



Federal budget | April 2025

On Tuesday, 25 March 2025, Treasurer Jim Chalmers handed down the 2025-26 Federal Budget, his 4th Budget. In an election Budget, the Treasurer proposed to cut the personal income tax rate for the income threshold (\$18,200 - \$45,000) from 16% to 15% (from 1 July 2026) and 14% (from 1 July 2027) in an attempt to counter (to some extent) the impact of bracket creep and provide cost of living relief. The Government has also extended its energy bill rebate until the end of 2025 with a further 2 instalments of \$75 for households and small businesses.

Other tax measures include Tax Practitioners Board (TPB) - increased funding for more sanction powers to target high-risk tax practitioners; Managed investment trusts (MITs) - start date confirmed for announced changes; Foreign resident CGT; clean building MITs - start dates deferred.

A Budget deficit of \$27.6bn is forecast in 2024-25

Tax rates and income thresholds

Taxable income (\$)	2025-26 (legislated)
\$0-\$18,200	Nil
\$18,201 - \$45,000	16%
\$45,001- \$135,000	30%
\$135,001-\$190,000	37%
\$190,001 +	45%

Tax rates and income thresholds

Taxable Income	2026 - 27 (Proposed)	2027-28 (proposed)
\$0-\$18,200	0%	Nil
\$18,201 - \$45,000	15%	14%
\$45,001- \$135,000	30%	30%
\$135,001-\$190,000	37%	37%
\$190,001 +	45%	45%

PERSONAL TAXATION

Personal tax rates cut from 1 July 2026 and 2027

The Government has proposed to cut the personal income tax rate for the income threshold (\$18,200 - \$45,000) from 16% to 15% (from 1 July 2026) and 14% (from 1 July 2027).

Under the proposed changes, every Australian taxpayer will receive a tax cut of up to \$268 from 1 July 2026, rising to \$536 from 1 July 2027. The Government said the proposed tax cuts "return bracket creep" by lowering average tax rates for all taxpayers, especially for low- and middle-income earners.

BUSINESS TAXATION

ATO enforcement of taxpayer compliance: increased funding

The ATO is to receive another significant increase in funding to enforce taxpayer compliance, \$999.0 million over 4 years for the ATO to "expand tax compliance activities".

Tax Practitioners Board: extra funding and sanctions to target high-risk practitioners from 1 July 2025

The Government will strengthen the sanctions available to the TPB, modernise the registration framework for tax practitioners and provide additional funding to the TPB to allow it to undertake additional compliance operations targeting high-risk tax practitioners over 4 years.

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MIT measures: start date confirmed for announced changes – 13 March 2025

This intention is that foreign based widely-held investors, such as pension funds, can still access concessional withholding tax rates on eligible distributions to members through MITs. The amendments will maintain current industry practice and understanding of the operation of the managed investment trust pooling requirements under Div 275 of ITAA 1997 and remove ambiguity around the use of MITs.

Foreign resident CGT; clean building MITs - start dates deferred

The revised commencement dates for the following changes. The 2023-24 Budget measure Extending the clean building managed investment trust withholding tax concession from 1 July 2025 to the first 1 January, 1 April, 1 July or 1 October after the Act receives assent.

The 2024-25 Budget measure Strengthening the foreign resident capital gains tax regime from 1 July 2025.

In terms of the CGT changes for foreign residents the government discusses elements which will amend the rules:

- clarify and broaden the types of assets that foreign residents are subject to CGT on
 - amend the point-in-time principal asset test ("PAT") to a 365-day testing period - aims to rectify the current point-in time approach which is stated to present an integrity risk as it allows foreign residents to avoid CGT by planning the sale of their membership interests at time when the underlying entity does not satisfy the test; and
 - require foreign residents disposing of shares and other membership interests exceeding \$20 million in value to notify the ATO, in the approved form prior to the transaction being executed
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SUPERANNUATION

No major new super measures announced

- Superannuation Guarantee rate is currently legislated to increase from 11.5% to 12% on 1 July 2025.
 - Proposed Div 296 regime - uncertainty remains for Division 296 regime for superannuation account balances above \$3m from 1 July 2025.
 - Proposed Div 296 of the ITAA 1997 is contained in the Treasury Laws Amendment (Better Targeted Superannuation Concessions and Other Measures) 2023 and Superannuation (Better Targeted Superannuation Concessions) Imposition Bill 2023 which are **still before the Senate**.
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OTHER MEASURES

Govt energy bill rebate to be extended: extra \$150 for 2025 From 1 July 2025,

The Government will extend its energy bill rebate until the end of 2025 by providing a further 2 instalments of \$75 for households and small businesses.

Help to Buy home scheme expanded; income and price caps increased

Under this shared equity loan scheme, the Commonwealth will provide an equity contribution up to 40% of the purchase price to assist up to 40,000 eligible first home buyers to purchase a new or existing home. The Government said it will increase the scheme's income cap from \$90,000 to \$100,000 for individuals, and from \$120,000 to \$160,000 for joint applicants and single parents. The property price caps for eligible homes will also be increased and linked with the average house price in each State and Territory, not dwelling price, so first home buyers have more choice.

Extending subsidies for apprentices and fee-free TAFE

The government will expand New Energy Apprenticeships Program, extend current interim Apprenticeship Incentive System program settings for a

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further 6 months from 1 July 2025 to 31 December 2025, increase the Disability Australian Apprentice Wage Support subsidy and living away from home allowance.

The government will provide additional funding to make Free TAFE a permanent program funding at least 100,000 places annually from 1 January 2027.

Beer excise indexation frozen for 2 years from August 2025

The Government will pause indexation on draught beer excise and excise equivalent customs duty rates for a 2-year period. 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.

Alcohol producers: remission cap and WET rebate cap to be increased to \$400,000 from 1 July 2026

Currently, all eligible brewers and distillers can receive an excise remission under the Remission Scheme up to a cap of \$350,000. Concurrently, all eligible wine producers can 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.

More funding for ASIC to deter illegal phoenixing

The Government will provide \$3.0m over 4 years from 2025-26 for the Australian Securities and Investments Commission (ASIC) to improve its data analytics capability to undertake enforcement to deter illegal phoenixing activities, particularly in the construction sector.

Australian Business Registers (ABR): further funding and linking DINs to company register

The Government will provide \$207m over 2 years from 2025-26 to continue work with Australia's business registers and linking Director Identification Numbers (DINs) to the Company Register with ABR.

This is intended to improve the quality of information available to investors and creditors about directors. It is also intended to further combat illegal phoenixing.

Foreign ownership of housing: ATO to enforce ban from 2025-2026

The ATO will be provided with funding to enforce the ban on foreign residents from purchasing established properties. In addition, the ATO and Treasury will be provided funding to implement an audit program and enhance their compliance approach to target land banking by foreign investors.

The Government has already announced the ban on foreign persons (including temporary residents and foreign-owned companies) from purchasing established dwellings for 2 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.

Reduction of HELP debts

The Government will make changes that will reduce Higher Education Loan Program (HELP) and other student debts for more than 3 million Australians by around \$19bn. The measure will reduce outstanding student debts by 20% before indexation is applied on 1 June 2025 - subject to the passage of legislation.

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