

A photograph of the Australian Parliament House in Canberra at night. The building is illuminated, and the Australian flag flies from a tall pole in front of it. The sky is dark blue. A large white diagonal shape is on the right side of the image.

2025-26 Federal Budget Summary

Overview

Treasurer Jim Chalmers has delivered his fourth federal budget, setting the stage for the upcoming federal election that is likely to be called in a matter of days. Much of the budget targets individuals, offering significant cost-of-living relief to attract voters before they go to the polls.

Key measures for **individuals** include:

- Tax cuts for all
- Higher threshold for the Medicare levy
- Debt reduction for university students
- More free vocational education placements
- Three days of subsidised childcare with no activity testing
- Energy bill relief
- Increased incentives for bulk-billing GPs
- Lower prices on PBS-listed medicines
- Slight increase in support for first-home buyers

Business support is minimal, with a few exceptions:

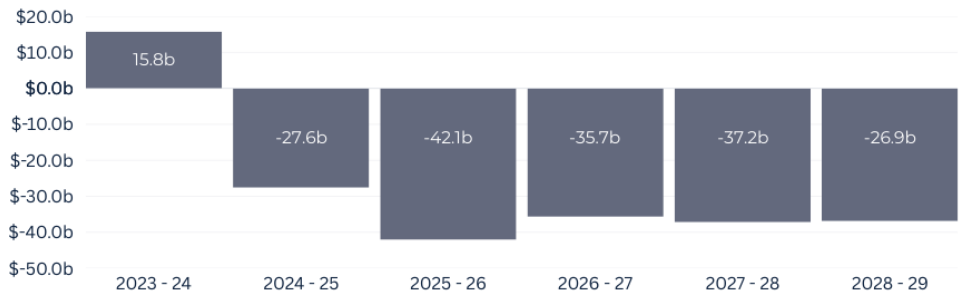
- A two-year freeze on the beer excise for brewers
- \$20 million to promote Australian-made products
- \$2 billion for green aluminium and \$1 billion for green steel production
- Incentives for construction apprentices and a new national licensing scheme for electricians.

Unfortunately, this will be funded by an increased Government budget deficit; with the net impact of the budget expected to lead to increased spending of \$103 million in 2025/26, \$3.4 billion in 2026/27, \$6.1 billion in 2027/28 and \$4.5 billion in 2028/29.

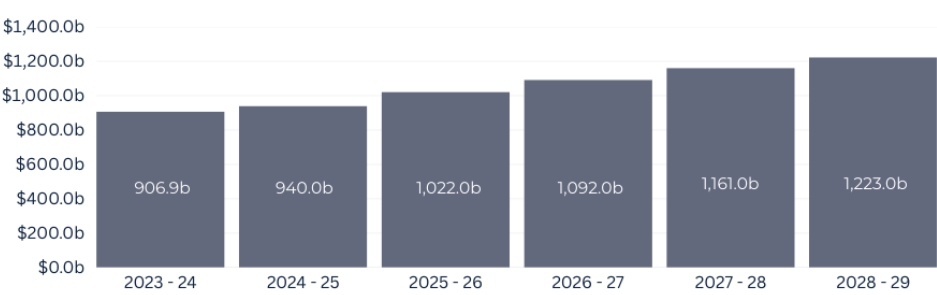
A detailed breakdown of the impact for business and individuals follows.

2025 – 26 Financial Outlook

Underlying Cash Balance



Gross Debt



Key Economic Data

Real GDP

23-24	24-25	25-26	26-27	27-28	28-29
1.40%	1.50%	2.25%	2.50%	2.75%	2.75%

Unemployment

23-24	24-25	25-26	26-27	27-28	28-29
4.00%	4.25%	4.25%	4.25%	4.25%	4.25%

Inflation (CPI)

23-24	24-25	25-26	26-27	27-28	28-29
3.80%	2.50%	3.00%	2.50%	2.50%	2.50%

Wage Growth (WPI)

23-24	24-25	25-26	26-27	27-28	28-29
4.10%	3.00%	3.25%	3.25%	3.50%	3.75%

Key Tax Measures

- \$ Enhancing Tax Practitioner Regulation and Compliance – strengthening the TPB sanctions regime, modernising the registrations framework, and TPB implementation and compliance activity funding
- \$ Personal Income Tax – new tax cuts for every Australian taxpayer
- \$ Strengthening Tax Integrity – funding for various ATO compliance programs

Government Revenue Sources

Individual income tax	\$357.8b
Company and resource rent tax	\$145.5b
GST	\$99.3b
Non-tax revenue	\$56.0b
Excise and customs duty	\$43.8b
Superannuation taxes	\$25.6b
Other taxes	\$17.2b
FBT	\$5.2b

Investments



Social Security & Welfare - \$291.0b

Health – 124.8b



Education - \$54.0b



Defence - \$51.5b



Personal Income Tax Measures

1. Tax Cuts

The biggest Budget announcement was the new income tax cuts for individuals. This will result in the \$18,201 to \$45,000 tax band decreasing from 16% to 14% over two years.

As of time of writing, Labor have already made move to introduce the bill into parliament in an attempt to pass the measures ahead of the federal election.

Starting in July 2026, the 16% tax rate will be reduced to 15%, followed by another decrease to 14% in the following year. This is expected to cost the budget \$17 billion. This is a tax saving of \$268 over the 2026/27 tax year and \$536 over the 2027/28 tax year for all taxpayers earning \$45,000 per annum or more.

Income Threshold	Tax Rate 2025/26	Tax Rate 2026/27	Tax Rate 2027/28
\$0 – \$18,200	0%	0%	0%
\$18,201 - \$45,000	16%	15%	14%
\$45,001 - \$135,000	30%	30%	30%
\$135,001 - \$190,000	37%	37%	37%
\$190,000 +	45%	45%	45%

2. Medicare levy low-income thresholds

The thresholds for Medicare Levy have increased with effect from 1 July 2024 to provide cost of living relief to individuals and families on lower incomes. This will provide a boost to those on low incomes and exempt them from making the payment of 2% Medicare Levy.

Category	Current Thresholds (\$)	2024-25 Thresholds (\$)
Singles	26,000	27,222
Families *	43,846	45,907
Seniors and pensioners – Single	41,089	43,020
Seniors and pensioners – Families *	57,198	59,886

* The thresholds will increase by \$4,216 for each dependant child or student, up from \$4,027

3. HELP Reduction

The Government plans to cut \$19b in student loan debt for 3 million Australians by reducing all outstanding Higher Education Loan Program (HELP) and other student debts by 20%.

From 1 July 2025 this year, the Government aims to reform the student loan repayment system, increasing the income threshold for repayments from \$54,435 in 2024–25 to \$67,000 in 2025–26.

4. Superannuation

No changes to Superannuation were announced in the Budget. It was expected that Division 296 and the concept of taxing Australians on unrealised gains would be addressed, but there was no mention of it in this, resulting in continued uncertainty surrounding superannuation. The Division 296 bills are currently before the senate. These bills will lapse once the Prime Minister calls the federal election, unless they are passed when Parliament resumes for the Budget sittings in late March 2025.

Business Support Measures

1. Ending Instant Asset Write-Off Boost

The boosted instant asset write-off tax benefit will end on 30 June 2025, with no new measure in the federal budget to extend it.

The tax break that allows businesses to claim an immediate \$20,000 deduction from their taxes will fall back to \$1,000 when the new financial year starts on 1 July 2025.

2. Small Business and Franchisee Support and Protection

The Government will provide \$12 million over four years from the 2026 income year to support and protect small businesses. The funding will support the following:

- The ACCC to strengthen regulatory oversight of the Franchising Code of Conduct.
- The Australian Securities and Investments Commission ('ASIC') to improve its data analytics capability to better target enforcement activities to deter illegal phoenixing activities, particularly in the construction sector.
- Partnering with White Box Enterprises to establish a Social Enterprise Loan Fund to offer small loans to social enterprises, including work integration social enterprises to support employment for disadvantaged Australians.
- Treasury to develop and consult on options to extend protections against unfair trading practices to small businesses and protect businesses regulated by the Franchising Code of Conduct from unfair contract terms and unfair trading practices.

3. Support for Hospitality Sector and Alcohol Producers

The Government will increase support for hospitality venues, brewers, distillers and wine producers through changes to the alcohol tax settings in Australia. 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, bi-annual 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. Bi-annual indexation will then recommence from August 2027.
- The Government will also increase support available under the existing Excise Remission Scheme for manufacturers of alcoholic beverages (the 'Remission scheme') and Wine Equalisation Tax ('WET') producer rebate ('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 Tax-Related Budget Measures

1. Tax Practitioner Regulation and Compliance

The Government will strengthen the sanctions available to the Tax Practitioner Board, modernise the registration framework for tax practitioners and provide funding to the TPB to undertake additional compliance targeting high-risk tax practitioners over four years from 1 July 2025.

This measure will protect taxpayers from tax agent misconduct, including poor and unlawful tax advice, and maintain community confidence in the integrity of the tax system. It will also support the sustainability of the tax profession by increasing the ease of re-entry for tax and business activity statement agents who take career breaks.

This measure forms part of the Government's response to the PwC matter and implements recommendations from the 2019 Independent Review of the Tax Practitioners Board.

2. Strengthening Tax Integrity

The Government will provide \$999 million over four years to the ATO to extend and expand tax compliance activities. This additional funding will support the following compliance activities:

- Extension and expansion of the Shadow Economy Compliance Program to reduce shadow economy behaviour such as worker exploitation, under-reporting of taxable income, illicit tobacco and other activity that enables non-compliant businesses to undercut competition.
- Extension and expansion of the Personal Income Tax Compliance Program. This will enable the ATO to continue to deliver a combination of proactive, preventative and corrective activities in key areas of non-compliance.
- Extension of the Tax Integrity Program. This will enable the ATO to continue its engagement program to ensure timely payment of tax and superannuation liabilities by medium and large businesses and wealthy groups.
- A two-year expansion and a one-year extension of the Tax Avoidance Taskforce. This supports continued tax compliance scrutiny on multinationals and other large taxpayers.

3. Managed Investment Trusts

The Government will amend the tax laws to clarify arrangements for managed investment trusts. This will ensure legitimate investors can continue to access concessional withholding tax rates in Australia, complementing the ATO's strengthened guidelines to prevent misuse. This measure will apply to fund payments from 13 March 2025.

The Government will also defer the start dates of the 2023/24 Budget measure, extending the clean building managed investment trust withholding tax concession, which will extend eligibility for the concession to data centres and warehouses that meet the relevant energy

efficiency standard. The start date of this measure will be deferred from 1 July 2025 to the first 1 January, 1 April, 1 July or 1 October after the applicable Act receives Royal Assent.

4. Foreign Resident Capital Gains Tax Regime

The Government will defer the start dates of the 2024/25 Budget measure, strengthening the foreign resident capital gains tax regime, which will:

- Clarify and broaden the types of assets on which foreign residents are subject to CGT;
- Amend the point-in-time principal asset test to a 365-day testing period; and
- Require foreign residents disposing of shares and other membership interests exceeding \$20 million in value to notify the ATO prior to the transaction being executed.

Non-Tax Related Budget Measures



The Government is **extending energy bill relief** by providing eligible households and small businesses with two \$75 bill rebates directly off their electricity bills until 31 December 2025 to provide cost-of-living relief.



Under the Help to Buy scheme, the Government will provide an equity contribution of up to 40% to **support eligible home buyers** to purchase a home with a lower deposit and a smaller mortgage.

Income caps for single and couples will be increased as well as property price caps, which will now be linked with each state/territory average house price.



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.



The Government will provide \$6.7 million in the 2026 income year to **extend the operation of the National Anti-Scam Centre** within the Australian Competition and Consumer Commission ('ACCC') to continue protecting consumers and businesses from scam activity.



The Government will ban non-compete clauses that apply to workers earning less than the high-income threshold in the Fair Work Act (currently \$175,000). The Government will also close loopholes in competition law that currently allow businesses to:

- Fix wages by making anti-competitive arrangements that cap workers' pay and conditions; and
- Use 'no-poach' agreements to block staff from being hired by competitors.



The Government will provide **funding to support the delivery of Government priorities in the Treasury portfolio**, including the following:

- \$207 million over two years from the 2026 income year to deliver the second tranche of stabilisation and uplift of the ASIC's business registers, including linking Director Identification Numbers to the Company Register.
- \$0.8 million in the 2026 income year for the Treasury to reform Australia's financial reporting governance arrangements.

Should you have any queries in relation to this, please do not hesitate to contact our office

(08) 6165 4000
info@armada.com.au

18 Sangiorgio Court
Osborne Park WA 6017

Locked Bag 4
Osborne Park WA 6916

ARMADA.COM.AU

