

Budget Edition

2026 Newsletter



Hi Curtin,

Yesterday, the Government handed down its annual Budget.

There's always a lot of fluff and exaggeration in the commentary around the budget – from both sides. In this newsletter, I'm cutting to the chase – and trying to summarise the key measures announced in the budget and **what it means for you.**

There's a lot of uncertainty surrounding this budget – no one really has any idea when the war in the Middle East will end, and we seem to be entering an era of rolling global shocks.

All in all, I think that there are some good changes in this Budget. There is finally some ambition on **tax reform**, shifting some tax burden from active to passive income, which I have been pressing for over the last four years:

- the **capital gains tax discount and negative gearing** will be reformed to even the playing field for first home buyers;
- there is a small income tax cut – **all working Australians will receive a \$250 tax offset every year** from 2027-28; and
- distributions for **trusts will now be taxed at 30%.**

There are some small steps on productivity, like making the \$20,000 instant asset write off permanent for small businesses and an increase to investment

in medical research from the MRFF (a win!). But, overall, these are not radical and there's more to do here.

There are also some significant missed opportunities in this Budget. There are **no improvements to how we tax gas**. There's not much investment in our long-term energy security by better supporting the net zero transition. **Inflation is high and our budget deficit continues to grow**, while our growth rate reduces, even with ambitious assumptions about how quickly the Middle East conflict will wrap up.

Disappointingly, there is very little in this budget to support **students**, those experiencing **poverty or homelessness**, or to protect our **climate and environment**.

Keep reading below for my key takeaways from the budget.

Best wishes,

Kate

Budget key takeaways

Immediate support

Cost of living

Every working Australian will receive a \$250 tax offset every year, from mid 2028. I welcome tax cuts, but indexing tax brackets would be a much more permanent structural improvement. Like any additional payment, this may have an inflationary impact. At \$6.4 billion over the next 4 years, this could have had a bigger impact for those most affected by cost of living pressures if it were more targeted.

While I have consistently advocated for spending restraint, I recognise that times are tough at the moment for **students, those experiencing homelessness or poverty** and other vulnerable Australians – and targeted support could make a big difference. Less than half a day of proper taxes on gas exporters could have funded food pantries around Australia who were desperate for an additional \$10 million of funding.

I have spoken in Parliament about the youth housing gap, which I'm glad to say has been addressed in the Budget, with \$59million in support for community housing providers to level the playing field for younger people experiencing homelessness.

Other previously announced cost of living measures will also kick in. The income tax cuts announced before the 2025 election will start and working Australians will be able to receive an instant tax deduction of up to \$1,000 from the next financial year.

Inflation is high and projected to peak at 5% mid-year. It could increase further if the Middle East conflict continues.

Fuel security

The Government is taking action to **secure additional fuel supplies and increase our domestic reserves**. It has announced \$10.7 billion to increase our supplies of diesel and jet fuel to 50 days. We only had about 30 days at the start of the Middle East conflict.

However, meaningful **action to build long-term energy security is disappointing**. Transitioning to an economy powered by renewables is the best way to secure our energy supplies. The sun and wind do not have to travel through the Straits of Hormuz! The Government has taken its foot off the pedal with the energy transition.

Constituent issues

Housing

After four years of driving the conversation around capital gains tax and negative gearing, **we finally see reform!** I'll talk about the specific changes a bit later – in the tax reform section – but this will make the playing field fairer for first home buyers.

The Government has also announced \$2 billion to build enabling infrastructure, like water and sewerage, to support the construction of 75,000 homes.

There's so much more to do here – you can see 15 policies to improve housing that I have been calling for [here](#).

NDIS

There is not a lot of new information in the Budget in relation to the NDIS changes the Government announced on 22 April and which are expected to save \$37.8 billion over the next four years. We do know that the Government is committing \$2 billion to deliver Thriving Kids, with funding matched by states and territories, and a further \$3 billion to establish supports outside the NDIS. The Government will also spend \$19.2 million to support the design of the new assessment of functional capacity which will determine access to the Scheme.

I know that these changes in particular are causing a lot of anxiety for people who rely on the NDIS and their families and carers. We should know more when the Government introduces legislation this week. I will be pushing for certainty, transparency and alternative supports for people affected by any changes the Government brings forward.

Aged care

In a win for community advocacy, the Government will now **fund a wider range of personal care services**, including showering, in the Support at Home Program, free of charge. I wrote to and met with the Aged Care Minister calling for this change on behalf of constituents and their families, so I am really pleased to see this change. There is also additional funding for dementia support and increased funding for construction of up to 5,000 new aged care beds per year.

Health

There are some positive outcomes for our healthcare system. The Government is forking out **\$25 billion to support public hospitals**. It is investing **\$5.9 billion to list more medicines on the PBS**, including subsidising cervical cancer treatments through the PBS. It is investing an additional **\$1.8 billion in Medicare Urgent Care Clinics** – like the one in Osborne Park.

Funding from the Medical Research Future Fund will also increase up to the full \$1 billion in 2030 – after our strong advocacy. This will be very welcome for the large number of high-performing research institutes in Curtin.

For those over 65, the private health rebate will reduce to align with the rebate for younger Australians.

We still need increased and long-term support for mental healthcare. The Government has announced a 12-month extension to the National Mental Health and Suicide Prevention Agreement – but funding here needs to be much longer-term.

Climate and environment

This Budget is very disappointing from the perspective of the climate and the environment. Most existing programs remain in place, but there are **very few additional measures** to drive the net zero transition. This is a problem – we need more investment in this area to secure our long-term energy supplies, reduce energy bills, protect our environment, diversify our economy, and future-proof our export industries.

One positive change is that the **superannuation performance test** is being modified to allow super funds to invest in long-term projects, like renewables, green iron and critical minerals projects.

The Fringe Benefits Tax (FBT) **exemption for EVs is being slowly phased down** from April 2027. This is sensible – this tax measure has worked well to kickstart our EV industry, but it is very expensive. It is a bit ridiculous that this measure is being reformed before the diesel fuel tax credits are – which continue to give billions of dollars to some of the wealthiest mining companies to continue burning diesel.

There are measures to **accelerate approvals through the new environmental laws** (EPBC). This is something I will be watching closely. We want to build important projects faster – like renewables, housing and critical minerals. But we must not sacrifice environmental standards to do this.

No improved taxes on gas exports and no additional support for renewables. Imagine all the additional budget measures that could be funded by a sensible tax on gas exports!

Defence

The Government is **ramping up expenditure in defence**. It is investing an additional \$53 billion over the next decade. This is a lot of money – but the geopolitical environment is increasingly uncertain (including the reliability of some of our oldest allies!). There is also \$800 million allocated to support our veterans, in line with recommendations of the Royal Commission into Defence and Veteran Suicide.

Long-term view

Balancing the budget

Disappointingly, government spending remains at record levels. At 26.8%, it is the **highest level of government spending in 40 years**, outside of the COVID-19 pandemic. In an era of rolling global shocks, it is important for us to have money in the bank to deal with future crises, but **our deficit remains high**. The Government does project that the deficit will decrease in 2029-30, but this seems to be highly dependent on very ambitious (read: unrealistic) savings in the NDIS.

That being said, the Government has taken steps to reduce spending with cuts to the NDIS and a phase-down of the fringe benefits tax exemption for EVs. The devil will be in the detail on the NDIS cuts.

Tax reform

There are significant changes to the capital gains tax discount and negative gearing. This is something I've been spearheading since I was first elected in 2022 – back when I was told that it was political suicide to talk about these things! Thank you to everyone in the community who wrote to me about this issue and joined my different community events – I have no doubt that **this change would not have occurred without people like you**, across Australia, telling the Government that enough was enough.

The **capital gains tax discount** will move to the pre-1999 indexing model from July next year. Investment in new homes will still receive a 50% discount, but for existing homes, the impact of inflation will be calculated and

discounted (inflation-adjusted indexation) – so only real gains are taxed. This change includes transitional arrangements that are fair for Australians who made investment decisions before this change.

I am concerned by the impact of expanding this reform beyond housing, to all assets. I am glad that the budget announces that there will be further consultation to ensure that this change does not impact investments in productive assets – particularly investments in the tech and start-up sector.

Negative gearing will now only apply to new homes, not existing homes from 1 July 2027. This reform will be grandfathered – so if you are currently negatively gearing a property, you will be able to continue.

Distributions from **discretionary trusts** (excluding primary production income) will be taxed at a minimum rate of 30% from July 2028. This is an important change given the number of trusts has doubled over the past 20 years. While trusts often play a role in business and family planning, it's not sustainable to have trusts paying significantly lower tax rates than workers.

There are some **missed opportunities** to improve our tax system. The biggest one: **no improvements to how we tax gas exports**. So many of you have written to me about this issue. Australians do not get a fair share for our gas resources. This is an issue I will keep fighting for.

Another missed opportunity was on **diesel fuel tax credits**. Limiting the rebates handed to some of the biggest and most profitable mining companies in Australia would save a lot of money and remove the incentive to continue burning fossil fuels.

A third missed opportunity was indexing tax brackets. This means that bracket creep will continue to slowly increase taxes on working Australians, year after year. Instead of the \$250 tax offset, the Government should have **indexed tax brackets**. This would provide more support for Australians and also ensure that the Government has to be more disciplined with its spending – instead of relying on gradual hidden increases in income tax.

Productivity, growth and business

Productivity remains sluggish. Alongside the Middle East conflict, this is why **inflation has risen** to 4.6% and will continue to rise. The Government projects that **economic growth will slow** from 2.25% this year to 1.75% next year.

Long-term growth requires reforms to improve productivity. I don't think the government is doing enough here, but it has made a number of changes in the right direction, like:

- **making the \$20,000 instant asset write-off for small businesses permanent** (something I've pushed for ages);
- **better targeting and increasing the support for R&D** in companies through the R&D tax incentive;
- **permanently introducing two-year loss carry-back** for all companies up to \$1 billion in turnover;
- introducing **loss refundability for start-ups** to help new businesses invest and grow in their first two years;
- overhauling the testing and process of skilled migrants;

- **cutting red tape** facing the financial sector; and
- **improving the superannuation performance** test to increase investment in long-term productive assets like renewable energy and critical minerals.

Conclusion

Despite the concerning level of spending, this is the most ambitious Budget that this Government has delivered (it's a low bar!). There are some real missed opportunities but there are also some genuinely positive steps in the right direction.

Events in Curtin

May Community Forum

Bring your questions or issues and hear what's been happening in Canberra! On the agenda will be reflections on budget week and the Government's disappointing response to the Murphy Report into gambling harm.

Date: Wednesday 20 May

Time: 5:30pm - 6:30pm

Location: The Morris, 2 Morris Rd, Innaloo

RSVP

Social Media

Don't forget to follow me on social media. It's the best way to keep up-to-date and find out about my upcoming events!



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We acknowledge the Whadjuk Noongar Peoples as the Traditional Custodians of this land and pay our respects to their Elders past and present.

Authorised by Kate Chaney MP, Cnr The Boulevard and Floreat Ave, Floreat WA 6014

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