



Forman
Financial
Services



Federal Budget 2025

Forman Financial Services Pty Ltd | ABN 81 085 198 429 | Australian Financial Services Licence 232374
Solomon Forman | Tax Agent Number 19716003 | Authorised Representative Number 234631

Suite 405, Level 4, 251 Oxford Street, Bondi Junction NSW 2022 | PO Box 1165, Bondi Junction NSW 1355
P 02 9369 2443 | F 02 9369 3987 | E admin@formanfinancialservices.com.au | W www.formanfinancialservices.com.au

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Few surprises were unveiled in the 2025-26 Federal Budget, which largely focused on measures aimed at easing cost of living pressures. Key to this was extended energy bill relief, and unexpectedly, proposed tax cuts. Increases to the Medicare levy low-income thresholds were also proposed.

Cost of living measures

Energy Bill Relief - Extension

From 1 July 2025

The Government will continue to provide energy bill relief for eligible Australian households and small businesses until 31 December 2025.

The energy bill relief will be \$150, paid as \$75 each quarter over the remaining two quarters.

This measure extends the energy bill relief measures originally announced in the 2024–25 Budget.

Strengthening Medicare

From 2025-26

The Government will provide significant additional funding over five years to increase access to bulk billing and to expand the Medicare Urgent Care Clinics Program. This will include an additional 50 Medicare Urgent Care Clinics across Australia, which will take the total number to 137.

Cheaper Medicines

From 1 January 2026

The Government will provide increased funding to lower the Pharmaceutical Benefits Scheme (PBS) general patient co-payment from \$31.60 to \$25.00 on 1 January 2026.

Concession card holders will continue to pay \$7.70 for medicines listed on the PBS.

Cutting Student Debt

From 1 June 2025

The Government will reduce all outstanding Higher Education Loan Program (HELP) and other student debts by 20 per cent from 1 June 2025.

In addition, from 1 July 2025 the Government will increase the amount that people can earn before they are required to start paying back their loans from \$54,435 in 2024–25 to \$67,000 in 2025–26.

The Government has stated that no one will pay more under the new system, and compulsory repayments will be lower for people earning under around \$180,000 and above the current minimum threshold.

Superannuation

From 1 July 2026

The Government will allocate \$50.0 million over three 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.

This measure is estimated to increase receipts by \$31.0 million in unpaid superannuation to be disbursed to employees.

There were no further announcements in relation to superannuation in this budget.

Personal taxation

Personal income tax cuts

From 1 July 2026

The Government has announced it will deliver new tax cuts to all taxpayers from 1 July 2026, by reducing the tax rate for taxable income between \$18,201 and \$45,000 as follows:

- 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 reduced further to 14 per cent.

This will provide a tax cut of up to \$268 in 2026–27 and up to \$536 in 2027–28, relative to current tax settings.

If implemented, the new marginal tax rates for individuals would be as follows:

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%

comment:



The proposed reduction in the lowest marginal rate will lead to an increase in several tax thresholds:

- The Seniors and Pensioners Tax Offset (SAPTO) income shading-out threshold:
 - For a single person, this threshold will increase from \$34,919 to \$36,033 in 2026-27, and to \$37,307 in 2027-28.
 - For each member of a couple, this threshold will increase from \$30,994 to \$31,847 in 2026-27, and to \$32,821 in 2027-28.
- The effective tax-free threshold:

- For a single person or each member of a couple eligible to receive the Low Income Tax Offset (LITO) but not SAPTO, this threshold will increase from \$22,575 to \$22,867 in 2026-27 and to \$23,200 in 2027-28.
- For a single person eligible to receive both LITO and SAPTO, this threshold will increase from \$35,813 to \$36,960 in 2026-27, and to \$38,147 in 2027-28.
- For each member of a couple eligible to receive both LITO and SAPTO, this threshold will increase from \$31,888 to \$32,773 in 2026-27, and to \$33,783 in 2027-28.

It's also interesting to note that from 2027-28, the marginal tax rate for income in the \$18,201 to \$45,000 tax bracket will be lower than the 15% superannuation contributions tax rate. Given this, it may not be tax-effective for clients in this tax bracket to make voluntary concessional contributions, such as personal deductible contributions, to their super fund.

Further, it will be interesting to see whether a future Government will increase the Low Income Super Tax offset payment amount from \$500 to \$810 and the cut-off threshold from \$37,000 to \$45,000, so that it aligns with the upper threshold for this tax bracket.

Increasing the Medicare levy low-income thresholds

From 1 July 2024

The Government will increase the Medicare levy low-income thresholds for singles, families, and seniors and pensioners retrospectively from 1 July 2024. This is a routine increase to the thresholds to ensure that low-income individuals continue to be exempt from paying the Medicare levy or pay a reduced levy rate.

The thresholds are proposed to be increased as follows:

Income category	Medicare levy low-income threshold increase for 2024/25
Singles	from \$26,000 to \$27,222
Families	from \$43,846 to \$45,907
Single seniors and pensioners	from \$41,089 to \$43,020
Family seniors and pensioners	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.

Clarify arrangements for managed investment trusts

From 13 March 2025

The Government has announced it will amend the tax laws to clarify arrangements for managed investment trusts, to ensure legitimate investors can continue to access concessional withholding tax rates in Australia, complementing the Australian Taxation Office's strengthened guidelines to prevent misuse. This measure will apply to fund payments from 13 March 2025.

The Government has announced it will also defer the start dates of the following measures:

- 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 Royal 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 Royal Assent.

Business taxation

No significant announcements in relation to business taxation

There were no significant business taxation measures announced in this budget.

Social security

No announcements in relation to social security pensions or allowances

The Government has not made any announcements in relation to changes to any social security allowances or pensions.

No announcements in relation to an extension of the deeming rate freeze

Social security deeming rates are currently frozen at 0.25% and 2.25%.

The freeze on deeming rates is scheduled to end on 30 June 2025, however there was speculation that the Government would make an announcement regarding a possible extension.

No announcement regarding deeming rates was included in the Federal Budget.

comment:



It will be interesting to see whether the Government will make any announcement in relation to extending the deeming rate freeze in the upcoming election campaign.

If the deeming rate freeze ends on 30 June 2025, many social security recipients will see a substantial reduction in their rate of payment. For example, if deeming rates increase to 4% and 6%, a single Age Pensioner homeowner with \$310,000 in financial investments would have seen a reduction in their Age Pension of \$5,812.50pa under the income test.

Strengthening the National Disability Insurance Scheme

From 2025-26

The Government has announced it will provide additional funding over four years from 2025–26 to further safeguard the integrity of the National Disability Insurance Scheme (NDIS) and support people with disability. This includes funding to allow the National Disability Insurance Agency to detect and respond to fraud.

Department of Veterans' Affairs – additional resourcing to support service delivery

From 2025-26

The Government has announced it will provide additional funding to address increased demand for downstream services following an increase in the determination of veterans' claims.

This includes additional resourcing for the Veterans' Access Network, Veteran Support Officers, complex case management, information access and mental health support.

Expanding access to early education

The Government is investing \$5 billion towards building a universal early childhood education and care system.

This includes a new 3 Day Guarantee where every child is eligible for at least 3 days per week of subsidised early education and care, regardless of the families level of work or study. This replaces the Child Care Subsidy Activity Test.

Aged care

Aged care reform and funding pay increases for aged care nurses

The Government has announced additional funding to continue the delivery of aged care reforms and the implementation of recommendations from the Royal Commission into Aged Care Quality and Safety.

The Government has also announced additional funding to increase the minimum award wages of registered and enrolled nurses employed in the aged care sector.

Other

Enhancing Tax Practitioner Regulation and Compliance

From 1 July 2025

The Government has announced it will strengthen the sanctions available to the Tax Practitioners Board (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.

The Government says 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.

Small Business and Franchisee Support and Protection

From 2025-26

The Government has announced funding over four years to support and protect small businesses. This includes funding to:

- The Australian Competition and Consumer Commission to strengthen regulatory oversight of the Franchising Code of Conduct
- The Australian Securities and Investments Commission to improve its data analytics capability to better target enforcement activities to deter illegal phoenixing activities, particularly in the construction sector
- Treasury 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.

Restricting Foreign Ownership of Housing

From various dates

The Government has announced a range of measures to apply restrictions to the foreign ownership of housing. This includes 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 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.

Strengthening tax integrity

From 1 July 2025

The Government has announced it will provide an extra billion dollars to the ATO to strengthen the fairness and sustainability of Australia's tax system by extending and expanding tax compliance activities.

Help to Buy program

From 2024-25

The Government will increase funding for the Help to Buy program, by increasing income caps from \$90,000 to \$100,000 for singles and from \$120,000 to \$160,000 for joint applications. In addition, the property price cap will be increased.

Under the Help to Buy program the Government provides an equity contribution of up to 40% which assists people to buy homes with lower deposits and smaller mortgages.

Measures expected to be covered but no announcements made in this budget

No further announcements about Division 296 tax

The **Treasury Laws Amendment (Better Targeted Superannuation Concessions and Other Measures) Bill 2023** containing the Division 296 tax measures passed the House of Representatives but is still before the Senate. The proposed method to calculate earnings and its effect of taxing unrealised capital gains have been controversial. Once the Federal Election is called, this Bill will lapse unless it is legislated beforehand.

The Government has made no further announcement about Division 296 tax in tonight's budget.

No announcement on relaxing residency requirements for small super funds

The former Government announced plans in the May 2021 Federal Budget to relax the residency requirements for SMSFs by extending the central management and control test (safe harbour rule for temporary absences) from 2 to 5 years and removing the active member test.

The Government made no further announcements regarding this measure.

No announcement to modernise individual tax residency rules

The former Government announced in the May 2021 Federal Budget that it intended to replace the individual tax residency rules with a new, modernised framework based on the Board of Taxation's recommendation. The new framework will be easier to understand and apply in practice. It is designed to deliver greater certainty and lower compliance costs for globally mobile individuals and their employers.

The Government released a consultation paper on modernising individual tax residence in July 2023. The consultation process was finalised in September 2023; however, the Government made no further announcement about this measure in tonight's Budget.

Payday super

The Government released draft legislation on 14 March 2025 stating that from 1 July 2026, employers will be required to pay their employees' super guarantee (SG) at the same time as their salary and wages. However, this measure was not mentioned in today's budget.

Our understanding is that it is unlikely for the Government to legislate this measure before the election is held, however, given it has bipartisan support, it's expected that, if either the current Government is re-elected or a new Government is formed, this measure would be legislated at a future date.

Disclaimer and Warning

The information above is of a general nature only. It should not be used as a source to make financial decisions. It's also important to note that the legislation and figures related to this topic tend to change regularly and therefore the information above may not reflect the current status. We recommend that if you are looking for advice on this matter, you should contact us.