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Aussie Budget 2026: Big Wins and Tough Questions for Life Sciences

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On May 12, Australia unveiled its 2026 Federal Budget, introducing measures aimed at strengthening innovation, research, and business growth. Key announcements include reforms to R&D tax incentives, AI-focused initiatives, venture capital support, and measures designed to encourage startup growth. Hereâ??s a look at what these developments could mean for the life sciences sectors.



The latest budget introduces several measures that may influence the pharmaceutical, biotechnology, and wider life sciences ecosystem. The initiatives are expected to shape innovation pathways, research investment, commercialization opportunities, and growth prospects for emerging and established businesses.

Please note all figures mentioned below are in Australian dollars (AUD).

Key highlights

Investing in science and innovation

The Government is investing $1.5 billion in research and scientific institutions, including CSIRO, the National Measurement Institute, and the Square Kilometre Array. To maximise the value of its innovation investments, the Government is establishing the National Resilience and Science Council to coordinate and align public innovation investments. The Government has also provisioned $508.5 million to increase disbursements for medical research through the Medical Research Future Fund.

Unlocking the data and AI opportunity

The Government is providing up to $70 million for ‘AI Accelerator’ grants to boost AI development. It is also advancing the use of AI in government, including accelerating environmental and medicine approvals and making the National Construction Code easier to use.

R&D Tax Incentive

The Government will further incentivise core R&D that benefits the broader economy in response to recommendations from the Ambitious Australia Report. From July 1, 2028, the Government will:
• Increase the offset for experimental core R&D by around 25 to 50 per cent while removing eligibility for expenditure that only supports R&D. The intensity threshold will be reduced to 1.5 per cent, providing higher offsets to firms undertaking substantial core R&D.

• Provide greater support for young, fast-growing firms by increasing the turnover threshold for the higher refundable offset to $50 million. Refundability will be limited to firms operating for less than ten years, while older firms will remain eligible for an equivalent non-refundable offset.
• Increase the maximum expenditure cap to $200 million, encouraging more R&D activity onshore.
• Improve assurance by increasing the minimum expenditure threshold to $50,000. R&D expenditure below this level must be undertaken with a Research Service Provider or Cooperative Research Centre.

Support for small business

Boosting resilience and dynamism

The Government is reintroducing loss carry-back measures to support business risk-taking and resilience. From 2026–27, eligible companies that incur a loss in the current income year will be able to use that loss to receive a refund against taxes paid in the previous two income years. This is expected to benefit up to 85,000 companies, primarily small businesses.

The Government is also introducing loss refundability to support new start-up businesses. From 2028–29, small start-ups in their first two years of operation will be able to receive a refund for tax losses, up to the value of fringe benefits tax and withholding tax paid on employee wages. This will benefit up to 25,000 young companies each year, providing valuable cash flow support.

The Government is also improving cash flow for small businesses by permanently extending the $20,000 Instant Asset Write-Off (IAWO) from July 1, 2026. Small businesses with annual turnover of up to $10 million will be able to immediately deduct eligible assets costing less than $20,000, helping them make investment decisions with greater confidence. This measure is estimated to improve cash flow for small businesses by around $890 million over the next five years.

Expanding venture capital incentives

From July 1, 2027, the Government will expand venture capital tax incentives to align with modern company valuations. This is expected to unlock patient capital for young, growing firms that often face challenges in accessing traditional financing. Changes to the Early-Stage Venture Capital Limited Partnership (ESVCLP) and Venture Capital Limited Partnership (VCLP) programs will support start-ups and high-growth businesses by increasing access to capital and industry expertise. The changes will also provide investors, including superannuation funds, with greater flexibility to invest for longer periods, make larger contributions, and support more cutting-edge and forward-looking businesses.

Healthcare

The Government is investing $3.7 billion to deliver more beds, additional support packages, and improved care for older Australians.

More aged care beds and Support at Home packages

The Government is investing $1.7 billion to incentivise the construction of up to 5,000 aged care beds annually while protecting equitable access for lower-income Australians. This includes $606.5 million to introduce new capital subsidies for aged care providers, deliver up to 20 additional Specialist Dementia Care units, and expand the Hospital to Aged Care Dementia Support program from 11 to 20 locations nationally.

The Government is also provisioning $1.1 billion for future spending to increase and restructure the Accommodation Supplement and introduce additional payments for facilities with more than 60 per cent low-means residents.

An additional $565.1 million will improve sector quality, safety, and viability. This builds on previous measures aimed at improving residential aged care quality, including increasing care delivery and strengthening regulatory oversight.

The Government is also providing $389.8 million to accelerate the rollout of Support at Home packages and improve affordability and fairness, including enhancements to assessments, hardship applications, and end-of-life care pathways.

Quality, affordable personal care for older Australians

The Government is committing $1 billion to fully subsidise and remove co-contributions for personal care services, such as showering, through the Support at Home programme.

Record funding for public hospitals

The Government is delivering $25 billion in additional funding for public hospitals, bringing total funding to a record $220.3 billion over five years. The renewed National Health Reform Agreement aims to ensure Australians continue receiving safe and high-quality care while improving outcomes for First Nations communities.

Investing in Medicare Urgent Care Clinics

This Budget provides $1.8 billion to secure Medicare Urgent Care Clinics as permanent features of Australia's healthcare system. Building on earlier investments, the network will expand to 137 clinics nationwide. By July 2026, four in five Australians are expected to live within a 20-minute drive of their nearest Medicare Urgent Care Clinic.

What the industry thinks

By and large, the industry has welcomed the announcements, particularly measures aimed at strengthening research, innovation, and the broader life sciences ecosystem. Industry bodies viewed the budget as a positive step toward improving Australia's competitiveness and supporting homegrown innovation.

"AusBiotech welcomed moves to commence implementation of Ambitious Australia, a major report released following an extensive review of Australia's Research, Development and Innovation (R&DI) system. The Federal Budget includes the establishment of the National Resilience and Science Council. This and other Ambitious Australia recommendations offer to unlock greater economic and societal impact from investment in homegrown innovation," said **Rebekah Cassidy, CEO, AusBiotech**.

"Additional Medical Research Future Fund funding was welcomed, with AusBiotech noting its potential to strengthen Australia's health and medical research ecosystem. The Australian Government also committed $15.8 million over two years from 2026–27 to continue developing the National One Stop Shop, streamlining clinical trial approvals and bolstering Australia's standing as a world-class clinical trials destination," she added.

However, the industry also highlighted areas where opportunities may have been missed and cautioned that certain proposed measures could create challenges for the sector if not carefully implemented.

"While AusBiotech welcomes some of the tax changes proposed in the Federal Budget, others including some related to the Research & Development Tax Incentive and Capital Gains Tax, may have unintended consequences," said Rebekah.

AusBiotech is engaging with the Federal Government on these topics with a view to industry and government working together to ensure any changes act to support the growth of the sector rather than unintentionally impede it.

Concerns were also raised around Australia's long-term investment trajectory in research and development.

Australia's investment in R&D has been declining for more than a decade – dropping well below the OECD average (1.69 per cent vs 2.72 per cent of GDP). A single Budget cannot reverse this. Ambitious Australia recommended reversing the decline in competitive grant funding to protect and support fundamental research. The Academy calls on the Government to mandate the new National Resilience and Science Council to develop a 10-year investment plan for R&D with clear funding trajectories to raise Australia's R&D investment, noted Australian Academy of Science.

Amid these discussions, AusBiotech also emphasized the broader importance of the sector and the need to ensure policy changes do not slow its momentum.

"Australia's life sciences sector is a significant industry which makes an invaluable contribution to the economy and can't be ignored – it supports 350,000 jobs and has doubled in size since 2017," signs off Rebekah.

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