INSTITUTE OF FINANCIAL PROFESSIONALS AUSTRALIA

2025-2026

FEDERAL BUDGET REPORT

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The authoritative budget report for tax & superannuation professionals

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2025–26 FEDERAL BUDGET HIGHLIGHTS

The Federal Treasurer, Dr Jim Chalmers, handed down the 2025–26 Federal Budget at 7:30 pm (AEDT) on 25 March 2025.

Guided by five main priorities, including helping with the cost-of-living, building more homes, and investing in education, the Budget includes two new personal tax cuts for all Australian individual taxpayers, increased Medicare levy thresholds, a ban on foreign individuals buying existing homes and a proposed reduction to student debts.

Being the government's last Budget before the expected federal election, the start dates of a number of previously announced but unenacted tax measures have been deferred until amending legislation is enacted.

Described by the Treasurer as a "plan for a new generation of prosperity in a new world of uncertainty", the Budget did not include any new measures affecting the taxation or regulation of superannuation or new income tax measures affecting small businesses.

The full Budget papers are available at www.budget.gov.au and the Treasury ministers' media releases are available at ministers.treasury.gov.au. The tax and superannuation highlights are set out below.

Individuals

- The marginal tax rate for the personal income tax threshold bracket from $18,201 to $45,000 will be reduced from 16% to 15% from 1 July 2026, and further reduced to 14% from 1 July 2027.
- The Medicare levy low-income thresholds for singles, families, and seniors and pensioners will be increased from 1 July 2024.
- Student loan debts will be cut by 20% and other reforms will be made to the student loan repayment system from 1 July 2025.
- The start date of the 2024–25 Budget measure to strengthen the foreign resident CGT regime will be deferred from 1 July 2025 to the later of 1 October 2025 or the first 1 January, 1 April, 1 July or 1 October after assent.
- Foreign ownership of housing will be restricted.

Tax administration

- Rules on managed investment trusts will be amended to ensure legitimate investors can continue to access concessional withholding tax rates from 13 March 2025.
- The start date of the 2023–24 Budget measure to extend the clean building managed investment trust withholding tax concession will be deferred from 1 July 2025 to the first 1 January, 1 April, 1 July or 1 October after assent.

- The ATO will be given $999 million in funding over 4 years to extend and expand its tax compliance activities.

Tax agents

- Tax practitioner regulation and compliance will be enhanced by strengthening sanctions available to the Tax Practitioners Board and modernising the registration framework.

Treasury portfolio (ASIC)

- Additional funding has been allocated to the Australian Securities and Investments Commission (ASIC) to improve the ASIC business registers.

Not-for-profits

- The deductible gift recipients list will be updated.

Indirect taxes

- Indexation on draught beer excise and excise equivalent customs duty rates will be paused for a two-year period from August 2025.
- The excise remission cap is proposed to be increased from $350,000 to $400,000 each financial year for all eligible alcohol manufacturers from 1 July 2026. The Wine Equalisation Tax producer rebate would similarly increase from $350,000 to $400,000 each financial year from 1 July 2026.
- Additional tariffs on goods that are the produce or manufacture of Russia or Belarus will be extended by a further two years.

Superannuation

- The government's Payday Super reform is set to begin on 1 July 2026. To support the change, the government is investing $404.1 million over four years from 2024-25 (and $11.2 million per year ongoing).

INDIVIDUALS

Personal income tax cuts proposed

The marginal tax rate for the personal income tax threshold bracket from $18,201 to $45,000 will be reduced from 16% to 15% from 1 July 2026, and further reduced to 14% from 1 July 2027.

The applicable marginal tax rates and income thresholds for recent income years, as well as the proposed new rates, are depicted in the table below.

Personal income tax rates and thresholds

Threshold ($)	2024–25 and 2025–26 (%)	2026–27 (%)	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

Source: Budget Paper No 2, p 5; Budget Factsheet — New tax cuts for every Australian taxpayer, p 1; Prime Minister and Treasurer, “New cost of living tax cuts under Labor” [joint media release], 25 March 2025.

IFPA comment:

Any tax cut is, of course, welcome. However, this modest measure doesn’t make much of a dent in the broader problem of bracket creep.

That said, this minor tax cut could still provide a small cashflow boost for taxpayers in this bracket. This change may also influence certain financial planning strategies, such as:

- Reassessing salary sacrifice or personal deductible super contributions for individuals earning under $45,000, as any tax benefit (after contributions tax) will be negligible.
- Considering non-concessional contributions instead of concessional contributions for those with taxable income below $45,000. Keep in mind, these clients may also be eligible for the Government Co-contribution of up to $500.
- Taking the increased Seniors and Pensioners Tax Offset thresholds into account when providing advice to older clients. The increase in the thresholds may translate into less tax.

Medicare levy low-income thresholds to be increased

The Medicare levy low-income thresholds for singles, families, and seniors and pensioners will be increased from 1 July 2024. Specifically, the:

- threshold for singles will be increased from $26,000 to $27,222.
- family threshold will be increased from $43,846 to $45,907.
- threshold for single seniors and pensioners 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.
- family income thresholds will increase by $4,216 for each dependent child or student, up from $4,027.

The applicable thresholds for 2023–24 and 2024–25 are depicted in the tables below.

Medicare levy low-income thresholds 2023–24

	Low-income threshold (above which levy begins to phase in)	Full Medicare levy (2%) applies above*
Singles	$26,000	$32,500
Single Seniors and Pensioners	$41,089	$51,361
Families (not eligible for Seniors and Pensioner Tax Offset)	$43,846 (plus $4,027 for each dependent child)	$54,807 (plus $5,034 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)

* 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. This column shows the level of income at which the levy begins to be paid in full.

Medicare levy low-income thresholds 2024–25

	Low-income threshold (above which levy begins to phase in)	Full Medicare levy (2%) applies above*
Singles	$27,222	$34,027
Single Seniors and Pensioners	$43,020	$53,775
Families (not eligible for Seniors and Pensioner Tax Offset)	$45,907 (plus $4,216 for each dependent child)	$57,383 (plus $5,270 for each dependent child)
Families (Senior and Pensioner)	$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. This column shows the level of income at which the levy begins to be paid in full.

Source: Budget Paper No 2, p 5; Budget Factsheet — New tax cuts for every Australian taxpayer, p 1.

Higher education loan repayment changes

The government will reduce all outstanding Higher Education Loan Program (HELP) and other student debts by 20%, before indexation is applied on 1 June 2025.

The student loan repayment system will also be amended from 1 July 2025 by reducing minimum repayments. The minimum repayment threshold is proposed to increase from $54,435 in 2024–25 to $67,000 in 2025–26.

Both these reforms (which were previously announced in November 2024) will be subject to the passage of legislation.

Source: Budget Paper No 1, p 22; Budget Factsheet — Building Australia's Future, pp 17 and 37; Minister for Education, "Building a better and fairer education system to support a stronger economy" [media release], 25 March 2025; Making HELP and student loan repayments fairer and 20% reduction of student loan debt, Department of Education website.

IFPA comment:

The annual compulsory repayments are calculated upon lodgement of the individual's tax return. Employers should withhold estimated compulsory repayments through the PAYG system. This means all else being equal, individuals with a student loan will receive more net salary from 1 July 2025.

Start date deferred for measure to strengthen foreign resident CGT regime

The start date for the 2024–25 Budget measure to strengthen the foreign resident capital gains tax (CGT) regime will be deferred from 1 July 2025 to the later of 1 October 2025 or the first 1 January, 1 April, 1 July or 1 October after assent of amending legislation.

The 2024–25 Budget proposed to:

- clarify and broaden the types of assets that foreign residents are subject to CGT on
- amend the point-in-time principal 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 (this notification process is intended to improve oversight and compliance with foreign resident CGT withholding rules where a vendor self-assesses their sale as not being taxable real property).

The start date for the measure has been deferred 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 amending legislation receives assent.

Source: Budget Paper No 2, p 4.

IFPA comment:

A consultation paper on these proposed CGT measures was released by Treasury in July 2024 -Strengthening the foreign resident capital gains tax regime.

Restrictions on foreign ownership of housing

Measures will be introduced to ensure foreign investment in housing supports the government's broader agenda to boost Australia's housing supply by:

- banning 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)
- providing the ATO with funding over 4 years from 2025–26 to enforce the ban, and
- providing the ATO and Treasury with funding from 2025–26 to implement an audit program and enhance their compliance approach to target land banking by foreign investors.

The enhanced compliance approach by the ATO and Treasury to target land banking will ensure foreign investors comply with requirements to put vacant land to use for residential and commercial developments within reasonable timeframes.

Source: Budget Paper No 2, p 6.

TAX ADMINISTRATION

Managed investment trust rules to be amended

Amendments to clarify the arrangements for managed investment trusts (MITs) will be made to ensure legitimate investors can continue to access concessional withholding tax rates for fund payments from 13 March 2025.

In particular, trusts ultimately owned by a single widely-held investor will be able to access the MIT concessions. The proposed changes will ensure that genuine, foreign-based widely-held investors, such as pension funds, can still access concessional withholding tax rates on eligible distributions to members through MITs.

This measure will complement the ATO's strengthened guidelines. The amendments will not affect the ATO's power to take action under the general anti-avoidance rules in Pt IVA of ITAA 1936 where "captive MITs" involve other characteristics of the kind set out in Taxpayer Alert TA 2025/1.

Source: Budget Paper No 2, p 4; Assistant Treasurer and Minister for Financial Services, Clarifying tax arrangements for managed investment trusts [media release], 13 March 2025.

Start date deferred for clean building MIT withholding tax concession for data centres and warehouses

The start date of the 2023–24 Budget measure to extend the clean building managed investment trust (MIT) withholding tax concession will be deferred from 1 July 2025 to the first 1 January, 1 April, 1 July or 1 October after assent of amending legislation.

A final withholding tax rate of 10% currently applies to payments from eligible clean building MITs made to foreign residents in countries with which Australia has effective exchange of information agreements. This applies to eligible trusts holding office buildings, retail centres and non-residential accommodation built after June 2012 that meet energy efficiency standards.

The 2023–24 Budget proposed to extend the concession to eligible data centres and warehouses from 1 July 2025, where construction commenced after 7:30 pm (AEST) on 9 May 2023. The start date for the proposal is deferred from 1 July 2025 to the first 1 January, 1 April, 1 July or 1 October after the amending legislation receives assent.

Source: Budget Paper No 2, p 4.

ATO funding to strengthen compliance activities

The ATO will be given $999 million in funding over four years to extend and expand its tax compliance activities.

Additional funding includes:

- $717.8 million over four years from 1 July 2025 for a two-year expansion and a one-year extension of the Tax Avoidance Taskforce, to support compliance scrutiny on multinationals and other large taxpayers
- $155.5 million over four 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
- $75.7 million over four years from 1 July 2025 to extend and expand the Personal Income Tax Compliance Program, to enable the ATO to deliver a combination of proactive, preventative and corrective activities, and
- $50 million over three years from 1 July 2026 to extend the Tax Integrity Program, to continue the ATO's engagement program to ensure timely payment of tax and superannuation liabilities by medium and large businesses and wealthy groups.

Source: Budget Paper No 2, p 7.

IFPA comment:

This additional funding is expected to yield an additional $3.2 billion in revenue over the forward estimates. Not a bad return on investment, although the enhanced ATO compliance activity will have an impact on tax practitioners and their clients.

TAX AGENTS

Tax practitioner regulation and compliance to be enhanced

Tax practitioner regulation and compliance will be enhanced by strengthening the sanctions available to the Tax Practitioners Board (TPB), modernising the registration framework for tax practitioners and providing funding to the TPB to undertake additional compliance targeting high-risk tax practitioners over four years from 1 July 2025.

The 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. The measure 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.

The 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.

The government will consult on the implementation details of the measure.

Source: Budget Paper No 2, pp 4–5.

IFPA comment:

Tax practitioners need to take steps to ensure they are compliant with the obligations imposed by the expanded Code of Professional Conduct that applies as from 1 July 2025.

TREASURY PORTFOLIO (ASIC)

Additional resourcing for business registers

An additional $207 million over two years from 2025–26 has been allocated to the Australian Securities and Investments Commission (ASIC) to deliver the second tranche of stabilisation and uplift of the ASIC business registers.

Source: Budget Paper No 2, p 78.

IFPA comment:

We welcome the planned upgrades to the registers and hope the additional funding is used to modernise ASIC's systems and seamlessly integrate the Director Identification Number (Director ID) with existing company registers.

NOT-FOR-PROFITS

Deductible gift recipients list to be updated

The list of specifically listed deductible gift recipients (DGRs) will be updated to list the following organisations as DGRs:

- Community Foundations Australia Ltd for gifts received after 30 June 2025 and before 1 July 2030
- Equality Australia Ltd for gifts received after 30 June 2025 and before 1 July 2030
- Foundation Broken Hill Limited for gifts received after 30 June 2025 and before 1 July 2030
- Social Enterprise Australia Ltd for gifts received after 30 June 2025 and before 1 July 2030
- St Patrick's Cathedral Melbourne Restoration Fund for gifts received after 30 June 2027 and before 1 July 2032, and
- Sydney Chevra Kadisha for gifts received after 30 June 2025 and before 1 July 2030.

In addition, Foundation Broken Hill Limited and Lord Mayor's Charitable Foundation will retain their specific listing status in the tax law, allowing them to undertake charitable activities unique to their communities that would otherwise fall outside the community charity DGR category. They will no longer be included on a list of entities for DGR endorsement by the ATO as a community charity.

Source: Budget Paper No 2, pp 7–8.

INDIRECT TAXES

Freezing indexation on draught beer excise and excise equivalent customs duty rates

Indexation on draught beer excise and excise equivalent customs duty rates will be paused for a two-year period from August 2025.

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 take place. Biannual indexation will recommence from August 2027.

The Coalition announced on 1 March 2025 that, if elected, it would also freeze indexation on draught beer excise for two years.

Source: Budget Paper No 2, p 8; Prime Minister and Treasurer, Albanese Labor Government to freeze draught beer excise [joint media release], 1 March 2025; Shadow Treasurer, Coalition backs struggling hospitality sector left in ruins by Labor [media release], 1 March 2025.

Excise remission cap and WET producer rebate to increase for alcohol manufacturers

The excise remission cap is proposed to be increased from $350,000 to $400,000 each financial year for all eligible alcohol manufacturers, including brewers and distillers, from 1 July 2026. The Wine Equalisation Tax (WET) producer rebate would similarly increase from $350,000 to $400,000 each financial year from 1 July 2026.

Source: Budget Paper No 2, p 8; Prime Minister, Treasurer and Minister for Trade and Tourism, Albanese Government provides tax relief to support investment and jobs [joint media release], 22 February 2025.

Additional tariffs to be extended on goods from Russia and Belarus

Additional tariffs on goods that are the produce or manufacture of Russia or Belarus will be extended by a further two years, to 24 October 2027.

The temporary measure continues to deny Russia and Belarus access to the most favoured nation status through the application of an additional 35% tariff on goods that are the produce or manufacture of Russia or Belarus and had not left for direct shipment to Australia from a place of manufacture or warehouse before 25 April 2022.

Source: Budget Paper No 2, p 3.

TAX MEASURES – WHAT'S MISSING?

Nobody expected to see an announcement to embark on a process of comprehensive tax reform, so nobody is disappointed that did not feature in last night's Budget. However, there were hopes that the government would signal its intention to urgently legislate last year's decision to extend the $20,000 Instant Asset Write-Off for small business to the 2024-25 financial year. While the upcoming federal election will delay such legislation, it is important that this important incentive to invest in plant and equipment be maintained.

SUPERANNUATION

Payday super

The Budget's sole superannuation measure is the payday super reform, which is set to begin on 1 July 2026. To implement the change, the government is investing $404.1 million over four years from 2024-25 (and $11.2 million per year ongoing).

Source: Women's Budget Statement, p 54.

IFPA comment:

At present, employers pay super guarantee (SG) contributions quarterly, which can leave some vulnerable workers at risk of missing out. Under the new system, super will be paid at the same time as salary and wages, ensuring employees get their entitlements faster and more consistently.

This is a win for workers and will help improve compliance but it does present challenges for small and medium enterprises businesses .

With draft legislation now released, several key issues need to be addressed:

- Cashflow pressures on small businesses – paying super more frequently could strain cashflow, especially for smaller employers who have previously budgeted for quarterly payments. While workers benefit, some businesses may struggle.
- Higher payroll and admin costs – more frequent super payments may increase software and transaction costs, especially for businesses that process weekly or fortnightly payroll.

- System delays could lead to penalties – payroll software, banking systems, and super clearing houses aren't yet set up to ensure super payments reach funds within the required seven calendar days from payday. If there are delays, often outside the employer's control, businesses could still face penalties.
- Loss of free clearing house – the ATO's Small Business Superannuation Clearing House (SBSCH), used by 130,000 small employers, will be retired. Small businesses will need to switch to commercial providers, potentially increasing costs.
- Unfair penalties for rejected payments – if a super payment bounces due to a fund changing bank details or clearing house delays, employers must fix and resubmit it within the original seven-day window, even if the failed payment isn't returned for months. This places an unreasonable burden on employers.
- Payroll outsourcing and changes to pay cycles – some small businesses may outsource payroll to reduce compliance risks, while others may shift to monthly pay cycles to simplify super obligations.
- Not all super contributions tax deductible – whilst it is pleasing that late SG payments will now be deductible to the employer, it is unfair that the additional notional earnings or late payment penalties owing to the employee are not.

With 1 July 2026 fast approaching, a delay would give employers more time to prepare – but that doesn't seem to be on the table. It's equally important for tax agents, super funds, and payroll providers to have clear guidance and certainty so they can help businesses navigate this major shift smoothly.

SUPERANNUATION MEASURES – WHAT'S MISSING?

Division 296 tax

The Treasury Laws Amendment (Better Targeted Superannuation Concessions) Bill 2023 and the Superannuation (Better Targeted Superannuation Concessions) Imposition Bill 2023, which introduce the Division 296 tax, remain before the Senate.

The Budget papers confirm that since the Mid-Year Economic and Fiscal Outlook (MYEFO), the government has revised up expected tax revenue from super funds by $2.4 billion in 2025–26 and $9.7 billion over five years (2024–25 to 2028–29). The increase in tax revenue is due to strong employment which means more super contributions, and higher investment earnings. This will lead to more tax collected. With this extra revenue already factored in, it's clear the government isn't backing down on the proposed tax and will take it to the election.

But can the Bill actually pass? Well right now, the Bill is stuck in the Senate, lacking the crossbench support needed to get through. The biggest roadblocks include:

- Taxing unrealised gains, which could see people paying tax on income they haven't even received
- An unindexed $3 million threshold, meaning more Australians will be caught as balances grow over time
- Overly complex carry-forward loss provisions, and
- Serious cashflow and liquidity risks for SMSFs holding property, farms, or land.

With the federal election looming, time is running out for the Senate to revisit the debate. If the Bill does not progress, it will automatically lapse when the election is called – an outcome that would mark a major win after two years of strong industry opposition to this flawed tax.

We remain committed to advocating against this measure and will keep you informed of any developments.

Relaxing residency requirements for SMSFs and small APRA funds

In the 2021-22 Federal Budget, the previous government proposed relaxing residency rules for SMSFs and small APRA funds (SAFs) to make things easier for those managing their super from abroad. The key changes included:

- Extending the (safe harbour) time an SMSF trustee/director can be temporarily overseas from two to five years.
- Removing the active member test, allowing SMSF and SAF members to keep contributing to their fund while they're overseas.

The active member test has long been seen as unfair to SMSFs compared to APRA funds who are generally unaffected by the rule. The rule requires at least 50% of contributing members to be residents.

However, despite the positive intentions behind these reforms, they were not included in this year's Budget.

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