



Budget 2026–27

Productivity Package

Reducing compliance costs, making it easier to build and making it easier to invest and innovate



Productivity growth is the key driver of rising real wages and living standards over time. Higher productivity makes our economy more adaptable and resilient to shocks, spurs business investment and builds a more prosperous future for Australians.

However, productivity growth in the decade to 2020 was the slowest in 60 years and it will take ongoing reforms to change this trajectory.

During our first term of government, we delivered a range of productivity-enhancing reforms including landmark merger reform, moving to ban non-competes, establishing the Capacity Investment Scheme, making significant investments in skills and training and more.

This Budget advances the reform directions set by the Treasurer’s Economic Reform Roundtable in August 2025, delivering a significant package of reforms to boost productivity by cutting compliance costs, making it easier to build and making it easier to invest and innovate.

These reforms will make a meaningful difference to productivity by reducing regulatory burden by \$10.2 billion each year and boosting long-run GDP by around \$13 billion a year via work underway in National Competition Policy.

This package of reforms includes:

1. Incentivising investment and innovation
2. Reducing red tape
3. Removing barriers to trade
4. Building a single national market
5. Making it easier to engage with government
6. Accelerating approvals
7. Simplifying building regulations
8. Building more homes
9. Modernising energy markets
10. Better recognising skills
11. Unlocking the data and AI opportunity
12. Investing in science and innovation
13. Strengthening the superannuation performance test
14. Better coordinating government investment
15. Driving ongoing regulatory reform

The Government is now making progress on 13 of 17 reform areas identified by the Productivity Commission’s five pillar inquiries and the majority of near-term recommendations for the Commonwealth.

The Government's productivity package

In this Budget, the Government's productivity package builds on the work of the Economic Reform Roundtable and progresses our five pillar productivity agenda.

Incentivising investment and innovation

Tax reform is at the centre of this Budget. The Government's tax reforms include over \$3.5 billion of new measures that lower taxes for businesses. This includes:

- permanently reintroducing two-year loss carry back for companies up to \$1 billion in turnover from 1 July 2026 to support resilience, investment, and risk taking
- introducing loss refundability for start-ups from 1 July 2028 to help new businesses invest and grow in their first two years
- expanding tax incentives for venture capital from 1 July 2027 to help unlock patient capital for young, expanding firms
- making the \$20,000 instant asset write-off permanent to support small businesses to invest and keep compliance costs low.

The Government is also better targeting the Research and Development Tax Incentive from 1 July 2028. This will help fund business tax reforms, unlocking 20 per cent more business R&D for each dollar of tax offset and a further \$400 million increase in R&D investment by young firms each year.

Reducing red tape

The Government is taking action to reduce compliance costs and make it easier to do business, including:

- reducing financial sector regulatory burden by \$780 million a year, including through increasing the monetary thresholds for large propriety companies, improving the efficiency of climate-related financial disclosures, further modernising business communications, and increasing the cap on banks' covered bond issuance
- reducing duplicative, inconsistent or opaque data requests through 13 actions by financial regulators, while delivering more than 50 commitments in the Better Regulation Roadmap, reducing annual costs by \$181 million per year
- commencing work with states and territories to harmonise payroll tax administrative arrangements.

Removing barriers to trade

Building on the conclusion of free trade agreement negotiations with the European Union, this Budget continues to remove and streamline barriers to enable firms to compete in and trade with international markets by:

- abolishing another 497 nuisance tariffs from 1 July 2026, bringing the total number abolished to around 1,000, saving businesses \$157 million in compliance costs each year. The Government will also consult on abolishing additional tariffs to further cut costs for Australian businesses
- reducing red tape for export and import businesses by providing \$7.6 million to expand the Australian Trusted Trader program, and streamlining business interaction with government at the border and simplifying the administration of trade regulations
- streamlining biosecurity border processes to help get fertiliser to farmers.

Building a single national market

Building on the work of the Economic Reform Roundtable, the Government is making it easier to work and do business across states and territories. Once implemented, these National Competition Policy reforms are expected to increase long-run GDP by around \$13 billion per year.

This Budget will progress this agenda further by:

- harmonising retail tenancy frameworks, making it easier to operate shopfronts across borders
- extending work to harmonise standards to agricultural and veterinary chemicals.

This builds on existing work to boost competition and protect consumers, including moving to ban non-competes for low and middle income employees, progressing heavy vehicle road reforms with states and territories, doubling the maximum ACCC penalties to stamp out anti-competitive and anti-consumer conduct, developing a national approach to worker screening in the care and support economy, harmonising standards for household electrical consumer products, waste and recycling, including better recognition of international standards, and reforming product safety requirements.

Making it easier to engage with government

The Government is taking action to make it easier for individuals and businesses to engage with government by:

- investing \$654.3 million into Digital ID to enable individuals to reduce the sharing and storage of personal data across businesses, government and individuals, and to securely access 255 government services, including myGov, ATO, Centrelink and the NDIS

- extending the operation of the Consumer Data Right (CDR), including to explore the potential for taxpayers to safely share their ATO-held data; and, in a pilot with industry, investigating whether using the CDR and Digital ID programs can better protect renters' personal information while making rental applications easier
- progressing reforms to deliver a 'tell-us-once' approach to government services, reducing the amount of time Australians spend providing the same information across different areas of government
- investing a further \$136.1 million to uplift Australia's business registers – making it easier to start and manage businesses through stronger digital authentication, linking Director IDs to ASIC's Companies Register, rebuilding ABN and Super Fund Lookup services, and improved synchronisation between ASIC and the Australian Charities and Not-for-Profits Commission registers, to support trusted data for compliance and due diligence.



Accelerating approvals

Faster and more predictable approval processes give investors the confidence and speed needed to unlock new opportunities and put money to work.

The Government has legislated reforms to the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). These reforms will reduce the delays for environmental approvals, which is estimated to save up to \$6.9 billion a year in regulatory costs.

This Budget builds on this by:

- providing funding for environmental approval bilateral agreements with states and territories, cutting duplication to progress assessments faster
- modernising the *National Broadband Network Companies Act 2011* and the *Telecommunications Act 1997* to improve the rollout of telecommunications infrastructure
- further streamlining and strengthening the foreign investment framework to enable faster approvals for low-risk investments and provide better tools to manage high-risk investments
- modernising Australia's offshore resources regime to support industry investment in gas and reduce the risk of shortfalls
- enhancing the Investor Front Door to become the single entry point for projects seeking Commonwealth investment and regulatory facilitation services as part of the Government's Future Made in Australia effort to attract and accelerate nationally significant investments, and working with states and territories to set target timeframes for pilot projects.

Simplifying building regulations

Reducing the regulation burden on builders will improve productivity in the construction sector.

The Government is:

- making all mandatory Australian standards free, including across construction, occupational health and safety, and product safety, saving small electrical, plumbing and construction firms up to \$1,600 in fees each year

- removing barriers to the uptake of modern methods of construction, including a national voluntary certification scheme for manufacturers and establishing regulatory neutrality with traditional construction methods in planning and consumer protection systems
- working with states and territories to streamline commercial planning and zoning and reform building and construction standards, and establish nationally harmonised licensing for workers in electrical and engineering occupations.

Building more homes

Lifting the productivity of housing construction would lower construction costs, making more homes viable to build.

Since the Economic Reform Roundtable, the Government has accelerated approvals to support more than 20,000 homes under the EPBC Act.

This Budget includes \$2 billion for the Local Infrastructure Fund to help local governments and state utility providers unlock housing enabling infrastructure to support up to 65,000 homes over 10 years.

This will be available in states and territories that commit to further reform to drive productivity in the housing sector, including faster and simpler approvals, making more land available and ready to build, and delivering a simpler, genuinely national construction code.



Modernising energy markets

The Government is progressing major reforms to three energy markets to provide Australians with secure supply of affordable energy.

- The domestic gas reservation will require LNG exporters supply a proportion of their total production to the domestic market from 1 July 2027, equivalent to 20 per cent of exports. Gas market regulation will also be streamlined, through the removal of the Australian Domestic Gas Security Mechanism (ADGSM) and reform of the Gas Market Code.
- The Government is reforming the National Electricity Market with the states and territories by introducing new standards for consumer energy resources and allowing households solar and batteries to directly participate in the market. The coordination of household batteries and, in future, vehicle-to-grid could reduce system costs by over \$7 billion to 2050.
- The \$3.2 billion Australian Fuel Security Reserve will increase long term fuel supply and storage, which together with an increase of the Minimum Stockholding Obligation will increase Australia's diesel and jet fuel reserves by 50 days.

Reforming the National Electricity Market

The Government is working with states and territories to pursue significant reforms to the National Electricity Market. If agreed and implemented across all states and territories, the reforms will ensure our wholesale market settings provide the right incentives for the range of generation technologies needed for a lower-cost grid. The Review's recommendations would:

- increase competition through a Market Making Obligation by requiring large generators to sell more of their capacity to the market
- encourage more investment in large-scale generation and storage by providing greater certainty for investors
- allow solar, batteries, electric vehicles and other consumer resources to participate in the electricity market.

At the May 8 Energy and Climate Change Ministerial Council (ECMC), a strong majority of Energy Ministers agreed to develop a legislative package to implement measures recommended by the NEM review panel and continue the preparatory work related to the establishment of the Electricity Services Entry Mechanism (ESEM) and the Market Maker Obligation (MMO).



Better recognising skills

Increasing our recognition of the skills people have already built supports them to participate in the workforce and enhance our productivity.

To advance this work the Government is:

- investing \$85.2 million to accelerate skills assessments for migrant trades workers and pilot the integration of the assessment process with occupational licensing – cutting the time taken to enter the workforce by up to 6 months
- reforming the permanent migration points test to select better educated, higher-skilled and younger migrants overall
- developing pathways for quicker degrees for university students with TAFE qualifications in the same area through a National Credit Recognition Framework. Almost 25,000 students started a bachelor degree in 2024 through a VET pathway, many moving into priority skills areas including nursing, teacher education and construction.

Unlocking the data and AI opportunity

New technologies can reshape business models and public services, and are fundamental to achieving our long run productivity potential. The Productivity Commission estimates that AI could add at least 4.3 per cent to productivity levels, or \$116 billion in GDP, over the next decade.

The Government is ensuring all Australians benefit from AI and data by continuing to progress actions under the National AI Plan, including:

- expanding support for private sector adoption of AI by making up to \$70 million of funding available through 'AI Accelerator' rounds of the Cooperative Research Centres program. This builds on previous activities such as \$47 million for the Next Generation Graduates Program and \$39.9 million to strengthen Australia's AI ecosystem
- launching AI.gov.au – the trusted, practical resource to help organisations understand, plan for and use AI responsibly
- collaborating with leading AI companies, including by entering into Memoranda of Understanding with Anthropic and Microsoft
- aligning data centre investment with our national interests through published expectations of data centre developers
- advancing data policy by acting on the *Statutory Review of the Data Availability and Transparency Act 2022* to better support government data sharing
- keeping Australians safe under existing legislative and regulatory frameworks that mitigate AI harms, including by establishing an AI Safety Institute and working collaboratively through activities including the Copyright and Artificial Intelligence Reference Group and the newly elevated AI Employment and Workplaces Forum.

The Government is improving service delivery and efficiency with AI use cases in production across public sector agencies. Examples include:

- developing GovAI Chat to provide public servants access to a secure AI chat tool that allows users to leverage government data and access secure generative AI capability
- exploring ways to detect bid rigging on government tenders, drawing on global best practice
- piloting an AI-enabled tool to make the National Construction Code easier to use
- improving the speed and accuracy of information for claims teams in the Department of Veterans' Affairs
- IP Australia's trademark checker using AI to make it easier for businesses to check proposed trademarks.

Investing in science and innovation

Research and development – from basic research to commercial deployment – supports productivity through the creation and adoption of new products, services and processes.

At this Budget, we are investing \$1.5 billion over the forward estimates to support research and Australia’s scientific institutions. Over the forward estimates, more than \$39 billion is committed to support R&D.

This Budget includes:

- establishing a new National Resilience and Science Council in response to the Ambitious Australia: Strategic Examination of Research and Development final report, which will help ensure the Government’s more than \$39 billion committed to research and development is better aligned with its economic objectives
- investing \$387.4 million in CSIRO to support its research
- investing \$273.0 million to maintain Australia’s sovereign measurement and testing capability in the National Measurement Institute
- funding for Stage 2 of the part-life refit of the CSIRO’s Australian Centre for Disease Preparedness
- funding for critical maintenance works for the National Measurement Institute
- funding to deliver enabling infrastructure for the Square Kilometre Array
- a provision of \$508.5 million over four years to increase disbursements from the Medical Research Future Fund, from \$650 million in 2025–26 increasing to \$1 billion annually from 2030–31 onwards. Funding will be held pending finalisation of the National Health and Medical Research Strategy
- negotiating to access the world’s largest pooled research fund for our universities, through Horizon Europe

- progressing work to simplify regulatory requirements so that universities can better focus on areas of world-leading research
- helping teachers access high quality evidence-based classroom materials and technologies across the country to support students’ learning.

Technological changes like tokenisation have the potential to transform wholesale financial markets by significantly reducing costs and improving productivity, with the Digital Finance Cooperative Research Centre (DFCRC) estimating potential gains for the Australian economy in the order of \$24 billion per year.

To maintain momentum on financial sector innovation, the Government will:

- work with regulators to establish a regulatory sandbox for tokenised assets, building on recent work by regulators and the DFCRC as part of Project Acacia to facilitate continued testing of use cases for tokenisation in wholesale markets
- strengthen regulator–industry cooperation
- undertake market analysis to inform future consideration of a tokenised Australian Government Bond
- develop a new strategic plan for the payments system.



Strengthening the superannuation performance test

The Government will strengthen the superannuation performance test to help reduce barriers to investment for Australia's \$4.5 trillion superannuation sector.

This work will support the efficient flow of capital across the economy to drive innovation and economic growth, while helping Australians achieve better retirement outcomes.

Reforms will ensure the test remains fit for purpose and supports strong member outcomes.

Better coordinating government investment

The Government is investing up to \$125 billion in priority areas through expert-led specialist investment vehicles (SIVs) like the National Reconstruction Fund Corporation and Clean Energy Finance Corporation.

The Government has recently established the Investor Council – a forum for investment vehicles and key government agencies to share information, identify barriers to investment and coordinate investment. The Investor Council is chaired by the Investor Front Door, and includes the Australian Renewable Energy Agency, Clean Energy Finance Corporation, Export Finance Australia, Housing Australia, National Reconstruction Fund Corporation, Northern Australia Infrastructure Facility, Regional Investment Corporation, Future Fund, Net Zero Economy Authority, AusTrade and the Department of Finance.

This Budget further strengthens the Investor Front Door as the single point of entry for Commonwealth project facilitation. It will play a key role connecting the Investor Council with insights about Government priorities, including its Future Made in Australia agenda.

The Government has also updated the investment mandates of the National Reconstruction Fund and Export Finance Australia to position them to play key roles in Australia's response to recent disruptions in international markets.

Driving ongoing regulatory reform

The Government is continually working to improve regulation to protect the public interest. Well-designed regulation protects the public interest, promotes business dynamism and supports sustainable economic growth.

To drive this agenda, the Government is:

- developing regular Regulatory Reform Omnibus Bills
- completing deep dives into sectors or areas where there are substantial cumulative or overlapping regulatory burdens, with six reviews commissioned following the Economic Reform Roundtable
- improving the Impact Analysis framework, from 1 July 2026, to ensure key regulatory policies are better shaped by more timely and concise analysis
- embedding productivity in regulatory practice and performance by reissuing Ministerial Statement of Expectations.

In 2025, we legislated 60 regulatory reform measures to amend 28 Acts, repeal two Acts and improve the operation of 13 government agencies.

These ongoing actions through the Better Regulation agenda will maintain momentum on regulatory reform to minimise the costs of regulation on the economy, enabling greater growth and resilience and raising living standards for all Australians.

