MALAYSIA AUSTRALIA BUSINESS COUNCIL

AUSTRALIAN TAX CHANGES FROM 1 JULY 2026

The start of the 2026–27 financial year brings several significant tax and superannuation changes for Australian tax resident. The key developments include a reduction in personal income tax rates, the introduction of Payday Super, changes to superannuation thresholds, and the announcement of future reforms to negative gearing and capital gains tax.

1. Personal Income Tax Cuts

From 1 July 2026, the tax rate applying to taxable income between $18,201 and $45,000 falls from 16% to 15%. This change was legislated following the 2026–27 Federal Budget and applies to all Australian resident taxpayers.

The resident individual tax rates for 2026–27 are:

- A$0 – A$18,200: Nil
- A$18,201 – A$45,000: 15%
- A$45,001 – A$135,000: 30%
- A$135,001 – A$190,000: 37%
- Over A$190,000: 45%

For taxpayers earning A$45,000 or more, the reduction delivers a maximum annual tax saving of approximately A$268 compared with 2025–26. The Government has also legislated a further reduction of this marginal rate to 14% from 1 July 2027.

The ATO has also updated the Senior Australians and Pensioners Tax Offset (SAPTO) income thresholds for the 2026–27 year to reflect these tax changes.

2. Superannuation Changes

One of the most significant reforms commencing on 1 July 2026 is Payday Super. Under the previous system, employers could make superannuation guarantee (SG) payments quarterly. From 1 July 2026, employers must generally ensure super contributions are received by employees' super funds within seven business days of each payday.

The reform aims to:

- Improve retirement outcomes through earlier investment of contributions.

MABC SECRETARIAT
C-26-3A, 3 Two Square, No 2 Jalan 19/1, 46300 Petaling Jaya, Selangor Darul Ehsan
Tel: 603-7960 9490 Fax: 603-7960 9489 Email: mabc@mabc.org.my Website: www.mabc.org.my

- Reduce unpaid superannuation.
- Provide employees with greater visibility of super payments.
- The ATO also states that from 1 July 2026 super is calculated on "qualifying earnings", a broader concept that incorporates ordinary time earnings and certain additional payments.

3. Higher Superannuation Thresholds and Caps

In addition to Payday Super, several superannuation thresholds increase for the 2026–27 financial year.

Key thresholds include:

- Concessional contributions cap: A$32,500
- Transfer balance cap: A$2.1 million
- Total super balance cap: A$2.1 million

The ATO has also published information regarding Better Targeted Superannuation Concessions, under which additional tax will apply to earnings on super balances above the relevant large balance threshold from 1 July 2026. These changes primarily affect higher-balance members, while most Australians will notice the practical impact of more frequent employer contributions under Payday Super.

4. Negative Gearing: No Immediate Change, but Reforms Are Coming

There are no direct negative gearing changes commencing on 1 July 2026 for existing property investors. Current rental property rules continue to allow investors to offset deductible rental losses against other taxable income where permitted under existing law.

The ATO confirms that investors may continue to claim eligible expenses such as:

- Interest on investment loans
- Council and water rates
- Land tax
- Repairs and maintenance

- Certain depreciation and capital works deductions

However, the Government has legislated reforms that will apply from 1 July 2027. Under those reforms:

- Negative gearing concessions for residential property investments will generally be limited to new builds.
- Existing properties held before the announcement date of 12 May 2026 are largely grandfathered.
- Investors purchasing established residential properties after the announcement date will no longer be able to offset rental losses against wage and other non-property income.
- The 50% CGT discount for individuals, trusts and partnerships will be replaced by cost-base indexation together with a minimum tax framework on capital gains.

Therefore, while investors face no immediate 1 July 2026 negative gearing changes, the next 12 months will be important for property investment planning.

The Government justifies these reforms as measures to improve housing affordability, support first-home buyers and redirect investment toward increasing housing supply.

From an economic policy perspective, the reforms represent a major philosophical shift. For decades, Australia's housing market has benefited from tax settings that encouraged leveraged investment in existing residential property. By narrowing negative gearing and reducing CGT preferences, the Government is attempting to redirect capital toward productive housing creation rather than bidding up the price of existing housing stock.

The key question is whether this improves economic efficiency without discouraging overall investment.

Conclusion

The 1 July 2026 changes represent a meaningful shift in Australia's tax and retirement savings landscape. Most workers will benefit from a lower marginal tax rate and more timely superannuation contributions. Employers face the largest

MALAYSIA AUSTRALIA BUSINESS COUNCIL

compliance change through Payday Super, while property investors should begin preparing for the more substantial negative gearing reforms scheduled for 2027.

Disclaimer: *This article is general information only and is based on ATO-published guidance and legislation current as at July 2026. Tax outcomes depend on individual circumstances and professional advice should be sought where appropriate.*

[We welcome feedback and comments. Please contact mabc@mabc.org.my]