CPA Australia’s 2025-26 Federal Budget Report

2025-26 Federal Budget: tax rate cuts for individuals; energy rebate extended; ATO enforcement of tax compliance

In the government’s 2025-26 pre-election Budget, the Treasurer announced a cut in the personal income tax rate to every Australian taxpayer for the income threshold between $18,201 and $45,000 from 1 July 2026.

Under the government’s new tax cuts:

- From 1 July 2026, the 16 per cent rate will be reduced to 15 per cent.
- From 1 July 2027, the 15 per cent rate will be further reduced to 14 per cent.

The government has also extended the energy bill rebates of $75 per quarter for eligible Australian households and small businesses until the end of 2025, i.e. a further 2 instalments of $75 for households and small businesses until 31 December 2025.

The government will also increase the Medicare levy low-income thresholds for singles, families, and seniors and pensioners from 1 July 2024. The threshold for singles will be increased from $26,000 to $27,222. The family threshold will be increased from $43,846 to $45,907. For single seniors and pensioners, the threshold will be increased from $41,089 to $43,020. The family threshold for seniors and pensioners will be increased from $57,198 to $59,886. The family income thresholds will increase by $4,216 for each dependent child or student, up from $4,027.

A Budget deficit of $27.6bn is forecast in 2024-25, followed by deficits of $42.1bn in 2025-26, $35.7bn deficit for 2026-27 and $37.2bn in 2027-28. The Budget papers noted the Budget is expected to be in deficit for the next decade, and “The Australian economy is on track for a soft landing. The economy recorded a solid rebound in growth at the end of last year. This momentum is expected to continue, supported by stronger private demand.”

The Budget papers note that the global economic outlook remains volatile and unpredictable with the threat of a global trade war and tariff tensions. Real GDP growth is expected to be broad-based and increase from 1.5% in 2024-25 to 2.25% in 2025- 26 and 2.5% in 2026-27.

Inflation is expected to be 2.5% through the year to the June quarter 2025, 0.25 of a percentage point lower than the Mid-Year Economic and Fiscal Outlook (MYEFO) forecast in December 2024. Inflation is expected to hit 3% in 2025-26 but sustainably return to the RBA's target band of 2-3% around the middle of 2025, which is around 6 months earlier than anticipated. Unemployment is now projected to peak lower at 4.25%.

On the revenue side, $676.1bn in tax receipts are expected for 2025-26, representing 23.5% of GDP (down from 23.7% for 2024-25). Despite the proposed tax cuts from 1 July 2026, tax receipts will grow to $778.3bn by 2028-29 (23.4% of GDP).

Since MYEFO, tax receipts excluding GST and policy decisions have been revised up $9.4bn over the 5 years from 2024-25 to 2028-29, mainly reflecting higher personal income tax and super fund taxes. Excluding policy decisions, personal income tax receipts have been upgraded by $9.9bn and super fund tax receipts by $9.7bn over the 5 years to 2028-29.

The government said this is supported in the near term by higher company tax, reflecting temporarily stronger mining sector profits.

Gross debt is expected to increase to $1.022 trillion (35.5% of GDP) in 2025-26 (up from $940bn in 2024-25) and peak at 37% of GDP in 2029-30 at a level above $1.223 trillion.

Tax-related measures announced

The major tax-related measures announced in the Budget include:

- ***Personal income tax rate cut*** - the tax rate for the income threshold ($18,200 - $45,000) will be cut from 16% to 15% (from 1 July 2026) and 14% (from 1 July 2027)
- ***ATO enforcement of taxpayer compliance*** - increased funding for the Tax Avoidance Taskforce (which focuses on multinationals and other large taxpayers), Shadow Economy Compliance Program (including illicit tobacco and non- compliant businesses), the Personal Income Tax Compliance Program and Tax Integrity Program (targeting medium and large businesses and wealthy groups)
- ***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.

Other measures announced

- ***Energy bill rebate*** - extended until the end of 2025, providing an extra $150 of relief ($75 per quarter)
- ***Help to Buy home scheme expanded*** - income and price caps increased for the Government's shared equity home loan scheme
- ***Childcare subsidy*** - 3-day guarantee to replace activity test from January 2026
- ***Apprentices and fee-free TAFE subsidies extended*** - the New Energy Apprenticeships Program will be reframed as the Key Apprenticeship Program and expanded to capture critical residential construction occupations
- ***Ban on foreign ownership of housing*** - ATO to receive funding to enforce the ban on foreign residents from purchasing established properties
- ***Beer excise*** - indexation frozen for 2 years
- ***Alcoholic beverages and wine*** - remission cap and WET rebate cap increased to $400,000 per year from 1 July 2026

- ***HELP debts*** - to be reduced by 20% and the repayment system will be moved to a marginal repayment system with a higher minimum repayment threshold
- ***Employment contract non-compete clauses*** - to be banned for incomes up to $175,000.

Where to get Budget documents

The 2025-26 Budget Papers are available from the following website:

- Budget 2025-26 - https://budget.gov.au/

More information on the tax and related announcements is also contained in a number of Budget press releases on the Treasurer's website and the Assistant Treasurer's website.

See our media release link - Federal Budget lacks vision and ambition - small businesses feel ignored | CPA Australia

PERSONAL TAXATION

Personal tax rate cuts 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.

Combined with the existing Stage 3 tax cuts from 2024-25, the Treasurer said the average annual tax cut will increase to $2,229 in 2026-27 and $2,548 (for 2027-28), around $50 per week (relative to 2023-24 tax settings). A person on the average wage of around $79,000 will receive a total tax cut of $2,190 in 2027-28 (compared to 2023-24 tax settings), the Government said.

Proposed resident tax rate changes

The government's proposed tax rate changes for 2026-27 and 2027-28 are summarised in the table as follows:

Taxable income ($)	2024-25 & 2025-26 (legislated)	2026-27 (proposed)	2027-28 (proposed)
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%

190,001+	45%	45%	45%

Resident rates and thresholds 2025-26

The 2025-26 tax rates and income thresholds for residents (as currently legislated and unchanged from 2024-25) are as follows.

Tax rates and income thresholds for 2025-26	
Taxable income ($)	**Tax payable ($)**
0 - 18,200	Nil
18,201 - 45,000	Nil + 16% of excess over 18,200
45,001 - 135,000	4,288 + 30% of excess over 45,000
135,001 - 190,000	31,288 + 37% of excess over 135,000
190,001+	51,638 + 45% of excess over 190,000

Resident rates and thresholds 2026-27 *(proposed)*

The 2026-27 tax rates and income thresholds for residents will be as follows under the Government's proposal to reduce the tax rate from 16% to 15% for the first income threshold from 1 July 2026.

Tax rates and income thresholds for 2026-27 (proposed)	
Taxable income ($)	**Tax payable ($)**
0 - 18,200	Nil
18,201 - 45,000	Nil + ***15%*** of excess over 18,200
45,001 - 135,000	4,020 + 30% of excess over 45,000
135,001 - 190,000	31,020 + 37% of excess over 135,000
190,001+	51,370 + 45% of excess over 190,000

Resident rates and thresholds 2027-28 *(proposed)*

The 2027-28 tax rates and income thresholds for residents will be as follows under the Government's proposal to reduce the tax rate from 15% to 14% for the first income threshold from 1 July 2027.

Tax rates and income thresholds for 2027-28 (proposed)	
Taxable income ($)	**Tax payable ($)**
0 - 18,200	Nil
18,201 - 45,000	Nil + ***14%*** of excess over 18,200
45,001 - 135,000	3,752 + 30% of excess over 45,000
135,001 - 190,000	30,752 + 37% of excess over 135,000
190,001+	51,102 + 45% of excess over 190,000

Foreign residents

The government's proposal to reduce the resident income tax rate from 1 July 2026 (and 1 July 2027) for the income threshold ($18,200 - $45,000) is not expected to flow through and impact the income tax rates for foreign residents. This is because foreign residents are not entitled to the tax-free threshold or the first income tax threshold.

For 2025-26, the tax rates for foreign residents (unchanged from 2024-25) are:

- $0 - $135,000 - 30%
- $135,001 - $190,000 - 37%
- $190,001+ - 45%.

Working holidaymakers

For 2025-26, the rates of tax for working holiday makers (unchanged from 2024-25) are:

- $0 - $45,000 - 15%
- $45,001 - $135,000 - 30%
- $135,001 - $190,000 - 37%
- $190,001+ - 45%.

Low-income tax offset (unchanged)
No changes were made to the low-income tax offset (LITO) in the 2025-26 Budget.

For completeness, and as a reminder, while the LMITO ceased from 1 July 2022, low-and-middle-income taxpayers remain entitled to the low-income tax offset (LITO).

Taxable income (TI)	Amount of offset
$0 - $37,500	$700
$37,501 - $45,000	$700 - ([TI - $37,500] x 5%)
$45,001 - $66,667	$325 - ([TI - $45,000] x 1.5%)
$66,668 +	Nil

The maximum amount of the LITO is $700. The LITO is withdrawn at a rate of 5 cents per dollar between taxable incomes of $37,500 and $45,000 and then at a rate of 1.5 cents per dollar between taxable incomes of $45,000 and $66,667.

Medicare levy low-income thresholds for 2024-25
For the 2024-25 income year, the Medicare levy low-income threshold for singles has been increased to $27,222 for 2024-25 (up from $26,000 for 2023-24). For couples with no children, the family income threshold is $45,907 (up from $43,846 for 2023-24). The additional amount of threshold for each dependent child or student is $4,216 (up from $4,027).

For single seniors and pensioners eligible for the SAPTO, the Medicare levy low-income threshold is $43,020 (up from $41,089). The family threshold for seniors and pensioners is $59,886 (up from $57,198), plus $4,216 for each dependent child or student.

Medicare low-income thresholds				
	2023-24	2023-24	2024-25	2024-25
	Low-income threshold	Full Medicare Levy (2%) applies above*	Low-income threshold	Full Medicare levy (2%) applies above*
Singles	$26,000	$32,500	$27,222	$34,027

Single Seniors and pensioner	$41,089	$51,361	$43,020	$53,775
Families (not eligible for SAPTO)	$43,846 (plus $4,027 for each dependent child)	$54,807 (plus $5,034 for each dependent child)	$45,907 (plus $4,216 for each dependent child)	$57,383 (plus $5,270 for each dependent child)
Families (Senior and Pensioner)	$57,198 (plus $4,027 for each dependent child)	$71,497 (plus $5,034 for each dependent child)	$59,886 (plus $4,216 for each dependent child)	$74,857 (plus $5,270 for each dependent child)

*The Medicare levy phases in at 10 cents for each dollar above the relevant low-income threshold until the full Medicare levy at 2% applies.

Date of effect
The increased thresholds will apply to the 2024-25 and later income years. Note that legislation is required to amend the thresholds.

Source: Budget Paper No 2 [pp 5]

BUSINESS TAXATION

ATO enforcement of taxpayer compliance: increased funding

The ATO is to receive yet another significant increase in funding to enforce taxpayer compliance. Specifically, the government will provide $999.0 million over 4 years for the ATO "to extend and expand tax compliance activities".

The additional funding includes the following.

- $717.8 million over 4 years from 1 July 2025 for a 2-year expansion and a one-year extension of the Tax Avoidance Taskforce. This focuses on multinationals and other large taxpayers.
- $155.5 million over 4 years from 1 July 2025 to extend and expand the Shadow Economy Compliance Program to reduce shadow economy behaviour such as worker exploitation, under-reporting of taxable income, illicit tobacco and other shadow economy activity that enables non-compliant businesses to undercut competition.
- $75.7 million over 4 years from 1 July 2025 to extend and expand 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.
- $50.0 million over 3 years from 1 July 2026 to extend 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.

Tax Practitioners Board: extra funding and sanctions to target high-risk practitioners

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 from 1 July 2025.

Changes to the TPB's sanctions framework include:

- reintroduce criminal penalties for unregistered preparers
- broaden civil penalties in the *Tax Agent Services Act 2009* (TASA), to enable the TPB to apply to the Federal Court for civil penalties for breaches of the Code of Professional Conduct by registered practitioners, and for false or misleading statements made by unregistered preparers.
- Increase maximum civil penalties amounts in the TASA.
- Introduce infringement notice penalties for alleged contraventions of the TASA.
- Introduce enforceable voluntary undertakings.
- Introduce contingent and interim suspensions.
- Extend the maximum period a terminated practitioner is banned from applying for registration to 10 years.

The government does not intend to introduce other sanctions proposed by the 2019 Independent Review of the TPB, relating to quality assurance audits, permanent disbarment and external intervention.
Changes to the TPB's registration framework includes:

- modernise the relevant experience criteria by allowing the TPB to assess exceptions and introducing longer, alternative timeframes to gain relevant experience, to support the ongoing sustainability of the profession and enhance participation by tax practitioners who take parental leave and career breaks.
- Reform the fit and proper person test by requiring disclosure of spent convictions relevant to providing tax practitioner services and extending the timeframe the TPB needs to consider.
- Require companies and partnerships to demonstrate they have appropriate governance arrangements in place to ensure compliance with their obligations as registered tax practitioners.

The government does not intend to pursue other changes canvassed through earlier consultation, namely: prescribe the ratio of individuals within an entity required to be registered practitioners; remove the professional association accreditation and registration pathway; include micro-credentials within primary qualification settings; allow the TPB to consider qualifications outside traditional tax practitioner courses of study; or require inhouse tax advisers, secondees, lawyers to register with the TPB.

Subject to the passage of legislation, changes to the TPB's sanctions and registration frameworks will commence from 1 July 2026 and 2027, respectively.

On a positive note, the TPB is instructed to "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". The government will consult on the implementation details of these changes, including on appropriate safeguards to protect tax practitioners who do the right thing. The TPB will also consult on guidance material which will provide additional clarity and transparency to tax practitioners and the public.

Source: Budget Paper No 2 [p 4]

MIT measures: start date confirmed for announced changes

The Budget papers confirm the government's recently announced intention to "clarify" the tax arrangements for managed investment trusts.

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.

The amendments will make clear that trusts ultimately owned by a single widely-held investor (eg a foreign pension fund) are able to access the MIT concessions. The changes will complement TA 2025/1 which states that the ATO will take enforcement action where taxpayers engage in non-commercial restructures to inappropriately access MIT withholding tax benefits.

Date of effect
The amendments will apply to fund payments from 13 March 2025.

Source: Budget Paper No 2 [p 4]

Foreign resident CGT; clean building MITs - start dates deferred

The Budget papers advise of 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 to the later of 1 October 2025 or the first 1 January, 1 April, 1 July or 1 October after the Act receives assent:

The extension is presumably to provide some certainty in the context of the forthcoming Federal election. In terms of the CGT changes for foreign residents, the Government released a consultation paper in July 2024. It contained 3 elements which will amend the rules contained in Div 855 of the ITAA 1997:

- *clarify and broaden the types of assets that foreign residents are subject to CGT* – this aspect aims to address what it states is Australia's narrow CGT base for foreign residents and the absence of a definition of real property within the Commonwealth's tax legislation. The Government considers that the current foreign resident CGT base generates uncertainty and potentially different tax treatment of land-based assets across different Australian States and/or Territories
- *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 a 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* - assists the ATO to take action to support the collection of CGT liabilities owed by foreign residents.

Source: Budget Paper No 2 [p 4]

SUPERANNUATION

No major new super measures announced

The government did not announce any new major superannuation measures in the Budget.

The only super item of note was some additional funding to extend an ATO Tax Integrity Program which is expected to raise an extra $31m in unpaid superannuation from medium and large businesses and wealthy groups over 5 years from 2024-25. Since MYEFO in December 2024, superannuation fund tax receipts have been revised up by $2.4bn in 2025-26 and $9.7bn over the 5 years from 2024-25 to 2028-29.

The government also highlighted some improvements to processing times to a range of services as a result of their investment in new staff from November 2023. Including Age Pension claims now being processed 52 days faster and Paid Parental Leave claims taking 3 days to process instead of 31.

Source: Budget Paper No 4 [p 7]

Proposed Div 296 regime - uncertainty remains

While no new major super measures were announced in the Budget, the super industry has enough on its plate at the moment in terms of navigating the uncertainty surrounding the proposed 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. In a Senate Economics Legislation Committee report, published on 10 May 2024, the Coalition and Greens Senators did not support the Bills in their current form. These Bills will lapse once the Prime Minister calls the Federal election, unless they are passed beforehand when Parliament resumes for the Budget sittings on 25-27 March. Therefore, the status of the proposed Div 296 regime may be subject to the outcome of the May election, if not passed before the calling of the election.

To date, the Australian Labor Party (ALP) has insisted on passing the Div 296 Bills in their current form and rejected concerns about the taxing of unrealised gains and the $3m threshold not being indexed. If the ALP is returned to government at the May election, it is likely that the Bills would be re-introduced, although the proposed 1 July 2025 start date may be delayed.

Background - Div 296 regime

Under proposed Div 296 of the ITAA 1997, individuals with an adjusted total superannuation balance over $3m at 30 June each year will be subject to an additional 15% tax on a percentage of earnings equal to the percentage of superannuation balances that exceeds $3m (not indexed) for an income year. The Div 296 tax will apply from 2025-26 and will be in addition to any tax their super funds pay on earnings in accumulation. As a result, earnings attributable to balances above $3m will generally attract a combined headline rate of 30%.

The calculation of "earnings" also means that unrealised capital gains will be subject to the Div 296 tax. This is because "earnings" for Div 296 purposes will be a calculated estimate of earnings and not actual "realised" earnings.

Special rules for working out Div 296 tax will apply to: individuals with defined benefit interests (see the *Exposure Draft - Treasury Laws Amendment (Measures for Future Instruments) Instrument 2023: Better Targeted Superannuation Concessions)*; certain State higher level office holders; Commonwealth justices and judges in respect of defined benefit interests in a superannuation fund established under the *Judges' Pensions Act 1968*; and Territory Supreme Court judges in respect of defined benefit interests in their judicial pension scheme. For defined benefit interests, Div 296 tax will generally be deferred for payment until 21 days after the first benefit is paid from the interest.

OTHER MEASURES

Govt energy bill rebate to be extended: extra $150 for 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.

From 1 July 2025, Mr Albanese said households and around one million small businesses will see another $150 in rebates "automatically applied to their electricity bills in quarterly instalments, on top of the previous rebates already being rolled out".

Source: Budget Paper No 2 [p 75]; Prime Minister's joint media release, 23 March 2025

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

The government will increase its equity investment in the Help to Buy scheme to $6.3bn (up $800m), and increase the income and price caps.

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. For example, the NSW capital city and regional centre price cap will be set at $1.3m (rather than at the median house price of approximately $1.5m) to ensure purchase prices remain within the borrowing capacity of first-home buyers. The cap will be $800,000 for NSW (outside the capital city and regional centres). See the table below for the new property price caps by region in other States and Territories.

Commonwealth legislation to establish the Help to Buy program was enacted on 10 December 2024 but the scheme will not commence until the Program Directions are in force. Ms O'Neil said the Help to Buy scheme will be open for applications later in 2025, following registration of the Program Directions, passage of State legislation, and implementation by Housing Australia.

New property price caps by region	Capital city and regional centre ($)	Other ($)

NSW	1,300,000	800,000
Vic	950,000	650,000
Qld	1,000,000	700,000
WA	850,000	600,000
SA	900,000	500,000
Tas	700,000	550,000
ACT	1,000,000	1,000,000
NT	600,000	600,000
Jervis Bay Territory and Norfolk Island	550,000	550,000
Christmas Island and Cocos (Keeling) Islands	400,000	400,000

Source: Budget Paper No 2 [p 75-76]; Minster for housing and homelessness joint media release, 22 March 2025

Early childhood education: childcare subsidy

The government will provide $4.5m over 4 years from 2025-26 to Services Australia to make system changes to ensure consistency with the passing of recent legislation to implement the *Child Care Subsidy Three Day Guarantee*. This measure extends the 2024-25 MYEFO measure entitled *Building Australia's Future - Early Childhood Education and Care Reforms*. According to the Government, this will ensure families are entitled to at least 3 days a week of subsidised early childhood education and care.

The Child Care Subsidy Three Day Guarantee will replace the Child Care Subsidy activity test from January 2026.

The government will also provide $2.5m over 2 years from 2024-25 as a one-off Business Continuity Payment of $10,000 to Child Care Subsidy (CCS) approved services closed or partially closed for 8 days or more due to impacts of Ex-Tropical Cyclone Alfred, subject to conditions, including providers agreeing to temporarily not charge families CCS gap fees during the closure period.

Source: Budget Paper No 2 [p 37]; Budget Paper No 2 [p 59]

Extending subsidies for apprentices and fee-free TAFE

The government will provide $722.8m over 4 years from 2025-26 to deliver increased support for apprentices. Funding includes:

- $626.9m over 4 years from 2025-26 to reframe the New Energy Apprenticeships Program as the Key Apprenticeship Program and expand it to capture critical residential construction occupations
- $77.8m over 4 years from 2025-26 to extend the current interim Australian Apprenticeship Incentive System program settings for a further six months from 1 July 2025 to 31 December 2025
- $11.0 million over 4 years from 2025-26 to increase the Disability Australian Apprentice Wage Support subsidy; and
- $7.0 million over 4 years from 2025-26 to increase the Living Away From Home Allowance.

As flagged in MYEFO, the government will also provide $253.7m over 2 years from 2026-27 (and an additional $1.4bn from 2028-29 to 2034-25) to make Free TAFE a permanent program, funding at least 100,000 places annually from 1 January 2027. Legislation was introduced in November 2024 to give effect to this measure. Free TAFE will prioritise cohorts that typically face barriers to education and employment.

Source: Budget Paper No 2 [p 41]; Budget Paper No 1 [p 21]; Women's Budget Statement [p 52]

Beer excise indexation frozen for 2 years

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

Date of effect

1 August 2025.

Source: Budget Paper No 2 [p 8]

Alcohol producers: remission cap and WET rebate cap to be increased to $400,000

The government will 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. 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, from 1 July 2026.

Date of effect

1 July 2026.

Source: Budget Paper No 2 [p 8]

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

The government will provide $207m over 2 years from 2025-26 to continue the stabilisation of Australia's business registers and undertake targeted uplifts. This includes linking Director Identification Numbers (DINs) to the Company Register, intended to improve the quality of information available to investors and creditors about directors. It is also intended to further combat illegal phoenixing.

Source: Media Release, Minister for Small Business, 25 March 2025; Budget Paper No 1 [p 27].

Foreign ownership of housing: ATO to enforce ban

The ATO will be provided $5.7 million over 4 years from 2025-26 to enforce the ban on foreign residents from purchasing established properties. In addition, the ATO and Treasury will be provided with $8.9 million over 4 years from 2025-26 and $1.9 million per year ongoing from 2029-30 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.

The land banking measures are designed to ensure "foreign investors comply with requirements to put vacant land to use for residential and commercial developments within reasonable timeframes". Land banking refers to the practice of entities purchasing land and holding it until such time as its value has increased and then selling, ie with no development or use of the land.

These measures come at a bottom-line cost to the Budget – they are estimated to decrease receipts by $90.0 million and increase payments by $14.6 million over 5 years from 2024-25.

Source: Budget Paper No 2 [p 6]

Reduction of HELP debts

As announced in the MYEFO, the government has confirmed in the Budget that it 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 - which will remove $16bn in debt.

The government has also confirmed it will commit $182.2m over 4 years from 2024-25 (and $402.3m from 2028-29 to 2034- 25) to reform the repayment system for the HELP and other student loan schemes. The reform will deliver a fairer student loan repayment system that is based on marginal rates and will increase the amount individuals can earn before they are required to start repaying their loan. It will take effect from 1 July 2025, subject to the passage of legislation.

The government has already legislated a cap on HELP indexation based on the lower of the Consumer Price Index or the Wage Price Index (see *Universities Accord (Student Support and Other Measures) Act 2024*). The change was backdated to 1 June 2023, and has already reduced outstanding student debt by around $3bn, according to the Government.

Date of effect
1 July 2025

Source: Budget Paper No 1 [pp 22-23]; Minister for Education Media Release, 25 March 2025;Women's Budget Statement [p 42]

Employment contract non-compete clauses to be abolished

The government will ban non-compete clauses for more than 3m Australian workers in industries including childcare, construction and hairdressing. This has been spurred by the Treasury's Competition Review which heard troubling accounts regarding the misuse of non-compete clauses, including minimum wage workers being sued by former employers.

The ban on non-compete clauses will 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, without the knowledge and agreement of affected workers; and use 'no-poach' agreements to block staff from being hired by competitors.

The government will consult on policy details, including exemptions, penalties, and transition arrangements. Following consultation and passage of legislation, the reforms will take effect from 2027, operating prospectively to give businesses and workers time to adjust.

Source: Treasurer's Media release, 25 March 2025

Support for small business franchisees

The government will provide $7.1m over 2 years from 2025-26 for the Australian Competition and Consumer Commission (ACCC) to strengthen regulatory oversight of the Franchising Code of Conduct and ensure a more transparent and effective regulatory framework for the franchising sector.

The government will also provide $0.8m in 2025-26 for Treasury, working with States and Territories 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.

Source: Budget Paper No 2 [p 77]

STATUS OF BILLS

Parliamentary Bills still before Parliament

The following tax and tax-related Bills were still before Parliament when it rose on Thursday 13 February 2025. It is possible that some of these Bills will lapse when the Prime Minister calls the Federal election.

Better Targeted Super Concessions Bill

The ***Treasury Laws Amendment (Better Targeted Superannuation Concessions) Bill 2023*** (and the companion ***Superannuation (Better Targeted Superannuation Concessions) Imposition Bill 2023***) will reduce the tax concessions available to individuals with Total Superannuation Balances (or TSBs) exceeding $3 million.

TLA Miscellaneous Measures Bill 2024

The ***Treasury Laws Amendment (Miscellaneous Measures) Bill 2024*** contains the following proposed amendments.

- *Schedule 4* – includes changes to the secrecy provisions impacting the disclosure of information about ongoing ACNC investigations.
- *Schedule 5* – reducing the frequency of FRAA reviews of APRA and ASIC
- *Schedule 6* – a range of "miscellaneous and technical amendments" which include: (i) changes to the attribution of input tax credits for GST purposes and the deductibility of reverse charge GST and (ii) the effective date of resignation of directors of registered charities (this deals with some quirks arising from the interaction of the anti-phoenixing laws).
- *Schedule 7* – licensing exemptions for foreign financial services providers.
- *Schedule 8* – amendments to the *Payment Systems (Regulation) Act 1998* to modernise that Act.

Tax Incentives and Integrity Bill

The ***Treasury Laws Amendment (Tax Incentives and Integrity) Bill 2024*** proposes to:

- amend s 25-1 of the Luxury Car Tax Act 1999 by: (i) updating the definition of a fuel-efficient car; and (ii) amend the index number used to index the LCT threshold from All Groups Consumers Price Index (CPI) to the motor vehicle purchase sub-group of the CPI;
- amend s 25-5 and 26-5 of the ITAA 1997 to deny the income tax deductions for amounts of GIC and SIC incurred by a taxpayer in income years starting on or after 1 July 2025; and
- amend the TAA 1953 to extend from 14 to 30 days the period within which the Commissioner must notify a taxpayer of their decision to retain a refund amount arising from a BAS or another notification under the BAS provisions for verification of information.

Schedule 4 was subsequently included in the Bill, which contains the instant asset write-off measures, which is covered elsewhere in this *Bulletin*.

Other Bills under consideration
The following Bills were also before Parliament when it rose on Thursday 13 February. These are all Private

Members' Bills and are likely to lapse when Parliament is prorogued.

- The ***Corporations Amendment (Streamlining Advice Process) Bill 2024*** would impose additional requirements in relation to the provision of personal advice to a retail client by a financial advisor:
- The ***Treasury Laws Amendment (Extending the FBT Exemption for Plug-in Hybrid Electric Vehicles 2024*** proposes to extend the FBT exemption for plug-in hybrid electric cars, which is otherwise due to expire on 1 April 2025:
- The ***Superannuation Guarantee (Administration) Amendment (Frontline Emergency Service Workers) Bill 2025*** proposes to increase the superannuation guarantee rate for firefighters and paramedics by 4.4% to 16.4% to match the base rate of superannuation contributions provided to Australian Defence Force (ADF) personnel:

Instant asset write-off extension to 2024-25: Bill still before Parliament

One of the government's key tax measures that is currently still outstanding is the proposed extension of the instant asset write-off measures for 2024-25. The measures are contained in Sch 4 to the ***Treasury Laws Amendment (Tax Incentives and Integrity) Bill 2024***.

There is no mention in the Budget papers of the measure, though it is alluded to in couple of media releases. It can be assumed that the Government still intends to proceed with the measure as currently drafted.

Background
By way of reminder, the measures will allow small businesses with an aggregated turnover of less than $10 million, to:

- deduct in full the cost of eligible depreciating assets costing less than $20,000 that are first used or installed ready for use between 1 July 2024 and 30 June 2025
- deduct an amount included in the second element (cost addition) of eligible depreciating asset's cost that they have incurred between 1 July 2024 and 30 June 2025, if they claimed an immediate deduction for the asset under the simplified depreciation rules in a prior income year where the amount is: (i) the first amount of second element cost incurred after the end of the income year in which the asset was written off; and (ii) less than $20,000.

The proposed $20,000 threshold under the measures applies on a per asset basis, so small businesses can write-off multiple assets. Further, assets valued at $20,000 or more will continue to be placed into the small business simplified depreciation pool and depreciated at 15% in the first income year and 30% each income year after that. In addition, pool balances under $20,000 at the end of 2024-25 income year can be written off.

Progress through Parliament

The implementation of this 2024-25 Budget measure has been anything but smooth. It was first included in the *Treasury Laws Amendment (Responsible Buy Now Pay Later and Other Measures) Bill 2024*, but was dropped in the flurry of Parliamentary activity that took place at the end of 2024. At that point, the proposal was homeless:

When the Tax Incentives and Integrity Bill was introduced, it did not contain the instant asset measures. The Bill was sent to the Committee and Sch 4 was not mentioned in the ***Committee's report***, which is dated 30 January 2025. However, when debate resumed in the House of Reps on 4 February, it had been included in the Bill as Sch 4 by way of a Parliamentary Amendment. Note, though, that on the Parliamentary website the change is listed as a Government amendment (sheet UG 105) dated 4 February 2025, albeit it was not subject to vote by the House on that day (according to ***Hansard***). Further, the ***text of the Bill*** does not yet contain Sch 4 (albeit it has its own Explanatory Memorandum). The amendment was not voted on by the House.

What now?

The proposed change reflects the measure that was enacted in the ***Treasury Laws Amendment (Responsible Buy Now Pay Later and Other Measures) Act 2024***, ie the two amendments are exactly the same, but the former applied for the 2023- 24 income year while the other will apply for the 2024-25 year.

Note, though, that the Opposition had earlier proposed to amend the measure in the following manner, namely to:

- extend the coverage from small businesses to medium businesses, ie all entities with an aggregated turnover of less than $50 million and
- increase the threshold from $20,000 to $30,000.