the 160,000 people removed from the NDIS in the Albanese government’s major budget cuts. NSW Premier Chris Minns said, “We can’t provide equivalent care in the state system” because the state is “flat out providing basic health care in our schools and our hospitals”.

Queensland Health Minister Tim Nicholls said the NDIS cuts would not “scratch the surface” in resolving issues of bed blocks in hospitals and Commonwealth supports should provide access to residential aged care, home care or the NDIS. Queensland has refused to sign on to the $4bn Thriving Kids state-run program for children with autism, arguing that federal funding will not be enough to support the thousands of people removed from the NDIS.

Autism Awareness Australia CEO Nicole Rogerson said the changes were “long overdue” to address fraud and a “runaway train of costs” but the government might have made the changes “too soon before some of the state services are ready to go”.

Opposition disability spokeswoman Melissa McIntosh described the reforms as a “complete bombshell” that had caused “mass anxiety”. But Shadow Health and Aged Care Minister Anne Ruston was more positive, saying the Coalition supported measures which “maintain the integrity” and “sustainability” of the NDIS. She told Sky News Australia that the Coalition wants assistance given to people the NDIS was “originally designed” for. “So, we will support any sensible measures that the government puts forward.”

Greens senator and disability spokesperson Jordon Steele-John warned the changes will significantly impact NDIS recipients, and that "thousands of families will live for weeks, months, if not years, in the anguish and uncertainty if they are next to lose their supports".

Mr Butler also announced significant clampdowns to weed out cost overruns, unregistered providers and fraud. Many more services will now require a registered provider and electronic payments will be introduced, all with the aim of cutting provider costs by 30 per cent. “Not every provider needs to be fully registered. We don’t need to monitor retail purchases from a chemist the same way we monitor close personal care of vulnerable people,” he said. “But we will expand categories of mandatory registration to include the higher-risk activities – personal care, daily living supports, and supports provided in closed settings.”

Mr Butler said everyone on the scheme, as well as those trying to access it, would be reassessed against the new criteria, not just children as originally flagged. The process, to begin in 2028, will be standardised, evidence-based assessments of a person’s functional capacity to determine access to the scheme, replacing the use of lists that decide a participant’s eligibility based on diagnosis, such as autism.

<u>References</u>
[Ministerial media release: Securing the future of the NDIS for future generations]
[Treasurer’s press conference: Press conference, Parliament House, Canberra - 20 April 2026]

<u>Aged care</u>
As part of a major shakeup in the health, disability and aged care portfolios, the Government announced ahead of the Budget that it will abolish the controversial aged care co-payment for people receiving in-home assistance with showering, dressing and support in managing continence.

The $50 co-payment, which commenced only last November, triggered widespread concern in the aged care sector. The change will be funded by the abolition of the additional private health insurance rebate paid to those over 65 with private insurance.

The government said about 3.2 million older people would now have to pay, on average, between $226 and $255 more a year, with 44,000 older Australians expected to ditch their private health insurance as a result.

Under the aged care reform program brought in by the Albanese government which started last year, clinical care is free but showering and similar personal help fell into the category of services for which the person is charged a co-payment. From the start, it was pointed out by stakeholders that showering is essential and should belong in the free category. The Government said in a statement, “The changes respond directly to feedback from older Australians, their families, advocates and providers, who have made it clear that these personal care services are essential for people’s independence and ability to stay at home”.

Private Healthcare Australia, which represents the health insurance sector, estimated the change will cost about 1.4 million older people up to $640 a year depending on their level of coverage.

But Health, Disability and Aged Care Minister Mark Butler said the Howard-era policy of giving over-65s a higher private health insurance rebate had become “harder to defend” because it meant two households on the same income received different levels of government support based only on their age.

Under the existing policy, people aged 65 to 69 get back 28 per cent of the cost of their private insurance premiums. Those older than 70 get 32 per cent back, while people younger than 65 receive a 24 per cent benefit. “That’s not fair between generations,” Mr Butler said in a speech at the National Press Club in Canberra ahead of the Budget.

References
Ministerial media release: More beds, more packages and better care for older Australians

Defence spending

Ahead of the Budget the Government published its 2026 National Defence Strategy, which charts the strategic risks the country faces and the funding needed to meet those challenges. Elements of the spending are included in the 2026 Budget.

The Government said defence spending would climb to 3 per cent of GDP by 2033 under NATO measurements, increasing by $53 billion over the next decade. Funding includes a $14 billion lift in spending over the next four years.

The Australian Strategic Policy Institute said Australia’s new National Defence Strategy displays three different ways of counting defence spending. “There’s the Defence portfolio’s appropriation from government; the appropriation from government plus Defence’s own-source revenue; and, newly introduced, Defence’s interpretation of the NATO measure of defence spending. These numbers differ from one another considerably. While each serves a purpose, use of all three hasn’t made the National Defence Strategy (NDS) a markedly more transparent document.”

The ABC reported (15 April) the $53 billion increase in spending takes into account some projects that have already been announced, including $12 billion towards the upgrade to the Henderson shipyards in Western Australia. It also includes between $2 billion and $5 billion on new investments into drone technology. Defence Minister Richard Marles said expanding Australia's fleet of autonomous and uncrewed systems will help keep the nation safe and boost Australia's sovereign defence industry.

The bulk of the additional spending is due towards the back end of the coming decade, like $8.7 billion in 2033-34, and $9.8 billion in 2034-35.

Australian defence spending has typically been measured at roughly 2 per cent of GDP and forecast to rise to 2.33 per cent by 2033. But the government has more recently argued that if Australia's defence bill is to be compared to other countries, NATO's methodology for measuring defence spending should be used. Under that measurement — which includes some pensions for retired Australian Defence Force members, defence-related funding in other portfolios, housing subsidies for defence personnel and more — the government says defence spending as a share of GDP will climb from 2.8 per cent now, to 3 per cent in 2033.

Not all of the increased spending will appear on government books in the Budget. The increase is expected to be partly funded through the sale of high-value defence real estate, flagged last year. And some will come through what the government is calling "alternative financing", which might include taking equity stakes in companies or investing in government-business enterprises. The government has also flagged "reprioritisations" within the plans.

References
[Minister's media release: 2026 National Defence Strategy and Integrated Investment Program]

Fuel – storage
The Budget includes a $7.5 billion Fuel and Fertiliser Security Facility to support additional fuel supply and storage.

Ahead of the Budget and following oil supply disruptions from the Middle East war, Prime Minister Anthony Albanese on 6 May announced the Budget would include a multibillion-dollar package to boost the nation's fuel supply to a minimum of 50 days on average.

The funding package includes $3.2 billion to establish an Australian Fuel Security Reserve, a 1 billion litre government-owned stockpile, Australia's first since World War II. The current fuel security policy relies on privately owned fuel and storage facilities

Mr Albanese said the stockpile "is aimed at making sure that Australians can have more confidence in protecting our energy sovereignty"

A further $7.5 billion will be used to support fuel companies to access loans, insurance and equity to buy and store more fuel, with the funding already utilised by Ampol, BP Australia and Viva Energy to secure millions of litres of extra diesel and jet fuel

Refiners and importers are currently required to store between 20 and 32 days of emergency supplies, but as the Strait of Hormuz has remained closed, some have questioned if Australia has adequate supply in times of crisis.

The plan also includes $10 million for feasibility studies into new or expanded refining capabilities. These studies would be co-funded with state and territory governments. Australia's previous multiple oil refineries have shrunk from eight to just two, one of which, near Geelong, recently had a serious fire.

The plan will raise the Minimum Stockholding Obligation by about ten days for every type of fuel. The measures would expand Australia's onshore reserve to at least 50 days supply and storage of diesel and aviation fuel.

The government aims to have its plan fully in place by 2030. It would be financed off budget meaning it doesn't hit the budget's bottom line. Much of the detail remains to be worked out.

Prime Minister Anthony Albanese briefed national cabinet on the package on Wednesday before the announcement. Opposition Leader Angus Taylor said the government didn't go far enough and that "the minimum stockholding obligation should get to 60 days".

Tony Wood, from the Grattan Institute's climate change and energy program, told *The Conversation* the government's planned modest increase in onshore storage was probably a good idea. But he said there were a lot of questions about the proposed government-owned storage facility. These included how it would be managed, how the fuel would be used and who would pay for it.

Mr Wood criticised the provision for feasibility studies for new refineries as a "dumb" idea given Australia was not producing oil to refine. There has been speculation about development of the Taroom Trough in Queensland, but the economic viability of this is unknown. He said the emphasis should be on encouraging electric cars and trucks, and also looking at biofuels.

The Queensland government recently announced a plan to make available state-owned land for potential oil storage and refineries near ports.

References

Prime Minister's media release: Government securing more fuel reserves - the Australian Fuel Security and Resilience package

Inland rail

Ahead of the Budget the Government announced it will terminate future construction of the Melbourne to Brisbane inland rail link at Parkes in western NSW, after the latest study of the project found the cost is likely to blow-out to $45 billion, from its originally estimated $16.4 billion.

The termination will be included in the Budget. Although the project was off-Budget its termination will produce Budget savings through lower borrowings and interest charges. The Government has not announced details of the expected savings.

Infrastructure Minister Catherine King said in a statement, “The Government has taken the decision to consolidate the Inland Rail project by completing construction between Beveridge in Victoria and Parkes in New South Wales by the end of 2027.

“This will enable double-stacked freight trains to travel between Melbourne and Perth, via Parkes.

“This follows independent cost assurance work completed by ACIL Allen Pty Ltd, which has confirmed the cost estimate now exceeds $45 billion to deliver the full Inland Rail project from Melbourne to Brisbane.

“This is more than three times the current budget allocation and this work also confirmed that the project cannot be delivered until at least 2036.”

The Government will preserve the rest of the rail corridor to Brisbane in the unlikely event a future government rejuvenates the project, while injecting $1.75 billion into the Australian Rail Track Corporation to bolster the existing rail freight network.

The decision brings to an end one of the more controversial infrastructure projects that began in 2015 when Barnaby Joyce, then a minister in the Coalition government, launched the scheme with the claim that it would cost $10.7 billion and be finished by 2020.

The then-Nationals’ pet project was an off-budget scheme, meaning the government would borrow the money to build it but not deduct that cost from the budget bottom line because it would retain the asset, supposedly of equal or increased value.

The government has not said how much would be spent to complete the link to Parkes, nor whether the rail link would be worth what was paid for it.

When Labor won government in 2022, it commissioned a review by former head of the Energy Security Board Kerry Schott whose findings were scathing. It found the estimated cost of delivering Inland Rail had increased from $16.4 billion in 2020 to at least $31.4 billion in 2022 with very little certainty on the actual cost to deliver the project, primarily due to delays and immature preliminary designs. While the project was “important” in that it could eliminate 750,000 tonnes of emissions a year by 2050 as rail replaced road, it was not only “late and over budget” but there were so many questions about the details that Schott said further blowouts were almost inevitable.

References

Ministerial media release: Record investment in the freight rail network and consolidating Inland Rail

Melbourne Suburban Rail Loop

The Budget includes an additional $3.8 billion in funding for Melbourne’s Suburban Rail Loop East, bringing the federal government's total contribution to over $6 billion.

The new funding supports the construction of a 26-kilometre underground rail line connecting Cheltenham to Box Hill, which is expected to support 70,000 new homes. The Guardian

The 26km project will connect major rail lines at Cheltenham, Glen Waverley, Box Hill, and Clayton, creating an orbital network, rather than the traditional radial system. Positioned as a major driver of housing supply, the project aims to support 70,000 new homes across Melbourne's eastern and south-eastern suburbs. Tunnelling for the project is scheduled to begin this year, with the overall 90km project aimed for completion by 2035.

References
[Prime Minister's media release: Investing in suburban Rail Loop East for a more productive and better-connected Melbourne]

Counter-terrorism centre
Ahead of the Budget the Government announced it will establish a national centre to detect and disrupt the threat of online violent extremism and terrorism.

The Budget will provide $74 million over two years to establish the Counter Terrorism Online Centre. The Centre will be operated jointly by ASIO and the Australian Federal Police. They will work with local and international law enforcement authorities. The initiative reflects the mounting concern about how young people can be manipulated online by those engaged in terrorism, the Home Affairs Minister Tony Burke said in announcing the plan.

The previous week the Royal Commission on Antisemitism and Social Cohesion said in its interim report that despite an overall increase in funding for the national intelligence community, “the proportion of funding allocated to counter-terrorism significantly declined across the NIC over the period from 2020 to 2025”.

Home Affairs Minister Tony Burke said that at the new centre, specialist counter-terrorism investigators and intelligence analysts would monitor high-risk online spaces, assess threats and coordinate disruption of extremist content and activity, including by covert online engagement.

References
[Ministerial transcript: Press Conference, Canberra - 6 May 2026]