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CONFIDENCE CRISIS OVERSHADOWS BUDGET RELIEF

NSW's peak business body says tonight's federal budget delivers long-sought certainty on the instant asset write-off but comes as business confidence sinks to historic lows.

Business NSW CEO Daniel Hunter said Treasurer Jim Chalmer's fifth budget acknowledged some immediate pressures facing business but fell short of the wholesale reform needed to restore confidence and lift productivity substantially.

A new 30 per cent minimum tax on discretionary trusts from 2028-29, expected to raise more than \$4 billion by the end of the decade, risks negatively impacting business confidence and investment.

Early results from Business NSW's latest Business Conditions Survey shows confidence has fallen to near-20-year lows as cost pressures continue to bite.

"Confidence is sliding because the cost of doing business keeps climbing," Mr Hunter said. "Inflation, energy prices, fuel costs and red tape are squeezing margins and making it harder for businesses to invest, take on staff and grow."

He said the federal budget delivered two important wins that reflected sustained advocacy by Business NSW, including making the instant asset write-off permanent and steps to improve domestic gas supply by establishing a domestic gas reservation.

"Business NSW has consistently called for certainty on the instant asset write-off, and we welcome the government delivering that stability for small and medium businesses," he said.

"This will benefit almost 900,000 NSW businesses with a turnover of less than \$10m. The Government estimates this will improve cashflow for small businesses by \$890m over the next five years.

"Measures to improve domestic gas supply are also welcome relief for manufacturers, food producers and other energy-intensive industries."

The budget deficit for 2026-27 is \$31.5 billion, an improvement of \$2.8b compared to the mid-year forecast.

However, he said the budget could have gone further to address deeper structural issues holding back long-term growth, tax complexity and declining productivity.

“Australians need a reform agenda focused on competitiveness, not incremental changes alongside high levels of government spending.

“Government expenditure is hovering just under 27 per cent of GDP. That level of spending is not sustainable if we want to drive productivity and private sector growth.

“However, the \$64 billion in announced savings measures are welcome.”

Mr Hunter also said NSW businesses and households continued to lose out under the current GST arrangements.

“NSW consistently generates more, but we don’t see a fair return – and that’s a handbrake on investment, jobs and growth across the state. The federation is failing NSW,” he said.

Key positives for business:

- Permanent extension of the instant asset write-off for small businesses with turnover under \$10m, with the threshold set at \$20,000.
- Smaller business will benefit from broadening access to the R&D tax incentive offset from \$20m to \$50m. Larger businesses will benefit from a lift in the expenditure threshold from \$150m to \$200m.
- Permanently introducing two-year loss carry back for all companies up to \$1b in turnover from 2026-27.
- Expanding tax incentives for venture capital by increasing some asset caps.
- Mandatory standards in Commonwealth, state and territory legislation will now be free (\$1600 saving for small businesses).
- \$250 Working Australians Tax Offset (from 2027/28) and a \$1000 instant deduction for work-related expenses from 2026-27.
- Introducing loss refundability for start-ups from 1 July 2028, applicable to businesses in their first two years.
- \$2b in funding for the sewage and water infrastructure necessary to deliver 65,000 new homes
- Introduction of concessional and government-backed loan programs to support businesses facing high fuel, freight and energy costs.

Concerns:

- Minimum 30 per cent tax rate on discretionary trusts from 2028-29.
- Minimum 30 per cent tax to capital gains accrued from 1 July 2027, after indexation has been applied. These changes will apply to all assets except new builds, where both new and old arrangements will be available to be chosen from 1 July 2027.
- Scrapping of inland rail between Parkes and Brisbane.
- Changes to electric vehicle tax concessions, tightening eligibility and increasing costs for some novated lease and fleet arrangements.
- Tourism businesses will be affected by the outbound passenger movement charge increase from \$70 to \$80 in January 1 next year.

About Business NSW

Formerly the NSW Business Chamber, ***Business NSW*** is the peak policy and advocacy body which has been representing businesses in NSW since 1826. We represent almost 50,000 businesses.

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