AUSTRALIAN HOTELS ASSOCIATION

Accommodation Australia
A DIVISION OF THE AHA

12 May 2026

2026-27 FEDERAL BUDGET SUMMARY

This evening the Treasurer the Hon. Dr Jim Chalmers MP handed down the Federal Budget for 2026-27. The Australian Hotels Association and Accommodation Australia were present in this afternoon's Budget Lock-Up.

Overview

This section provides a general overview of the major announcements relevant to the licensed hospitality and accommodation industry.

The main features of this budget were largely pre-announced or "leaked". Big focus on changes to taxation arrangements, but some sting in the tail for our industry with increases in the passenger movement charge and potential further detrimental changes to apprenticeship incentives.

Key measures relating to hospitality, accommodation, and tourism:

1. **2026-27 migration planning levels** – the government has kept the permanent planning levels the same as for this year which is a positive. Further shift to taking in on-shore applicants so as not to affect the net overseas migration numbers.
2. **Taxation changes** – as foreshadowed before budget night, changes to negative gearing, capital gains tax and taxation of trusts.
3. **Instant asset write off** for purchases below $20,000 has been made permanent for small business
4. **Apprentice employer incentives –** payments further reduced but likely to negatively affect cooks
5. **Passenger movement charge** – to increase by $10 to $80 from 1 January 2027.
6. **Tourism Australia** funding reduced by $10 m in 2026-27 and does not return to current funding levels over the forward estimates
7. **Working Holiday makers –** tightening controls and introducing more ballots to control numbers

Key Points from the Treasurer's Speech

"This is the most important and ambitious Budget in decades… It's a responsible Budget, and a reforming Budget, which builds resilience and bolsters our economy… responding to the pressures of the here-and-now while embracing our intergenerational responsibilities.

"The shocks from around the world are coming at us faster and more frequently. That global uncertainty is not a reason to delay reform, it's why we must move with urgency and ambition. The challenges coming at us, the opportunities ahead of us and the better future that Australians deserve, will not wait for a time when all is quiet in the world.

"That's why this Budget invests in resilience and reform, to grow our economy the right way and lift living standards over time. We will do that through three ambitious policy packages: a productivity and investment package, a tax reform package, and a savings package.

"Against a backdrop of global uncertainty, this Budget invests in Australia's resilience, economic sovereignty and national security. 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".

Budget Paper No.1: Budget Strategy and Outlook

Table 1: Budget Aggregates

Table 1.2: Budget aggregates

	Actual	Estimates						Projections
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Total(a)	2036-37
	$b	$b	$b	$b	$b	$b	$b	
Underlying cash balance	**-10.0**	**-28.3**	**-31.5**	**-31.0**	**-34.4**	**-25.3**	**-150.5**	
Per cent of GDP	-0.4	-1.0	-1.0	-1.0	-1.0	-0.7		0.8
Gross debt(b)	**928.6**	**982.0**	**1,051.0**	**1,120.0**	**1,193.0**	**1,249.0**		
Per cent of GDP	33.4	33.1	34.0	35.2	35.8	35.6		27.2
Net debt(c)	**532.3**	**556.0**	**616.6**	**668.8**	**725.5**	**767.8**		
Per cent of GDP	19.2	18.8	19.9	21.0	21.8	21.9		15.1

- $31.5 billion deficit forecast for 2026-27, and $150.5 billion over the forward estimates. This will come on top of the estimated deficit for this financial year of $28.3 billion.
- The government gloss on this picture is that 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 estimates the Government inherited.

Table 2: Major Economic Parameters

Table 1.1: Major Economic Parameters[(a)]

	Outcome	Forecasts				
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Real GDP	1.3	2 1/4	1 3/4	2 1/4	2 1/2	2 1/2
Employment	2.1	1 1/2	1 1/2	1 3/4	1 3/4	1 3/4
Unemployment rate	4.2	4 1/4	4 1/2	4 1/2	4 1/2	4 1/4
Consumer price index	2.1	5	2 1/2	2 1/2	2 1/2	2 1/2
Wage price index	3.4	3 1/4	3 1/2	3 1/2	3 1/2	3 3/4
Nominal GDP	3.6	6 3/4	4 1/4	2 3/4	4 3/4	5 1/4

a) Real GDP and nominal GDP are percentage change on preceding year. Employment, the consumer price index and the wage price index are through-the-year growth to the June quarter. The unemployment rate is the rate for the June quarter.

Source: ABS Australian National Accounts: National Income, Expenditure and Product; Labour Force, Australia; Consumer Price Index, Australia; Wage Price Index, Australia; and Treasury.

- The conflict in the Middle East, high global oil prices and resulting inflationary pressures are expected to weigh on growth in real incomes and household consumption in the near-term. As a result, growth in the Australian economy is forecast to slow from 2¼ per cent in 2025–26 to 1¾ per cent in 2026–27. While the economic outlook remains highly uncertain, the Australian economy is expected to grow by 2¼ per cent in 2027–28. This recovery assumes that global oil prices begin to decline from the middle of 2026 and largely stabilise from the middle of 2027.
- Headline inflation is forecast to be 5 per cent through the year to the June 2026 and then forecast to decline to 2½ per cent through the year to the June 2027, supported by an assumed

decline in global oil prices from the middle of 2026, a resolution of temporary pressures, and a moderation in services inflation.

- The unemployment rate has been broadly stable over the past year and is expected to remain low by historic standards, rising only gradually from 4¼ per cent in the June quarter 2026 to 4½ per cent in the June quarter 2027 and the June quarter 2028. Labour market conditions are continuing to support solid wage growth, with growth in the Wage Price Index forecast to remain above its 10-year pre-pandemic average.
- Net overseas migration is predicted to slow over the forward estimates but remains higher than was predicted in last year's budget.

Table 3. Net overseas migration

Table A.5: Net overseas migration, for years ending 30 June

	2024-25 (a)	2025-26	2026-27	2027-28	2028-29	2029-30
Net overseas migration, Australia	305,000	295,000	245,000	225,000	225,000	225,000

a) Estimate for 2024–25, from ABS National, state and territory population, September 2025.

BUDGET MEASURES DETAILED

Taxation

1. Capital Gains Tax

The Government is replacing the 50 per cent capital gains tax discount with cost base indexation for CGT assets, from 1 July 2027. This change is expected to reduce the overall level of concession provided to capital gains which currently flows largely to wealthy households, improving the equity of the tax system.

The 50 per cent CGT discount will continue to apply to gains that accrued prior to commencement. For assets held prior to 1 July 2027, but sold thereafter, the 50 per cent CGT discount will apply to the difference between the asset's value at 1 July 2027 and its cost base, while indexation and the minimum tax will be used to calculate the CGT on gains accruing from 1 July 2027 (the asset's value at that date will form its cost base). To determine the asset's value at this date, taxpayers can either seek a valuation or use a specified apportionment formula that estimates the asset's value based on its average return over the holding period (supported by ATO tools).

These transitional arrangements are prospective, applying only to gains that accrue after the start date. Applying the new arrangements to future gains also minimises the disruption to asset markets. If assets held before the start date were indefinitely excluded this would create strong incentives for investors to avoid selling these assets.

The same approach will apply to assets acquired before the beginning of CGT in 1985. Bringing assets held before 1985 into the CGT regime will improve horizontal equity and enhance the intergenerational equity objectives of the package. At the same time, this approach preserves existing treatment of gains on pre-1985 assets earned before 1 July 2027. Gains on pre-1985 assets earned from 1 July 2027 will be taxed under the new arrangements upon realisation. The current small business CGT concessions will continue unchanged.

The Government is also introducing a 30 per cent minimum tax on real capital gains income earned from 1 July 2027. The minimum tax will reduce incentives to defer the sale of assets to periods when other income and marginal tax rates are low. The minimum tax rate reduces the benefits of timing the

realisation of capital gains to minimise tax paid. This ensures that affected taxpayers are subject to a tax rate that is closer to the marginal rate they faced during their working life.

2. Negative Gearing

The Government is limiting negative gearing for residential property to new builds, from 1 July 2027. Net rental losses from established residential properties will only be deductible against rent or the capital gains from residential properties.

Excess losses can be carried forward and offset against residential property income in future years. This avoids disincentivising investments in maintenance and capital improvement of investment properties which might otherwise be avoided if they would generate rental losses that could not be claimed as a deduction.

In combination with the return to CGT indexation, limiting deductions for rental losses will reduce the tax advantages of leveraged investment in established residential properties. Limiting rental deductions to rental income leads to a more neutral tax treatment, reducing biases to make investments based on tax settings.

The limitation on negative gearing will apply only to net rental losses from residential property as the housing sector is where the arrangement predominates and generates the greatest distortions to investment. Commercial property and other asset classes, such as shares, will remain subject to existing arrangements.

3. Discretionary Trusts

The Government will introduce a minimum 30% tax on discretionary trusts from 1 July 2028, with limited exclusions for primary production income such as income from agriculture, and other types of trusts such as fixed trusts and charitable trusts.

New, time limited rollover relief will be available for three years from 1 July 2027 to support small businesses that wish to restructure to other entity types. The Australian Small Business and Family Enterprise Ombudsman will be available to assist small business understand the options available to them and where they can get further advice. The Australian Securities and Investments Commission will put in place specific arrangements to support small businesses that wish to incorporate.

Small businesses that restructure to a corporate structure will gain access to a range of comparative benefits, such as the 25% small business tax rate, dividend imputation and easier processes to retain earnings for working capital.

The Government will also maintain existing Capital Gains Tax concessions for small businesses, allowing them to halve or completely disregard Capital Gains Tax on the sale of eligible assets.

4. Tax Cuts and Deductions

The Government will deliver a new round of tax cuts through a $250 Working Australians Tax Offset (WATO), lowering the tax burden for every working Australian taxpayer. The WATO will increase the effective tax-free threshold by $1,785 to $19,985 for workers (or to $24,985 for workers receiving the Low Income Tax Offset) from 1 July 2027 for income derived from work. This measure is expected to reduce receipts by $6.4 billion over the forward estimates period.

The Government is also introducing a $1,000 instant tax deduction for work-related expenses. From the 2026–27 income year, Australian tax residents who earn income from work will be able to claim an instant deduction instead of needing to itemise and claim work-related expenses. Individuals earning less than $1,000 of work income will be eligible for an instant deduction up to the amount of that income**.**

Home Affairs

1. Migration Program – 2026-27 planning levels

The Government has set the 2026-27 permanent migration planning levels the same as this current year, being 185,000, allocating 132,240 places to the skill stream.

Across both the Skill and Family streams of the permanent Migration Program, the Government will prioritise applications from onshore migrants, allocating 129,590 places to migrants already living in Australia, with an additional 300 places allocated to Special Eligibility. The remaining 55,110 offshore places will predominately be allocated to high-skilled migrants that help address Australia's long-term skill needs. This measure will place downward pressure on net overseas migration. Prioritisation for on-shore applicants should be seen as a positive for hotel owners seeking to sponsor their temporary migrants into permanent positions.

2. Work & Holiday Maker visa – pre application charge (ballot)

In a potential downside for overall WHM numbers, the government is expanding its use of ballots to "better control numbers, reduce barriers to work, provide a fairer allocation of WHM visas, and support Australia's national interests.

3. Improving Trades Recognition assessment of migrant skills

- $75.1 million over four years from 2026–27 for a new, modern skills assessment system for Trades Recognition Australia (TRA) to facilitate the integration of occupational licensing. This includes working with states and territories to pilot streamlined assessment-to-licensing pathways for priority trades such as electricians and plumbers. Costs will be fully recovered over the medium term through existing charging arrangements.
- $5.6 million over three years from 2026–27 for TRA to deliver a new program of skills assessments for onshore visa holders, ensuring their existing qualifications and practical trade experience is recognised for the purposes of gaining employment and meeting workforce shortages.
- $4.5 million over four years from 2026–27 to strengthen the regulatory oversight of Assessing Authorities to drive better performance, greater transparency and clearer accountability, including by requiring every Assessing Authority to publish an annual Assessing Authority Performance Report from 2027.

4. Increase in Temporary Graduate visa charge

As announced in MYEFO, the cost of a temporary graduate visa was doubled with effect 1 March 2026. This is expected to raise an additional $1.2 billion over five years.

5. Increase in the Passenger Movement Charge

In a blow for tourism, The Government will increase the Passenger Movement Charge from 1 January 2027 by $10 from $70 to $80 per passenger. This is expected to raise an additional $90 million in 2026-27, and an additional $755 million over the next five years.

6. Improving integrity

- $27.0 million over two years from 2026–27 to continue information and education activities to improve migrant workers' awareness of workplace safeguards, protections and compliance measures related to migration law
- $19.8 million over four years from 2026–27 for enhanced scrutiny of onshore and offshore student visa applications, ensuring the integrity of the international student visa system.

7. **Reforming the points test for independent skilled migrants**

More targeting of independent permanent skilled migrants by focusing the points test on younger, better educated and more highly skilled migrants. This does not impact employer sponsored migrants.

Jobs and Skills

1. **Further reductions in apprenticeship Incentives**

Savings of $297.9 million over five years from 2025–26 (and $106.3 million per year ongoing) by better targeting apprenticeship supports and redirecting uncommitted funding across programs including $266.2 million over four years from 2026–27 (and $106.3 million per year ongoing) through reforms to the Australian Apprenticeships Incentive System, redirecting employer incentives to small and medium employers and Group Training Organisations, and better aligning support with national priorities through changes to the Australian Apprenticeships Priority List methodology and incentive rates from 1 January 2027, consistent with the Strategic Review of the Australian Apprenticeship Incentive System. This could mean further bad news for our industry. DEWR is providing a more detailed briefing on the day after the Budget.

2. **Employment Services**

$285.6 million over five years from 2025–26 (and $35.9 million per year ongoing) for improvements to the employment services system and to support future reform.

3. **Jobs & Skills Australia**

$35.2 million over four years from 2026–27 (and $9.1 million per year ongoing) for Jobs and Skills Australia to continue providing advice under its legislated requirements on Australia's labour market and skills and training needs.

4. **ASQA**

$1.5 million in 2026–27 for the Australian Skills Quality Authority to continue compliance actions to address serious integrity issues in the Vocational Education and Training sector.

5. **Workplace Relations**

$11.2 million over two years from 2026–27 to progress the Government's workplace relations agenda including:

- $5.3 million over two years from 2026–27 to continue support for the Administrator of the Construction, Forestry and Maritime Employees Union
- $1.3 million in 2026–27 to the Fair Work Commission to continue to provide specialised supports to small businesses navigating the fair work dispute and resolution system and Commission processes.

Small Business

1. **Permanent Instant Asset Write-Off**

The Government will make the $20,000 instant asset write-off permanent from 1 July 2026, giving small businesses certainty that they can rely on this measure into the future. This measure will improve cash flow and reduce compliance costs by allowing eligible small businesses with aggregated annual turnover of less than $10.0 million to continue to immediately deduct assets costing less than $20,000 rather than depreciating them over several years. This measure is estimated to reduce receipts by $890 million over the five years from 2025–26**.**

2. **Two-year Loss Carry**

To support improved cash flow for businesses facing temporary losses, the Government will reintroduce permanent 2-year loss carry back for all companies with up to $1 billion in turnover. This will generate a refund of tax paid in those earlier years, providing timely support when losses occur. The measure will take effect for income years after 1 July 2026, providing support to businesses as they manage uncertainty and volatility from the conflict in the Middle East. The measure is estimated to cost $2.3 billion over the five years from 2025–26.

The reintroduction of loss carry back is expected to directly benefit up to 85,000 companies each year. It will be particularly valuable for established businesses that have been profitable in recent years but experience a temporary downturn. It will also support otherwise profitable small companies that incur a tax loss because they have invested in new assets that are eligible for the Instant Asset Write-Off. By allowing losses to be used sooner, the measure improves cash flow and helps firms remain resilient through periods of adjustment or broader economic shocks.

3. **Business Tax**

The Government will make it easier for businesses to change their monthly pay as you go instalments when business conditions change by:

- Allowing small businesses to opt in to monthly reporting and payment from 1 July 2027
- Enabling small businesses to opt in to dynamic pay as you go instalment calculations, allowing them to adjust quickly to real-time business conditions, providing cashflow certainty

The ATO removing interest charges for businesses that accidentally get their instalment variation wrong when using ATO-approved calculators.

Tourism

- Tourism Australia funding to fall from an estimated actual $171 million in 2025-26 to $161 million in 2026-27 and rising again to $166 million by 2029-30.
- $110.2 million over five years from 2025–26 (and $7.5 million per year ongoing) to boost Australia's tourism, trade and investment opportunities. Most of this is allocated in support of trade but it does include:
    - $39.6 million over three years from 2026–27 to boost the Australian Trade and Investment Commission's support to Australian businesses
    - $9.2 million over two years from 2026–27 to enhance the Go Global Toolkit online platform which provides information and support to exporters
    - $2.0 million over two years from 2026–27 for the Australian Tourism Industry Council's Quality Tourism Framework, which supports small and medium businesses in the tourism industry

Tourism related transport and infrastructure

- $50.0 million for the Sydney to Canberra Rail Corridor Upgrade and $45.0 million for M1 Safety Improvements in New South Wales $10.1 million over
- $659.6 million over three years from 2025–26 for the High Speed Rail Authority to undertake development works for the Newcastle to Sydney high speed rail project
- A temporary fuel and other materials disruption slippage adjustment for the Infrastructure Investment Program to recognise the uncertain impacts of the Middle East conflict on the availability of key materials for the delivery of projects. The adjustment is set at $2.0 billion in

2026–27, $1.6 billion in 2027–28 and $0.5 billion in 2028–29, and is unwound over 2030–31 to 2035–36.

- $781.6 million over four years from 2026–27 for further rounds of the Thriving Suburbs program and the Growing Regions program to deliver community infrastructure projects in urban and regional Australia
- $10.1 million over two years from 2026–27 for the Australian National Maritime Museum for safety related repairs to its wharves in Darling Harbour
- $3.0 million in 2026–27 for the Museum of Australian Democracy for commemorative activities marking the centenary of the opening of Old Parliament House.

Alcohol and Gambling

1. Alcohol Excise Revenue over the Forward Estimates

Total alcohol taxation receipts (beer, spirits, other including brandy and RTDs, and Wine Equalisation Tax) are forecast to grow by 7.9% over the forward estimates, from $9.19Bn in 2026-27 to $9.92Bn in 2029-30.

The drivers of this growth are forecast to be beer excise (up 10.3% over the forward estimates to $3.1Bn), brandy and RTDs (up 12.0% to $2.15Bn), and WET receipts (up 11.2% to $1.29Bn). Spirits excise is forecast to be marginally higher, growing just 2.4% over the forward estimates to $3.38Bn.

It is worth noting that with the exception of the Brandy/RTD category, actual taxation receipts for all alcoholic beverage categories have significantly underperformed previous budgeted estimates. For example, beer excise receipts are 7% lower than forecast in 2024-25 ($210m, due in part to the freezing of beer excise rates in the 2025-26 Budget), spirits excise receipts are 17% lower ($670m), and WET receipts are 9% lower ($110m). Brandy/RTD receipts are in line with previous budget estimates.

Table 5.7: Australian Government general government (cash) receipts

	Actual	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m	$m
Wine equalisation tax	1,134	1,110	1,160	1,200	1,240	1,290
Excise and customs duty						
Petrol	7,306	6,400	7,600	7,800	7,950	8,050
Diesel	17,262	15,110	18,560	19,560	20,460	21,360
Other fuel products	1,731	1,500	1,720	1,740	1,780	1,830
Tobacco	7,767	4,130	3,560	3,020	2,530	2,140
Beer	2,729	2,710	2,810	2,890	2,990	3,100
Spirits	3,320	3,270	3,300	3,330	3,360	3,380
Other alcoholic beverages(a)	1,789	1,840	1,920	1,990	2,070	2,150

2. Online Gambling

The Government will provide $112.7 million over five years from 2026-27 (and $18.1 million per year ongoing) to address online gambling harms through improved consumer protections, expanded support services and targeted public awareness and education campaigns. Funding includes:

- $39.0 million over four years from 2026–27 (and $10.0 million per year ongoing) to expand financial counselling support to maximise availability and reach of services for individuals and families impacted by gambling harms. This measure will double the number of people who can access specialist financial counselling for gambling, supporting an additional 5,000 people each year on top of the 5,000 clients already assisted.
- $28.7 million over four years from 2026–27 (and $3.2 million per year ongoing) to improve BetStop by raising community awareness, strengthening data matching systems and enhancing usability to optimise client safety outcomes.
- $22.6 million over five years from 2025–26 (and $4.9 million per year ongoing) to implement wagering advertising reform, boost compliance and enforcement actions against illegal gambling services and enhance consumer protections from harmful online lottery products.
- $22.4 million over three years from 2026–27 to develop and implement a national online gambling public awareness and education campaign to empower people affected by gambling harm to seek support.

Addressing Online Gambling Harms
Payments ($m)

	2025-26	2026-27	2027-28	2028-29	2029-30
Department of Social Services	-	13.5	21.2	16.7	10.0
Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts	-	12.5	..	..	..
Australian Communications and Media Authority	-	4.3	5.2	3.4	3.2
Total – Payments	-	30.3	26.4	20.1	13.2
Related receipts ($m)					
Australian Communications and Media Authority	-	-	*16.9*	*5.2*	*3.4*

The cost of this measure will be partially met from within the existing resources of the Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts and the Australian Communications and Media Authority, and from revenue from an increase to the National Self-Exclusion Register levy.

3. Gambling Research

The Australian Gambling Research Centre will release reports based on data from its National Gambling Prevalence Study pilot to explore prevalence, risk of harm, attribution of harm to products and help seeking behaviours by key jurisdictions in Australia. In addition, AGRC has been commissioned by the Department of Social Services to conduct evaluations into the National Consumer Protection Framework for online gambling and the funding of financial counselling services.

4. AUSTRAC

The Government will provide $303.0 million over four years from 2026–27 (and $2.7 million per year ongoing) to support the delivery of priorities in the Home Affairs portfolio, including $117.8 million in 2026–27 to continue implementing reforms to strengthen Australia's *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*, to enhance detection and disruption of illicit financing

The Budget also provides an update on various enforcement actions undertaken by AUSTRAC, including:

- **Civil penalty relating to the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 – The Star Pty Limited and The Star Entertainment QLD Limited :** On 30 November 2022, the Australian Transaction Reports and Analysis Centre applied to the Federal Court of Australia for a civil penalty order against The Star Pty Limited and The Star Entertainment QLD Limited for alleged serious contraventions of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* including failures to properly assess money laundering and terrorism financing risks, and failures to undertake appropriate customer due diligence. The matter remains ongoing and any potential penalties are unquantifiable at this time.
- **Civil penalty relating to the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 – Entain Group Pty Ltd:** On 16 December 2024, the Australian Transaction Reports and Analysis Centre (AUSTRAC) applied to the Federal Court of Australia for a civil penalty order against Entain Group Pty Ltd (Entain) for alleged serious and systemic non-compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act). AUSTRAC alleges that Entain failed to comply with obligations under the AML/CTF Act, including failure to develop and maintain a compliant anti-money laundering program and failure to properly assess money laundering and terrorism financing risks. The matter remains ongoing and the outcome is unknown, including whether any penalties will be imposed by the Court and, if so, the quantum of any penalties.