



FEDERAL BUDGET ANALYSIS 2025-2026

25 March 2025

Overview

The Hon Dr Jim Chalmers MP handed down the 2025-26 Federal Budget at 7:30 pm (AEDT) on 25 March 2025. The budget deficit is estimated to be \$42.1 billion following a couple of years of surpluses.

The key focus areas of this Budget are around easing cost of living pressures.

INDIVIDUALS

The Government announced further tax cuts which will apply from 1 July 2026. This is on top of the more substantial tax cuts implemented following last year's budget. Changes were also announced in relation to student debts and a temporary two-year ban has been implemented to prevent foreigners (including temporary residents or foreign owned companies) from buying established dwellings.

BUSINESSES

Unfortunately, nothing of note was announced for businesses and, worryingly, the Government

has not extended the instant asset write off for small businesses which will revert to \$1,000 from 1 July 2025.

OUR THOUGHTS

Over the last few budgets (spanning back to nearly a decade ago), Governments have made various announcements which impact many taxpayers in the Small-Medium Enterprise (SME) space and there has been little to no traction in legislating those changes. These include a revamp to our tax residency provisions for individuals and companies which continue to be an area of angst for taxpayers due to complexity.

Furthermore, announcements to make wholesale changes to

Division 7A nearly ten years ago remain unlegislated. The recent decision of the Full Federal Court in the case of Bendel has added further uncertainty in this area. Whilst we do not believe those previously announced changes should go ahead, we do think the Government should formally take them off the table. This is to ensure taxpayers can structure their affairs without a fear of legislation being passed down the track which may apply retrospectively.

We are also left in limbo in respect of the superannuation changes impacting member balances exceeding \$3 million.

Whilst we did not expect any major tax reform in this election year, this year's budget represents

a missed opportunity by the Government to at least show a commitment to reducing complexities and uncertainty within our tax system.

\$42.1
Billion
Budget deficit

Individuals

The Government has committed to further tax cuts for all Australian taxpayers. The 16% marginal tax rate will reduce to 15% from 1 July 2026 and then to 14% from 1 July 2027. Tax rates for the 2025-26 income year remain unchanged and are as follows:

Taxable income	Tax on this income
0 – \$18,200	Nil
\$18,201 – \$45,000	16c for each \$1 over \$18,200
\$45,001 – \$135,000	\$4,288 plus 30c for each \$1 over \$45,000
\$135,001 – \$190,000	\$31,288 plus 37c for each \$1 over \$135,000
\$190,001 and over	\$51,638 plus 45c for each \$1 over \$190,000



MEDICARE LEVY - LOW INCOME THRESHOLD

The Government will increase the Medicare levy low-income thresholds for singles, families, and seniors and pensioners from 1 July 2024 to provide cost-of-living relief.

REDUCTION OF HELP DEBTS

The budget confirms that the Government will reduce outstanding student debts by 20% before indexation is applied on 1 June 2025.

Furthermore, the Government will increase the HELP debt repayment thresholds.

ENERGY RELIEF

The Government will extend its energy bill rebate. All households will receive two \$75 rebates directly off their electricity bills through to 31 December 2025.

OUR THOUGHTS:

The further reduction in the tax rates applicable at the lower brackets can be seen as easing cost of living pressures, but they will only kick in from 1 July 2026 and people will have to wait for a while to see the benefits of this announcement. The value of the modest taxpayer savings of around \$5 per week in 2026-27 and \$10 per week in 2027-28, at a cost to the budget of over \$17 billion out to 2028-29, could also be questioned.

The energy relief will be welcomed by many, but given its not income-tested, it will flow to households that do not necessarily require financial assistance.

20%

Reduction
in student
debt

Businesses

No significant announcements were made in relation to businesses in Australia.

ENERGY RELIEF

The Government will extend its energy bill rebate to businesses. Eligible small businesses will receive two \$75 rebates directly off their electricity bills through to 31 December 2025.

SMALL BUSINESS AND FRANCHISEE SUPPORT AND PROTECTION

The Government will provide \$12 million to support small businesses by :

- Strengthening regulatory oversight of the Franchising Code of Conduct.
- Improving ASIC’s data analytics capabilities to deter

phoenixing.

- Establishing a Social Enterprise Loan fund to offer small loans to social enterprises.

INCREASE IN SUPERANNUATION GUARANTEE RATE

The final stage of the previously legislated increase to the Superannuation Guarantee (SG) will take effect, lifting the minimum SG rate from 11.5% to 12% from 1 July 2025.

OUR THOUGHTS:

It is unclear why the Government has not committed to a permanent instant asset write off for small businesses – it is a simple enough measure which not only reduces compliance costs for taxpayers but also encourages investment in capital assets. Making it permanent would provide greater certainty and planning confidence for businesses.



International

DEFERRAL OF CHANGES TO THE FOREIGN RESIDENT CGT REGIME

The Government has deferred the start date to a previous budget measure which was aimed at strengthening the foreign resident Capital Gains Tax (CGT) regime from 1 July 2025 to the later of 1 October 2025, 1 January 2026, 1 April 2026, 1 July 2026 or 1 October 2026 after the Act receives Royal Assent.

Contained in last year's Federal Budget, the amendments included broadening the type of CGT assets foreign residents are subject to tax on in Australia, including additional reporting requirements and making other technical changes to the point-in-time test which applies to the sale of indirect interests.

MANAGED INVESTMENT TRUSTS & FOREIGN RESIDENTS

The Government will amend the tax laws to clarify arrangements for managed investment trusts, to ensure legitimate investors can continue to access concessional withholding tax rates in Australia, complementing the ATO's strengthened guidelines to prevent misuse.



Industries

HOSPITALITY AND ALCOHOL PRODUCERS

The Government will pause indexation on draught beer excise and excise equivalent customs duty rates for a two-year period, from August 2025. Under this measure, biannual indexation of draught beer excise and excise equivalent customs duty rates due to occur in August 2025, February 2026, August 2026, and February 2027 will not occur. Biannual indexation will then recommence from August 2027.

The Government will also increase support available under the Excise remission scheme for manufacturers of alcoholic beverages and the Wine Equalisation Tax (WET) producer rebate. Currently, all eligible brewers and distillers can receive

an excise remission under the remission scheme up to a cap of \$350,000.

All eligible wine producers can currently receive a WET rebate up to a cap of \$350,000 under the producer rebate. This measure will increase the caps for all eligible brewers, distillers and wine producers to \$400,000 per financial year, from 1 July 2026.



Other

TEMPORARY BAN OF FOREIGN OWNERSHIP OF HOUSING

Foreign persons (including temporary residents and foreign-owned companies) will be banned from purchasing established dwellings for two years from 1 April 2025, unless an exception applies.

Exceptions to the ban will include investments that significantly increase housing supply or support the availability of housing on a commercial scale, and purchases by foreign-owned companies to provide housing for workers in certain circumstances.

Funding will be provided to the ATO to administer and enforce the ban.

INTEGRITY

The Government will strengthen the fairness and sustainability of Australia's tax system by providing \$999 million over four years to the Australian Taxation Office (ATO) to extend and expand tax compliance activities which includes expansion and extension of the following programs:

- Tax Avoidance Taskforce.
- Shadow Economy Compliance Program.
- Personal Income Tax Compliance Program.
- Tax Integrity Program.

The measure is expected to see an increase in income taxes and GST and collect additional unpaid superannuation to be disbursed to employees.



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