

The Adviser Edition

Federal Budget.

2025–26

26 March 2025

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2025 Federal Budget

On Tuesday 25 March, Treasurer Jim Chalmers handed down the Federal Budget for 2025–26, the Budget we nearly didn't have as we fast approach the Federal Election.

The Government announced a deficit of \$27.6 billion this financial year, following two consecutive surpluses. Net debt remains at \$556 billion and future budget deficits are forecast for the next four financial years.

The numbers

Some of the key numbers announced include:

- ◊ A deficit of \$27.6 billion for 2024–25.
- ◊ Forecast deficit of \$42.1 billion for 2025–26.
- ◊ Real GDP forecast to grow by 1.5% in 2024–25 and 2.25% in 2025–26.
- ◊ Inflation returned to the RBA's target band in the second half of 2024 and expected to be 2.5% through to the June quarter 2025.
- ◊ Unemployment expected to peak at 4.25% for 2024–25 and to remain steady for the next four years.
- ◊ Net debt of \$556 billion in 2024–25.
- ◊ Real wages forecast to grow by 0.5% in 2024–25.

Personal income tax cuts

The Government announced further unexpected cuts to personal income tax rates to be delivered over two years from 1 July 2026. The tax cuts will apply to all 14 million taxpayers. In combination with the first round delivered in July 2024, the average tax cut is expected to be more than \$2,200 in 2026–27, and more than \$2,500 in 2027–28.

Medicare low-income thresholds will also be increased from 1 July 2024 so that low-income earners continue to be exempt from the Medicare levy (or pay a reduced levy rate).

Addressing housing pressures

The Government will provide \$58.8 million over five years to increase support for housing, including:

- ◊ \$54 million for advanced manufacturing of prefabricated and modular home construction to speed up housing construction
- ◊ Expanding the Help to Buy 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; and increasing property price caps.

This investment expands on initiatives already announced including a ban on foreign buyers purchasing existing homes for two years from 1 April 2025; rolling out the first two rounds of the Housing Australia Future Fund, and initiatives to reduce homelessness.

Medicare

The Government continues its commitment to strengthen Medicare, including providing:

- ◊ \$689 million to further reduce the cost of medicines by capping the cost of PBS prescriptions at \$25 from 1 January 2026 and continuing the freeze on PBS medicine costs for pensioners and concession card holders – the current \$7.70 cost will remain in place until 2030.
- ◊ \$644 million to open another 50 Medicare Urgent Care Clinics to open in the 2025–26 financial year.
- ◊ \$7.9 billion for more bulk-billing, with an aim that 9 in 10 GP visits will be bulk billed by 2030.
- ◊ \$617 million for more doctors and nurses, including a GP training program
- ◊ \$573 million for better health care for women.

Superannuation

No new superannuation measures were announced. However, the Government will provide \$50 million over three years from 1 July 2026 to enable the ATO to continue tax and superannuation compliance activities with medium and large businesses. This is expected to result in \$31 million in unpaid superannuation being disbursed to employees.

Previously announced measures

More power bill relief

The Government is providing \$1.8 billion over two years to continue energy bill relief for all Australian households and around one million small businesses, extending energy rebates until the end of 2025. From 1 July 2025, households and eligible businesses will have a \$150 rebate automatically applied to their electricity bills in two quarterly instalments. This rebate is in addition to the previous rebates already being rolled out.

This is estimated to directly reduce headline inflation by around half a percentage point in 2025, and reduce household bills by 7.5 per cent on average nationally, compared to bills without the extension.

Student loans

From 1 July 2025, the Government will provide a one-off 20% reduction on the outstanding balance of HELP and other student debts, and will increase minimum payment thresholds from \$54,435 in 2024–25 to \$67,000 in 2025–26. The changes are expected to cut \$19 billion from student loan debt for 3 million Australians.

Payday super

The Government is seeking feedback from stakeholders on its proposal to redesign the superannuation guarantee charge legislation to require employers to pay their employees' superannuation at the same time as their salary and wages from 1 July 2026.

Improving access to financial advice

The Government has released draft legislation on the next tranche of its financial advice reforms. These measures are intended to improve access to affordable and quality financial advice by reducing red tape and expanding access to financial advice about savings, retirement and insurance. The first components of this tranche:

- ◇ replace the statement of advice with a more fit-for-purpose client advice record
- ◇ provide rules on advice topics that can be collectively charged for via superannuation
- ◇ allow superannuation funds to provide targeted prompts to members to drive greater engagement with superannuation at key life stages.

Supporting you

We can help with any additional information you require about the 2025–26 Budget and what the announcements might mean for your financial situation. You can also access a number of documents on the [Budget website](#) which contain more information about each of the announced measures. Please speak to us if you have any questions.