

PALMER & ASSOCIATES

CERTIFIED PRACTISING ACCOUNTANTS

2025 - 2026 Federal Budget Update

On 25 March at 7:30pm, Treasurer Jim Chalmers delivered the 2025-26 Federal Budget, announcing a series of measures aimed at providing cost of living relief to individual taxpayers.

TAX RELATED BUDGET MEASURES

Resident rates and thresholds 2025-26

The Government will deliver new tax cuts to individual taxpayers commencing from 1 July 2026 (i.e., from the 2027 income year).

Under the new tax cuts, it is proposed that:

- the (current) 16% tax rate will be reduced to 15% from 1 July 2026; and
- the 15% tax rate will be further reduced to 14% from 1 July 2027.

The personal income tax rates (excluding the Medicare levy) for the 2026 income year are set out in the tables below, along with the proposed changes to the tax rates for the 2027 and 2028 income years:

Tax Rates & Income Thresholds for 2025 - 26	
Taxable Income (\$)	Tax Payable (\$)
0 - 18,200	Nil
18,201 - 45,000	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
190,000 +	51,638 + 45% of excess over 190,000

Proposed Tax Rates & Income Thresholds for 2026 - 27	
Taxable Income (\$)	Tax Payable (\$)
0 - 18,200	Nil
18,201 - 45,000	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
190,000 +	51,370 + 45% of excess over 190,000

Proposed Tax Rates & Income Thresholds for 2027 - 28	
Taxable Income (\$)	Tax Payable (\$)
0 - 18,200	Nil
18,201 - 45,000	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
190,000 +	51,102 + 45% of excess over 190,000

Tax rates for non-residents and working holiday makers will remain unchanged.

Medicare levy low-income thresholds for 2024-25

The Government will increase the Medicare levy low-income threshold amounts and phase-in ranges for single individuals, families and seniors and pensioners that apply from 1 July 2024 to provide cost-of-living relief.

The increase to the thresholds ensures that low-income individuals continue to be exempt from paying the Medicare levy or pay a reduced levy rate.

The Medicare levy low-income thresholds for single individuals and families for the 2025 income year, together with the comparative thresholds for the 2024 income year, will be as follows:

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 & Pensioners	\$41,089	\$51,361	\$43,020	\$53,775
Families not eligible for Senior & Aged Pensioner Tax Offset	\$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 eligible for Senior & Aged Pensioner Tax Offset	\$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)



Strengthening of tax integrity measures

The ATO is to receive a significant increase in funding to enforce taxpayer compliance. Specifically, the government will provide \$999 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 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 practitioner regulation and compliance

The Government will strengthen the sanctions available to the TPB, 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.

NON-TAX RELATED BUDGET

MEASURES

Student loan reduction

The Government announced it will reduce all outstanding Higher Education Loan Program ('HELP') and other student debts by 20%, subject to the passage of legislation. The 20% reduction is in addition to the recent indexation reforms.

The Government is also increasing the amount that people can earn before they are required to start paying back their loans, from \$54,435 in the 2025 income year to \$67,000 in the 2026 income year.

Energy bill relief

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.

Help to Buy scheme for first home buyers

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.

The Government will boost the scheme by increasing income caps from \$90,000 to \$100,000 for individuals and from \$120,000 to \$160,000 for joint applicants and single parents.

Property price caps will also be increased and linked with the average house price in each state and territory, rather than dwelling price.

Restrictions to Foreign Housing

Ownership

The Government will take action to ensure foreign investment in housing supports the Government's broader agenda to boost Australia's housing supply in the following ways:

- Banning foreign persons (including temporary residents and foreign-owned companies) 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.
- Providing the ATO with \$5.7 million over four years, from the 2026 income year, to enforce the ban.
- Providing the ATO and Treasury with \$8.9 million over four years from the 2026 income year and \$1.9 million per year ongoing from the 2030 income year to implement an audit program and enhance its 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.



Banning non-compete clauses for low and middle income workers

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, without the knowledge and agreement of affected workers; and
- use 'no-poach' agreements to block staff from being hired by competitors.

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