FEDERAL BUDGET 2026-27

CONSTRUCTION & DEVELOPMENT INTERPRETATION

PRACTICAL IMPLICATIONS FOR DEVELOPERS, BUILDERS & PROJECT TEAMS

VERSION 2 (UPDATED MAY 2026)

UPDATED FOLLOWING TECHNICAL REVIEW AND CORRECTIONS.

1. BIG PICTURE: PRODUCTIVITY, HOUSING AND TAX ARE BEING REBALANCED

The budget is looking more like a serious tax reform package aimed at productivity, intergenerational equity, resilience and budget sustainability.

The practical message is clear: the government is trying to shift investment away from passive established residential property and toward new housing supply, business investment, innovation and productive assets.

PROPERTY INVESTOR, HOMEOWNER, BUILDER OR DEVELOPER FOCUS: This budget is not just a tax update. It changes the investment logic around property, project delivery, entity structuring, workforce planning and development feasibility.

PRACTICAL LENS: This means clients will need earlier strategic review before purchasing sites; setting up trust entities; choosing ownership entities; modelling tax outcomes or committing to build-to-sell versus hold strategies.

2. KEY CHANGES

A. NEGATIVE GEARING REFORM

- From 1 JULY 2027, negative gearing will be limited to NEW RESIDENTIAL BUILDS
- LOSSES from established properties acquired after 7:30PM on 12 MAY 2026 will generally only be deductible against rental income or residential property capital gains
- EXISTING HOLDINGS before that time are exempt until disposal

PRACTICAL LENS

- ESTABLISHED INVESTMENT PROPERTY becomes less attractive
- NEW BUILDS, BUILD-TO-RENT and SUPPLY-CREATING PROJECTS become relatively more attractive

DEVELOPER + BUILDER LENS

THINK "Does this site or project create new supply, or is it simply holding existing stock?"

B. CGT DISCOUNT CHANGES

- From 1 JULY 2027, the current 50% CGT DISCOUNT WILL BE REPLACED for many assets with cost base indexation. A 30% MINIMUM TAX RATE WILL APPLY to net capital gains under the revised method.
- NEW RESIDENTIAL PROPERTY INVESTORS may still choose the current 50% discount approach.

STRATEGIC EFFECT

- LONG-TERM PROPERTY INVESTMENT needs fresh modelling
- Timing of disposal, acquisition date, asset class and ownership structure BECOME MORE IMPORTANT

DEVELOPER LENS

This may affect:
- Feasibility modelling
- Hold-versus-sell discussions
- Landbanking strategy
- SPV exits
- Family Trust holdings
- Investor return assumptions

C. 30% MINIMUM TAX ON DISCRETIONARY TRUSTS

- From 1 JULY 2028, DISCRETIONARY TRUSTS will be subject to a 30% minimum tax on taxable income
- TRUSTEES pay the tax and most beneficiaries receive non-refundable credits, excluding corporate beneficiaries. Some trusts and income types are excluded.
- EXPANDED ROLLOVER RELIEF is proposed for THREE YEARS from 1 JULY 2027 to help businesses restructure out of discretionary trusts

STRATEGIC EFFECT

- Trusts may lose some of their traditional flexibility as flow-through vehicles

3. BUSINESS AND OPERATING IMPACTS

A. LOSS CARRY BACK FOR COMPANIES

- From 1 JULY 2026, companies with turnover under $1 billion may carry back revenue tax losses against tax paid up to two years earlier, limited by franking account balance

DEVELOPER & BUILDER LENS

- This may help builders and developers manage cyclical downturns, delayed settlements, project timing shocks or cost overruns.

THINK “Are project feasibility models properly accounting for tax loss timing and project cycle volatility?”

B. PAYG INSTALMENTS AND MONTHLY PAYMENT OPTIONS

- From 1 JULY 2027, SMES can opt into monthly PAYG instalments using ATO-approved accounting software. Non-compliant taxpayers may be forced into monthly reporting

STRATEGIC EFFECT

- Cash flow discipline becomes more important. Poor lodgement history may create heavier reporting burdens
- For clients already under cash stress, compliance history becomes part of project risk

C. R&D TAX INCENTIVE REFORM

- From 1 JULY 2028, core R&D rates increase but supporting R&D expenditure is removed.
- Refundability is narrowed and thresholds change.

RELEVANT TO CONSTRUCTION

This may affect firms investing in:

- Modular construction
- Prefabrication
- Low-carbon materials
- Digital construction systems
- Sustainability tech
- Construction productivity tools

THINK "Is the innovation work genuinely core R&D, or merely supporting development?"

4. SUSTAINABILITY AND REPORTING THRESHOLDS

The budget proposes doubling the monetary thresholds for large proprietary companies lodging financial statements and sustainability reports with ASIC. Revenue threshold would rise from $50 million to $100 million and gross assets from $25 million to $50 million, while the employee threshold remains 100.

STRATEGIC EFFECT

- Some mid-sized groups may fall out of mandatory reporting, but climate-related disclosure expectations will still influence supply chains, finance and tendering
- Even if formal reporting is reduced, larger clients, financiers and government procurement may still expect ESG evidence

5. MIGRATION AND WORKFORCE PLANNING

The Migration Program remains at 185,000 places, with over 70% allocated to the Skill Stream. The system is shifting toward onshore talent, tighter offshore access, stronger points testing, improved skills recognition and higher expectations for sponsors.

The government is also investing $85.2 million in migrant skills recognition, including pathways for priority trades such as electricians and plumbers.

WHY THIS MATTERS FOR BUILDERS

- Labour supply may improve in targeted trades, but sponsorship and compliance will be more closely scrutinised

THINK "Do we have a Workforce Pipeline Strategy, or are we relying on the market to solve labour shortages?"

6. PRACTICAL CLIENT STRATEGY IMPLICATIONS

FOR DEVELOPERS

THE BUDGET FAVOURS	- New housing supply - Longer-term productive investment - Cleaner SPV structures - Better tax timing analysis - More disciplined feasibility assumptions
THIS CREATES PRESSURE AROUND	- Established property acquisitions - Discretionary trust structures - Capital gains on older assets - Holding costs - Landbanking - Poorly modelled exits

FOR BUILDERS

THE BUDGET INCREASES THE VALUE OF	- Strong accounting systems - Tax compliance history - Workforce planning - Sustainability evidence - Clear project cash flow - Build pipeline certainty

FOR PLANNING CONSULTANTS

THE BUDGET SUPPORTS A STRONGER ADVISORY ROLE AROUND	- Housing supply arguments - New-build policy incentives - Project viability - Strategic site selection - Investor-ready development narratives

What Travaux Does

Travaux provides strategic pre-construction and development advisory services for builders, developers and project teams navigating increasingly complex planning, financial and delivery environments.

We focus on the practical intersection between:

- Planning policy
- Development feasibility
- Construction delivery
- Stakeholder coordination
- Project risk
- Commercial reality

Our Work Includes

- Pre-construction strategy
- Development feasibility support
- Construction Management Plan coordination
- Permit sequencing and authority coordination
- Project risk and delivery reviews
- Planning and development intelligence
- Strategic reporting and advisory support

Why This Matters

The construction and development sector is entering a period of rapid policy, taxation, workforce and compliance change.

Projects that succeed over the next decade will increasingly rely on:

- Stronger feasibility discipline
- Earlier strategic review
- Clearer delivery structures
- Better coordination between consultants, builders and project stakeholders

Travaux
Strategic thinking for projects that need more than generic advice.

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