Gender Lens on the 2026 Budget

Policy area: Taxation
Portfolio / agency: Treasury, Australian Taxation Office
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Key Portfolio Issues

Tax reform was a central theme of this Budget. The changes are an important step forward in reducing the tax concessions on investment income and reducing taxation on income from market labour.

The Budget was framed as addressing intergenerational inequity. While the data show that most investment income is received by older Australians that analysis is too simplistic, as many older Australians do not hold assets, including owning their own home. It would be more correct to characterise the reforms as addressing wealth inequality.

The gender implications are indirect and fall within Priority area 3: Economic equality and security in the Australian Government's Working for Women: A Strategy for Gender Equality. Women are more likely to be in lower tax brackets, and less likely to own assets, therefore a more progressive tax system across income from labour and investments will support gender equality. The progress that has been made on closing the gender pay gap is reflected in the data on the tax paid by women.

Budget Measures

The Budget introduced:

- measures that address the asymmetry between the treatment of negative gearing on rental properties and the taxation of capital gains
- a withholding tax on distributions from family trusts that concentrate wealth in the hands of family groups

- a new tax offset of $250 for all working Australians, in addition to the $1,000 standard deduction and the tax cut legislated to apply from 1 July 2026
- scaling back the Fringe Benefits Tax exemption for electric vehicles, and
- tax measures to encourage innovation and productivity.

The net effect of the tax changes in this Budget is to redistribute the taxes that will be collected through the changes to taxation on property and trusts. The changes will take effect from 1 July 2026 and 1 July 2027 respectively, so the effect is deferred until the 2028 year onwards.

	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Changes to negative gearing and Capital Gains Tax				1,350.0	2,280
Minimum Tax on Discretionary Trusts					4,470
$1000 Instant Tax Deduction for work-related expenses [##]				-1100.0	-1300
Working Australians Tax Offset				-3020	-3360
Net effect				-2770	3070

Budget Paper No 2, p 3-4.

[##] Provided for but not announced in MYEFO. Costing taken from Parliamentary Budget Office 2025 Election costing.

Note that the effect of the Income Tax Cuts announced in the 2024-25 Budget have not been included in this table as they have been legislated.

Changes to Negative Gearing and Capital Gains Tax

This proposal is framed around improving access to the residential housing market by reducing investor activity and allowing home buyers to compete in the market. This consists of a two-pronged approach to address the asymmetry between the deductibility of interest on income producing assets and the discounted capital gain included in income after the asset is sold. For more details on this asymmetry please refer to the NFAW submission to the Select Committee on the Operation of the Capital Gains Tax Discount.

The changes to negative gearing specifically target the residential housing market, and do not apply to other classes of assets. For residential housing acquired after 12 May 2026 the interest paid on a loan will only be deductible to the extent of income earned from residential housing. If the interest paid exceeds the income earned from all residential properties, the excess interest expense can be carried forward and deducted from income in future years or from the capital gain on the sale of residential properties. Properties owned, or under contract at 12 May 2026 will not be affected by this change.

The capital gains tax changes apply across all classes of assets, although existing measures that exempt a person's main residence and allow concessions on the sale of a small business will remain in place.

The first change is that the current 50 per cent discount on capital gains will revert to an allowance for indexation. This change will take effect from 1 July 2027, with capital gains on all assets after that date, whether acquired before or after 1 July 2027, calculated based on a 50 per cent discount on the increase in value to that date, and indexation after that date.

The second change is that there will be a minimum tax rate of 30 per cent applied to the assessable capital gain. This will ensure that people who defer the sale of assets until a year when their taxable income is lower, for example following retirement, will pay tax at the nominal base rate of 30 per cent. This measure will not apply to people who are in receipt of the Age Pension or other income support payments.

The effect of the grandfathering arrangements mean that the revenue gains will be deferred to the 2028-29 year and will increase in future years.

There is a specific exemption from the negative gearing and CGT changes for investments in new builds which include off-the-plan apartment purchases; urban infill projects or properties that have not been occupied for 12 months. It also applies to investments in other entities that build affordable housing or build-to-rent projects. This is intended to increase housing supply. These purchasers will be able to opt to apply the 50 per cent discount when calculating the capital gain and will be able to deduct the interest on the loan from other classes of income.

Minimum Taxation on Discretionary Trusts

This proposal will impose a minimum tax of 30 per cent on distributions from family trusts with the beneficiary receiving a non-refundable tax credit for tax paid by the trustee. Where the trust receives franked dividends, the franking credit must be applied to this minimum tax and can no longer be directed to a nominated beneficiary. The

intention is to reduce the capacity for a trust to distribute income to beneficiaries in a way that minimises the tax payable by the family group.

There will be exemptions from this regime for trusts established for specific purposes including superannuation funds, special disability trusts, deceased estates and charitable trusts or to income applied to support minors in specific circumstances. Trusts established to hold farming property are specifically excluded.

The Tax Expenditure and Insights Statement (TEIS) shows that while the number of men and women receiving trust distributions is similar, men receive 53 per cent of distributions, about $5,000 more on average.

Income Tax Cuts to Individuals

The Government is listing three measures in this category, including the tax cut that has already been legislated. The two new measures are intended to reduce the tax paid by taxpayers deriving their income from labour rather than from investments.

1. A reduction in the tax rate at the lowest tax bracket. This reduction has already been legislated with a reduction from 16 per cent to 15 per cent from 1 July 2026, and to 14 per cent from 1 July 2027.

2. An instant tax deduction of $1000 per annum for work related expenses. This was announced during the 2025 election campaign as a simplification measure as it removes the need to retain evidence for work related expenses. Taxpayers with expenses in excess of $1000 can still claim the actual cost of those expenses, however the instant deduction replaces other standard deductions currently available, for example for laundry or home office expenses.

3. A proposed Working Australians Tax Offset of $250 for all Australians with income from employment, including self-employed Australians. This will be non-refundable if the tax payable is less than $250 and effectively raises the tax-free threshold to $19,985 (or $24,985 if also eligible for the Low Income Tax Offset). The Working Australian Tax Offset (WATO) will be indexed annually. Workers who earn less than the new tax threshold will not receive the full benefit of the offset.

Productivity Measures

There are a number of measures proposed to support small business and innovation to support productivity. These include:

- Changes to the Research and Development Tax Concessions including making it more accessible for smaller businesses and increasing the type of activity eligible for the concession,
- Making the $20,000 threshold for instant write-off of capital assets permanent. This concession has been set at $20,000 since 1 July 2023, following temporary increases as part of the Covid economic measures,
- Expanded tax incentives for venture capital, and
- Loss carry back provisions to enable businesses that incur losses to recoup them from income taxed in previous years.

Gender implications of this budget measure

Women benefit from a progressive tax and transfer system. Significantly the overall effect of the tax changes in this Budget is to redistribute tax benefits away from investment income to tax cuts for labour market income. Although the cost of the instant tax deduction was not released in the Budget or MYEFO, based on the Parliamentary Budget Office costings it appears that the bulk of the tax collected from the increased tax on investment income will be returned to taxpayers earning labour market income over the forward estimates.

While this rebalancing is needed, it does not address the poverty experienced by welfare recipients who are outside the tax system.

The gender implications of the taxation system stem from the relative financial position of women. Women are overrepresented in the lowest tax brackets as a result of the gender pay gap and lower participation rates as they balance work and care. They are also less likely to be receiving income from investment assets. Treasury has included a gender analysis of tax distributions in the TEIS (Chart 2.2).

A progressive tax system also facilitates the payment of targeted benefits including child care subsidies, family tax benefits and income support payments: all of which support women's economic security.

Capital Gains Tax, Negative Gearing and Discretionary Trusts

The TEIS clearly shows that women are less likely to benefit from all of the major tax expenditures except the Medicare Levy Low Income Thresholds and the Senior Australians Tax Offset, both of which target the lowest income brackets.

The proposed changes to Capital Gains Tax and Discretionary Trusts scale back the extent of the concessional taxation on investment income. Women are less likely to

benefit from these tax concessions as they are less likely to have the financial capacity to build investment portfolios:

Table 2.1 Distributional impact of large expenditures and deductions by gender

	Average amount ($)		Recipients (million)		Share of total amount (%)	
	Men	Women	Men	Women	Men	Women
Concessional taxation of super contributions (*benefit)*	2,490	1,610	6.7	6.6	61	39
Concessional taxation of super earnings (*benefit)*	1,700	1,170	9.0	8.6	60	40
Capital gains tax discount for individuals and trusts (*benefit)*	21,010	15,930	0.4	0.4	58	42
Medicare Levy low-income thresholds (*benefit)*	320	330	2.1	2.8	42	58
Seniors and pensioners tax offset (*benefit)*	970	990	0.2	0.4	35	65
Individuals' deductions for gifts and donations *(benefit)*	1,150	690	2.1	2.3	61	39
Unincorporated small business tax discount *(benefit)*	600	570	0.9	0.6	61	39
Medicare levy surcharge *(liability)*	1,450	1,140	0.5	0.3	63	37
Rental deductions *(benefit)*	9,790	7,710	1.2	1.2	57	43
Work-related expenses *(benefit)*	1,220	750	5.6	5.2	63	37
Cost of managing tax affairs and other deductions (*benefit*)	300	190	3.7	3.2	64	36
Trust distributions to individuals (average amount)	41,310	36,360	0.9	0.9	53	47
Franking credits received by individuals (average amount)	6,840	5,800	1.8	1.8	55	45

(*TEIS*, Table 2.1)

The changes to investment income do not apply to the income of superannuation funds. Superannuation funds pay concessional tax rates on all income and receive a discount of 33 1/3 per cent on capital gains included in income. One effect of the proposed change to the capital gains tax rules could be that more funds are switched to superannuation funds within the legislated caps. In time this will exacerbate the gender imbalance in superannuation tax concessions.

Income Tax Cuts to Individuals

Changes to the lowest tax rate are not progressive as they give the same tax cut across all tax brackets. However they have a more gender equitable outcome than flattening the tax rate in the higher tax brackets as women are overrepresented in the lowest tax brackets.

The new WATO will also give the same tax benefit across all income tax brackets. It is targeted at taxpayers who earn income from labour and as such is not means tested. The lack of means testing means that there is no disincentive effect from increased Effective Marginal Tax Rates.

The instant tax deduction is likely to increase the deduction claimed by women who currently claim an average of $750 per annum compared to men, who claim an average of $1,220 per annum. However the nature of a tax deduction means that the benefit is

higher for workers in higher tax brackets so the actual refund will be higher for men than women.

The productivity changes are important, however there is insufficient data to understand the gender impacts. In the detailed design work relating to the Research and Development tax concessions and Venture Capital tax incentive proposals gender all targets for employment and investment should be included. For more detail, see the paper on Women's Entrepreneurship.

Recommendations

NFAW recommends:

- That gender targets for employment and investment should be included in the detailed design work relating to the Research and Development and Venture Capital proposals, and
- Increased revenue from the changes to the taxation system should be directed to increasing support to people on income support who are outside the tax system.

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