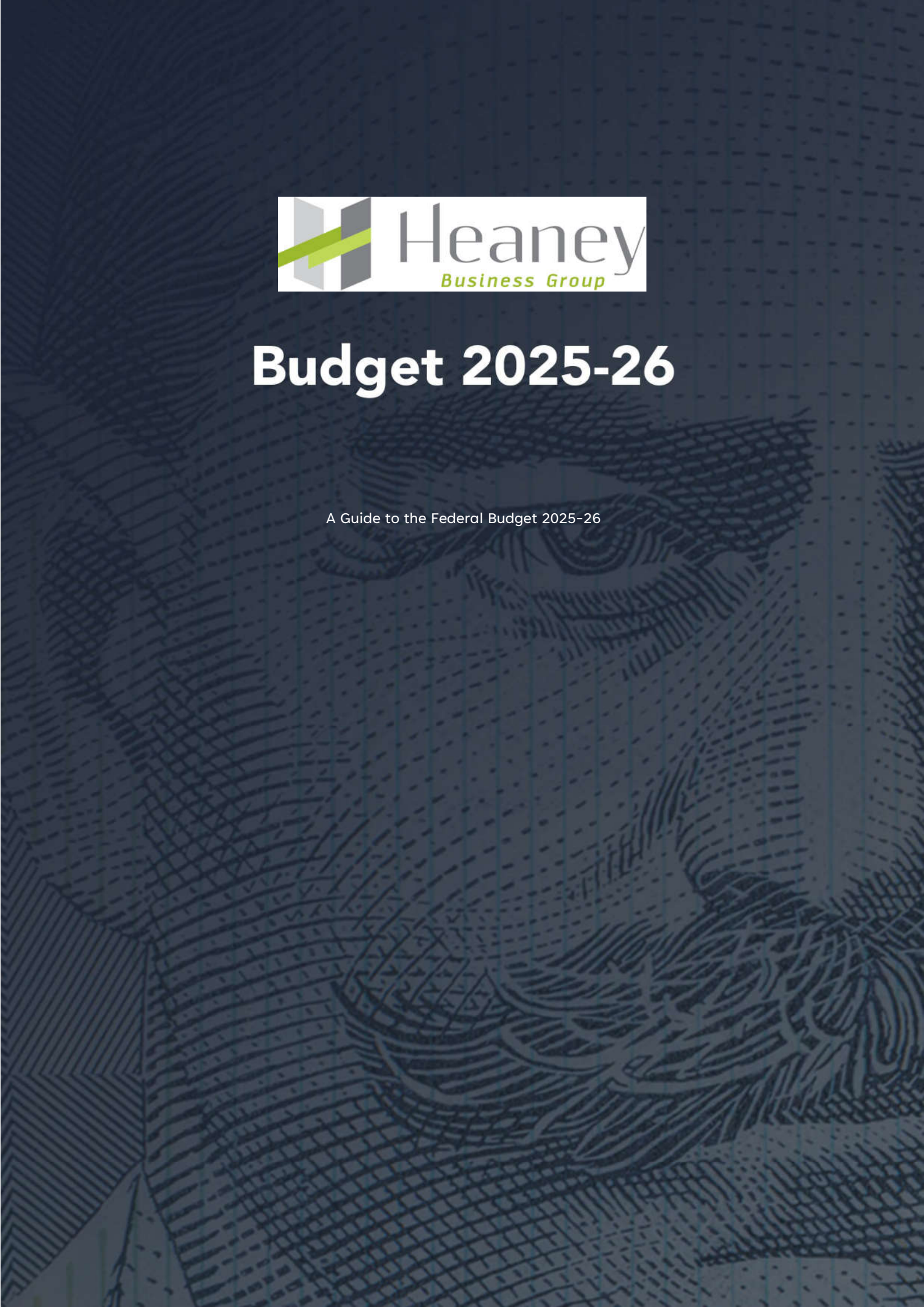
Heaney
Business Group

Budget 2025-26

A Guide to the Federal Budget 2025-26



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25 March 2025 v1

Budget 2025-26: Show Me The Money

The Government's big moment in the 2025-26 Federal Budget was the personal income tax cuts. Income tax cuts are a dazzling headline but in reality they deliver a tax saving of up to $268 in the 2026-27 year, with a tax saving of up to $536 from the 2027-28 year.

At the same time, the Australian Taxation Office has been allocated almost $1bn in funding to extend and enhance its compliance programs.

Two previously announced measures of note that have not passed Parliament but remain in the Budget are:

- Tax on super accounts above $3m (a 30% tax on future earnings for superannuation balances above $3 million); and
- The $20,000 instant asset write-off for small business for 2024-25.

Both of these measures have stalled in Parliament and, assuming they are not approved in the final days of Parliament, will lapse when an election is called.

Budget 2025-26 is a budget for voter appeal with over $7bn in additional spending measures in 2025-26 and over $20bn across five years. Most measures extend previously announced and Budgeted items for another year. Key initiatives include:

Energy

- $180bn to deliver a $150 energy bill rebate extension until the end of 2025.

Healthcare

- $8.5bn on Medicare for increases to Medicare payments, 50 new urgent care clinics, and a bulk billed GP service.
- $1.8bn over 5 years for cheaper medicines on the Pharmaceutical Benefits Scheme.
- $240m for women's health - reproductive health and menopause

Education

- $500m to provide a 20% cut to HECS-HELP debt for students, and a realignment of the repayment schedule to reduce the amount required to be paid (from 1 July 2025).

Housing

- $800m to expand the 'Help to Buy' scheme reducing the size of the deposit required to buy a home by co-buying with the Government.

Families

- Three days of subsidised childcare for families with young children (income tested) from 1 January 2026 replacing the Child Care Subsidy activity test.

Lifestyle

- From August, the excise on beer will be frozen for 2 years.

Economically, trade tensions have magnified global uncertainty. Global growth is already subdued. The indirect effect of tariffs is estimated to be nearly four times as large as the direct effect on Australia, reflecting the relative importance of affected trade flows between Australia, China, and the United States.

Australia's economy is expected to grow, albeit slowly at 2.25% in 2025-26 and 2.5% in 2026-27.

The Budget will be in deficit at -$42.1bn in 2025-26, before improving marginally but remaining in the red.

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The **Heaney Business Group** team are available to assist you to capitalise on any of the Budget measures or minimise your risk.

As always, the detail is important so please let us know if we can assist.

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Individuals & families

"Modest" two stage personal income tax cut

From	1 July 2026

The Government will provide a "modest" tax cut to all taxpayers from 1 July 2026 and again from 1 July 2027.

The tax rate for the $18,201-$45,000 tax bracket will reduce from its current rate of 16%, to 15% from 1 July 2026, then to 14% from 2027-28 at a cost of $648m over four years.

The saving from the tax cut represents a maximum of $268 in the 2026-27 year and $536 from the 2027-28 year.

Resources

- Fact sheet: Personal income tax cuts

Medicare levy thresholds increased for low-income earners

From	1 July 2024

The Medicare levy low-income threshold exempts low-income earners from having to pay the levy. From 1 July 2024, the threshold for the exemption will increase.

The change will mean low-income earners will pay less when they lodge their income tax returns for 2024-25.

	2024-25	2025-26
Singles	$26,000	$27,222
Families	$43,846	$45,907
Single seniors & pensioners	$41,089	$43,020
Family seniors & pensioners	$57,198	$59,886
Family additional child or student	$4,216	$4,027

The threshold changes come at a cost of $648m over 5 years.

Proposed personal income tax threshold

Thresholds ($)	Rates in 2024–25 and 2025–26 (%)	Rates in 2026–27 (%)	Rates in 2027–28 (%)
0 – 18,200	Tax free	Tax free	Tax free
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

Announced $150 energy bill relief

From	1 July 2025

Households and small business will receive an additional automatic credit of $150 on their energy bills in quarterly instalments between 1 July 2025 and 31 December 2025.

The extension of energy bill rebates will cost $1.8 billion over two years.

Resources
More energy bill relief for every Australian household and for small business

Foreign resident CGT amendments delayed

From 1 July 2025, the way in which foreign residents interact with the tax system were scheduled to come into effect. These changes have now been delayed.

The start date for proposed amendments to the capital gains tax (CGT) rules for foreign residents has been delayed until 1 October 2025 at the earliest, and potentially later depending on the passage of the reforms through Parliament.

The changes would broaden the range of assets subject to CGT for foreign residents when they dispose of them, amend the rules which determine whether the sale of shares in a company or units in a trust are subject to CGT and require foreign residents to disclose transactions involving shares or trust interests with a value of at least $20 million to the ATO before they occur.

Resources
ATO Strengthening the foreign resident capital gains tax regime

Announced 2 year ban on foreign ownership of established homes

From 1 April 2025, the Government has banned foreign and temporary residents, and foreign-owned companies, from purchasing established dwellings to prevent 'land banking'. The ban applies for 2 years but is subject to some limited exceptions.

Resources
ATO Banning foreign purchases of established dwellings

MIT amendments delayed

The extension of the cleaning building management investment trust (MIT) withholding tax concession was due to commence from 1 July 2025. This has now been delayed until the first 1 January, 1 April, 1 July or 1 October after the Act receives Royal Assent.

The Government will also amend the tax laws to clarify arrangements for MITs to ensure that legitimate investors can continue to access concessional withholding rates. The changes will apply to find payments from 13 March 2025 and will complement the ATO's increased focus in this area to prevent misuse – see Taxpayer Alert 2025/1.

‘Help to buy’ program extended

The Government’s ‘Help to Buy’ program reduces the deposit required to buy a home by providing an equity contribution. Under the program, Housing Australia provides eligible participants with a Commonwealth equity contribution of up to 30% of the purchase price of an existing home and up to 40% of the purchase price of a new home. That is, they will give you the money and take a stake in your home.

Originally, to be eligible for the program, the income threshold for a single was $90,000 and, for joint participants, $120,000. The Budget increases this threshold to $100,000 and $160,000 respectively. Additional conditions apply.

The program is not currently available to applicants.

Business & employers

Non-compete clauses to be banned

Date	From 2027

The Government has announced that it will ban non-compete clauses for low and middle-income employees (under the Fair Work Act high income threshold is currently $175,000). Non-compete clauses are conditions in employment contracts that prevent or restrict an employee from moving to a competitor.

Back in April 2024, Treasury released an issues paper for consultation on Worker non-compete clauses and other restraints. The review stated that, “The direct consequence of a non-compete clause is that it hinders competition among businesses: it disincentivises workers from leaving their current job, creating a barrier to the entry of new businesses and the expansion of existing businesses.”

The Government is also make changes to competition law to prevent businesses from:

- Fixing wages by making anti-competitive arrangements that cap workers’ pay and conditions, without the knowledge and agreement of affected workers.
- Using ‘no-poach’ agreements to block staff from being hired by competitors.

Resources
Cracking down on non-compete clauses to boost wages and productivity

Announced Beer tax paused and benefits for wine and alcohol producers

Date	August 2025 (beer excise) 1 July 2026 (other measures)

Indexation on the draught beer excise and excise equivalent customs duty rates will be paused for two years from August 2025. This just means that the price of beer won’t go up because of tax.

Support is also provided under the Excise remission scheme for manufacturers of alcoholic beverages increasing caps for all eligible brewers, distillers and wine producers to $400,000 per financial year, from 1 July 2026 (up from $350,000).

Resources
Albanese Labor Government to freeze draught beer excise

Trade tariffs extended on Russia and Belarus

The Government has extended additional 35% trade tariffs imposed on goods that are the produce or manufacture of Russia or Belarus. The measure is symbolic support for Ukraine as it delivers a negligible increase in revenue over five years.

Government & regulators

Almost $1bn to the ATO for tax compliance

Date	From 1 July 2025

The Government has set aside $999m over 4 years for the ATO to expand its compliance programs:

- Tax Avoidance Taskforce
- Shadow Economy Compliance Program
- Personal Income Tax Compliance Program
- Tax Integrity Program (medium and large businesses and wealthy groups)

The compliance programs are expected to deliver a threefold return of $3.2bn.

$700m external contractor cost cutting

The Government intends to further pair back its use of consultants, contractors and labour hire. The budget estimates that the Government will save $718m in 2028-29 by continuing cuts to external labour.

The economy

Growth
Australia's economy is expected to grow, albeit slowly, at 2.25% in 2025-26 and 2.5% in 2026-27.

The direct impact of Ex-Tropical Cyclone Alfred on economic activity is estimated to be up to 0.25% of GDP.

We're back in a deficit
The underlying cash balance will be a deficit at -$42.1bn in 2025-26, before improving but remaining in the red for several years.

Debt is also higher, rising from 18.4% of GDP in 2023-24 to an estimated 21.5% in 2025-26, rising to 23.1% by 2028-29.

Employment
The unemployment rate has stayed low, the participation rate remains elevated, and employment has grown by more than one million people since May 2022 with around 80% of jobs created in the private sector since the June quarter 2022.

Unemployment is expected to peak at 4.25%.

Wages
Annual real wages have grown for five consecutive quarters and are forecast to grow by 0.5% in 2024-25.

The Wage Price Index (WPI) grew by 3.2% through the year to the December quarter 2024 and is expected to grow by 3% through the year to the June quarter of 2025 and 3.25% to June 2026.

Inflation
Inflation is expected to be 2.5% through the year to the June quarter 2025.

The moderation of inflation was helped by cost of living relief and a decline in petrol prices towards the end of 2024. Electricity rebates and indexation of rent assistance (Commonwealth and State) reduced headline inflation by 0.75% through the year to the December quarter of 2024.

Global tensions
Economically, trade tensions have magnified global uncertainty. Global growth is already subdued. The indirect effect of tariffs is estimated to be nearly four times as large as the direct effect on Australia, reflecting the relative importance of affected trade flows between Australia, China, and the United States. Retaliatory tariffs, if they occur, will only amplify losses in real GDP.