

Barton Deakin Brief: 2026 Budget in Reply A Coalition vision for a fairer, freer and better Australia

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Summary

The Leader of the Opposition, Angus Taylor MP, delivered his Budget in Reply address on Wednesday 14 May 2026, his first as Liberal Leader. The speech set out the Coalition's alternative economic vision under the framing of a "**fairer, freer and better Australia**" and included significant refocussing on traditional values of what the Coalition stands for.

- Lower taxes
- Smaller government
- Better economic management
- A fair go and aspiration for all Australians

Mr Taylor used his speech to respond to a Budget which for the first time in decades, clearly contrasts the differences between the Coalition and the Labor Party. There now lies a difference between the There is now a difference between the Government and Opposition's policies. Mr Taylor's vision begins the groundwork for the Coalition to generate opportunities for industry to do business, be competitive and prosperous. It is now clear what the Coalition stands for, and Mr Taylor out flanked One Nation's recent announcements on immigration and welfare posturing.

This address sets up the direction for the Coalition's policy objectives to the Australian public and challenge Labor's misleading claims and a Budget of broken promises.

The Key Policy Changes

- The "Tax Back Guarantee", indexation of income tax brackets to inflation
- A housing migration cap linking net overseas migration to new housing completions
- A \$5 billion Housing Infrastructure Fund to unlock 400,000 new homes
- Reservation of 17 welfare programs for Australian citizens only
- A Future Generations Fund banking 80% of windfall resource revenues
- A commitment to defence spending of at least 3% of GDP
- Abolition of Labor's net zero policies, including the Safeguard Mechanism
- A permanent \$50,000 instant asset write off for small business (turnover under \$10 million)

Taxation Reform – a return to individual and small business prosperity

Mr Taylor announced a policy to index income tax thresholds to inflation, framed as the "Tax Back Guarantee" which is a generational tax reform that would force governments to explicitly legislate any future tax increase rather than relying on bracket creep.

- From 2028–29 the bottom two income tax thresholds will be indexed to inflation
- This will fully protect 85 per cent of income earners from bracket creep
- From 2031–32 the top two thresholds will also be indexed, protecting all income earners
- Relief estimated at approximately \$250 in year one, growing to more than \$1,000 per year by year four
- Estimated cost: \$22.5 billion over four years from 2028–29
- Permanent instant asset write off at a threshold of \$50,000
- Available to any business with turnover of less than \$10 million

- Aimed at supporting investment, productivity, and small business confidence
- The Coalition also committed to repealing Labor's proposed changes to negative gearing, capital gains tax concessions, and family trust taxation
- Labor's budget characterised as an *"assault on aspiration"* and *"intergenerational fraud"*

Strategic assessment: The Tax Back Guarantee is structurally ambitious and reframes the debate from one-off tax relief to a permanent mechanism constraining government revenue growth.

Housing and Migration

The centrepiece housing announcement was a direct linkage between net overseas migration and the number of new homes completed each year, an unprecedented policy mechanism.

- Net overseas migration will be capped each year at the number of new houses completed
- Migration levels expected to fall approximately 40% below current levels in initial years
- Mr Taylor committed to *"one of the biggest cuts to immigration in the history of this country"*
- A \$5 billion Housing Infrastructure Fund announced to unlock 400,000 new homes through enabling infrastructure (water, sewerage, utilities, roads)
- The National Construction Code to be reduced which will save up to \$70,000 per new home
- Abolition of Labor housing programs: Housing Australia Future Fund, Help to Buy, Build to Rent, and New Homes Bonus
- Immigration standards strengthened: Australian values statement as enforceable visa condition, mandatory English for permanent visa holders,

enhanced screening, temporary protection visas restored, safe country list established

- 70,000 overstayers to be processed for deportation

Strategic assessment: This appeals directly to voters experiencing housing stress and counters Labor's and One Nation's housing and immigration narrative. This will both challenge Labor and One Nation. For the first time in a long time there is a clear economic difference between Labor and the Coalition.

Welfare: Reservation for Australian Citizens

The Coalition proposed reserving welfare programs exclusively for Australian citizens.

- 17 welfare programs to be reserved for citizens only, including: NDIS, JobSeeker, Youth Allowance, Family Tax Benefit, Aged Pension, Parenting Payment, and Disability Support Pension
- First Home Buyer 5% Deposit Scheme already restricted to citizens (noting 50,000 noncitizens had accessed the scheme under Labor)
- Measures would be grandfathered, applying to new migrants only
- Projected to save billions over the forward estimates
- Mr Taylor stated: *"If you commit to Australia, Australia will commit to you."*

Strategic assessment: This is the most politically contrasting element of the Budget in Reply.

Energy and Net Zero

The Budget Reply marked the Coalition's most decisive break from bipartisan climate policy with Mr Taylor re-committed to abolish the net zero framework and reframe energy policy around abundance and security.

- Abolition of the Safeguard Mechanism which has been characterised as *"Labor's great big carbon tax"*

- Abolition of net zero carbon taxes on mining, manufacturing, electricity, vehicles, and imports
- Scrapping the net zero agency and electric vehicle tax breaks
- Coal fired power plants to be kept running *"as long and as hard as possible"*
- Nuclear ban to be lifted
- \$800 million invested in new fuel storage toward 90-day reserves (one billion litres additional capacity)
- Fuel security services payment extended to new refineries, including biofuels and coal-to-liquids
- National Strategic Priority Projects designated under law: Browse Basin (WA) and Taroom oil field (QLD)
- Mr Taylor stated: *"Net zero must go."*

Strategic assessment: The abandonment of net zero represents a policy realignment and will resonate with resource constituencies and cost of living voters but carries reputational risk with institutional investors and international trading partners.

Future Generations Fund

The Coalition announced a sovereign wealth mechanism to manage windfall resource revenues.

- Where resource tax revenues exceed forecasts, 80 cents in every dollar will be banked into the Fund
- Designed to pay down Labor's projected \$1 trillion in debt
- 25 per cent of Fund allocation directed to regional Australia
- Also intended to invest in nation-building infrastructure

- Mr Taylor noted the Government has received almost half a trillion dollars in commodity revenue upgrades since coming to office but has *"squandered resource profits with its self-indulgent spending"*.

Defence and National Security

The Coalition announced an ambitious Defence and National Security Policy which contrasts their vision with the Government's and strengthens expectations with regional partners Defence spending commitment of at least 3% of GDP

- Development of a comprehensive national security strategy
- Appointment of a dedicated National Security Adviser
- Deliver AUKUS commitments
- Build offensive and defensive drones and missiles at speed and scale
- Harden military bases and bolster war fighter ranks

Regulatory Reform

The Coalition proposed a comprehensive deregulation agenda framing regulatory burden as a structural impediment to investment and prosperity.

- Rewrite and simplify major legislation: Corporations Act, Tax Act, Competition Act, National Construction Code, and EPBC Act
- New statutory obligations on regulators requiring them to encourage competition, nurture investment, increase productivity, and grow the economy
- Reduce duplication across federal and state regulatory systems
- Mr Taylor stated: "Under Labor, regulators have become bigger, more powerful and overbearing. They need to get out of the way."

Political Reactions

- **Government:** Dismissed as "uncosted nonsense"; Prime Minister reportedly described the Opposition as "reduced to a farce"



- **Greens:** Senator Shoebridge criticised migration proposals as creating "unequal rights"
- **One Nation:** Hanson claimed the Coalition is adopting her party's policies

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