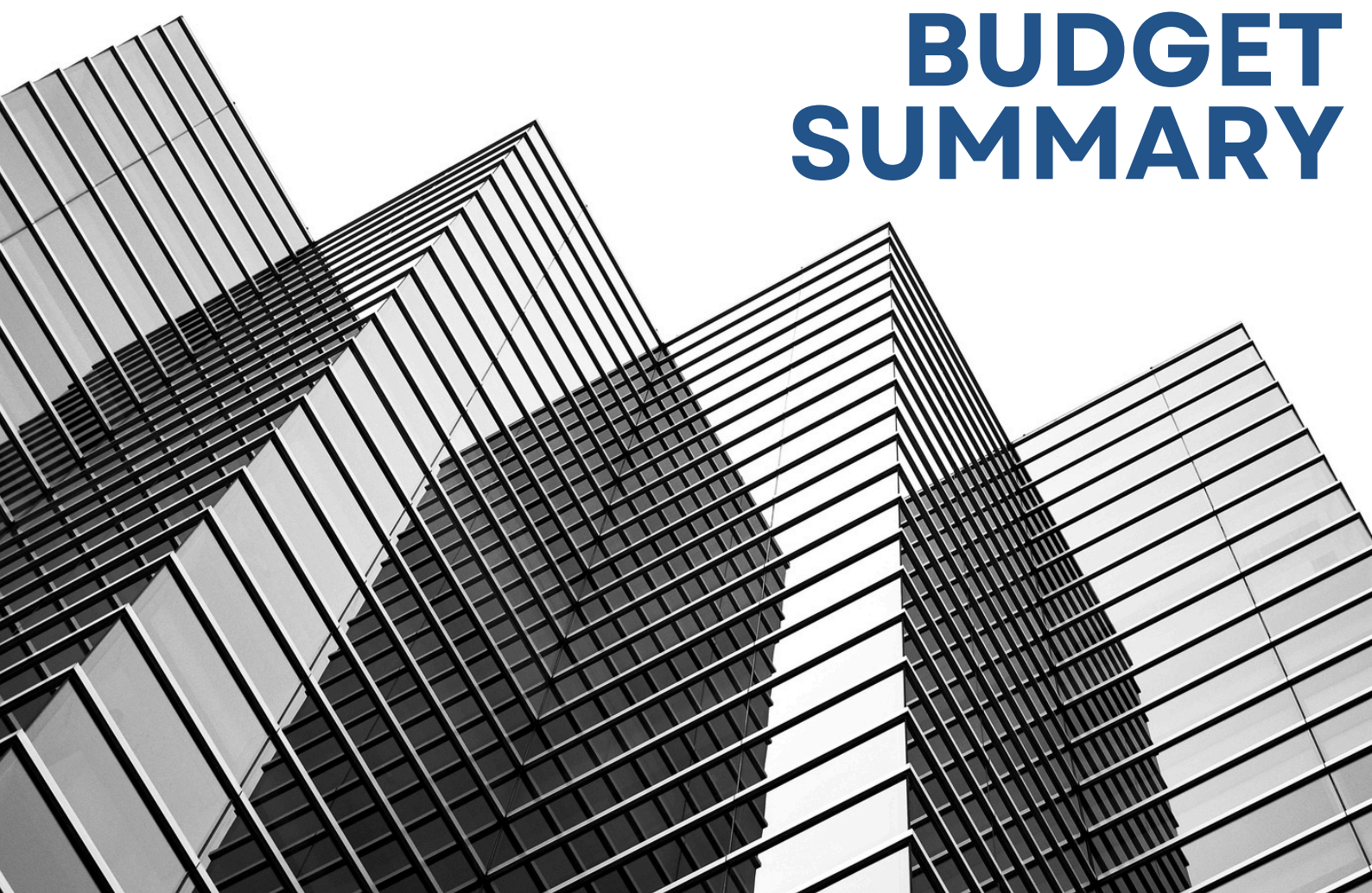


2025/2026 FEDERAL BUDGET SUMMARY





Federal Budget Summary

The 2025/2026 Federal Budget has landed, bringing a mix of tax cuts, rebates, and stronger compliance enforcement. Here's a quick summary of the key announcements:

Key Measures

- Tax rate cuts for individuals
- Energy rebate extended
- ATO enforcement of tax compliance

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Personal Income Tax

New tax cuts for individuals in 2027 and 2028

The Treasurer announced a cut in the personal income tax rate for the income threshold between \$18,201 and \$45,000 from 1 July 2026.

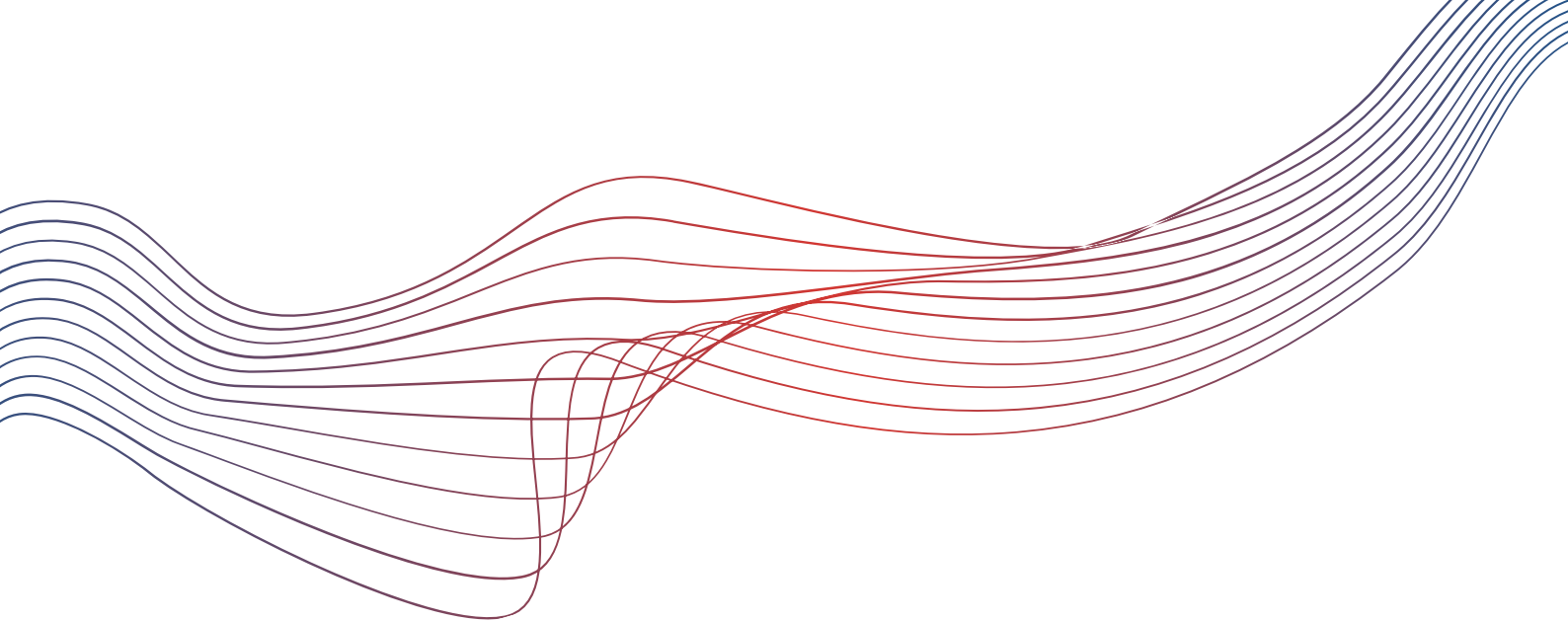
Under the government's new tax cuts:

- ▶ 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 further reduced to 14 per cent.

The personal income tax rates (excluding the Medicare levy) for the 2025 and 2026 income years are set out in the following table, along with the proposed changes to the tax rates for the 2027 and 2028 income years:

Thresholds	2025 and 2026 income years	2027 income year	2028 income year
\$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%
\$190,001 +	45%	45%	45%

By way of example, a taxpayer earning between \$18,201 and \$45,000 will get a tax cut of up to \$268 in the 2027 income year and up to \$536 from the 2028 income year.



Increased Medicare levy low-income thresholds

The government will also increase the Medicare levy low-income thresholds for singles, families, and seniors and pensioners from 1 July 2024.

- ▶ The threshold for singles will be increased from \$26,000 to \$27,222.
- ▶ The family threshold will be increased from \$43,846 to \$45,907.
- ▶ For single seniors and pensioners, the threshold 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.

The family income thresholds will increase by \$4,216 for each dependent child or student, up from \$4,027.

Superannuation

No major new super measures announced.

Business Taxation

ATO Enforcement of Taxpayer Compliance: Increased Funding

The ATO is to receive yet another significant increase in funding to enforce taxpayer compliance. Specifically, the government will provide \$999.0 million over 4 years for the ATO "to extend and expand tax compliance activities". This additional funding will support the following compliance activities:

- ▶ Extension and expansion of the Shadow Economy Compliance Program to reduce shadow economy behaviour such as worker exploitation, under-reporting of taxable income, illicit tobacco and other activity that enables non-compliant businesses to undercut competition.

- ▶ Extension and expansion of 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.

- ▶ Extension of 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.

- ▶ A two-year expansion and a one-year extension of the Tax Avoidance Taskforce. This supports continued tax compliance scrutiny on multinationals and other large taxpayers.

TPB: Extra Funding and Sanctions to Target High-Risk Practitioners

The government will strengthen the sanctions available to the TPB, modernise the registration framework for tax practitioners and provide additional funding to the TPB to allow it to undertake additional compliance operations targeting high-risk tax practitioners over 4 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.



Managed Investment Trusts (MIT) Measures

The Budget papers confirm the government's recently announced intention to "clarify" the tax arrangements for managed investment trusts.

This intention is that foreign based widely-held investors, such as pension funds, can still access concessional withholding tax rates on eligible distributions to members through MITs. The amendments will maintain current industry practice and understanding of the operation of the managed investment trust pooling requirements under Div 275 of ITAA 1997 and remove ambiguity around the use of MITs.

The amendments will make clear that trusts ultimately owned by a single widely-held investor (eg a foreign pension fund) are able to access the MIT concessions. The changes will complement TA 2025/1 which states that the ATO will take enforcement action where taxpayers engage in non-commercial restructures to inappropriately access MIT withholding tax benefits.

The amendments will apply to fund payments from 13 March 2025.

Foreign Resident Capital Gains Tax

The Government will defer the start dates of the 2024/25 Budget measure, Strengthening the foreign resident capital gains tax regime, which will:

- ▶ clarify and broaden the types of assets on which foreign residents are subject to CGT;
- ▶ amend the point-in-time principal asset 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.

The start date of this measure 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 the applicable Act receives Royal Assent.**



Other Measures

Making Student Loans Fairer

As previously announced by the Prime Minister on 3 November 2024, the Government 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.

Govt Energy Bill Rebate to be Extended: Extra \$150 for 2025

The government will extend its energy bill rebate until the end of 2025 by providing a further 2 instalments of \$75 for households and small businesses.

From 1 July 2025, Mr Albanese said households and around one million small businesses will see another \$150 in rebates "automatically applied to their electricity bills in quarterly instalments, on top of the previous rebates already being rolled out".

Support for Small Business Franchisees

The government will provide \$7.1m over 2 years from 2025-26 for the Australian Competition and Consumer Commission (ACCC) to strengthen regulatory oversight of the Franchising Code of Conduct and ensure a more transparent and effective regulatory framework for the franchising sector.

The government will also provide \$0.8m in 2025-26 for Treasury, working with States and Territories 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.

Help to Buy Home Scheme Expanded: Income and Price Caps Increased

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.

New Property Price Caps by Region	Capital City and Regional Centre (\$)	Other (\$)
NSW	1,300,000	800,000
VIC	950,000	650,000
QLD	1,000,000	700,000
WA	850,000	600,000
SA	900,000	500,000
TAS	700,000	550,000
ACT	1,000,000	1,000,000
NT	600,000	600,000
Jervis Bay Territory and Norfolk Island	550,000	550,000
Christmas Island and Cocos (Keeling) Islands	400,000	400,000

Restricting Foreign Ownership of Housing

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.

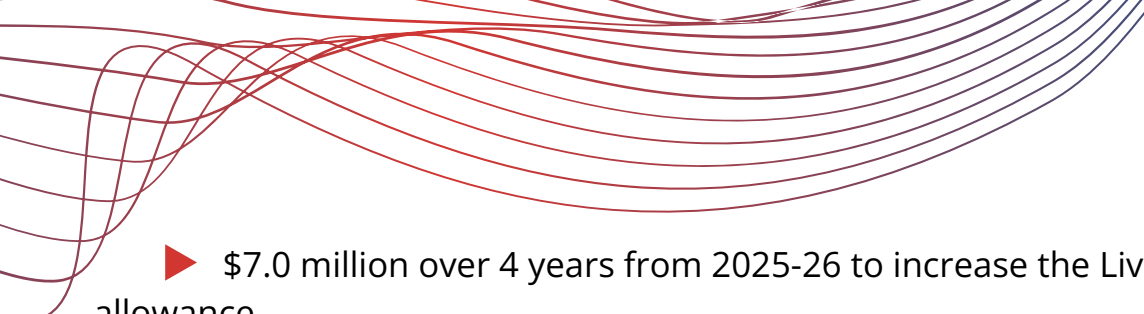
Extending subsidies for apprentices and fee-free TAFE

The government will provide \$722.8m over 4 years from 2025-26 to deliver increased support for apprentices. Funding includes:

- ▶ \$626.9m over 4 years from 2025-26 to reframe the New Energy Apprenticeships Program as the Key Apprenticeship Program and expand it to capture critical residential construction occupations

- ▶ \$77.8m over 4 years from 2025-26 to extend the current interim Australian Apprenticeship Incentive System program settings for a further six months from 1 July 2025 to 31 December 2025

- ▶ \$11.0 million over 4 years from 2025-26 to increase the Disability Australian Apprentice Wage Support subsidy; and



▶ \$7.0 million over 4 years from 2025-26 to increase the Living Away From Home allowance.

As flagged in MYEFO, the government will also provide \$253.7m over 2 years from 2026-27 (and an additional \$1.4bn from 2028-29 to 2034-25) to make Free TAFE a permanent program, funding at least 100,000 places annually from 1 January 2027.

Legislation was introduced in November 2024 to give effect to this measure. Free TAFE will prioritise cohorts that typically face barriers to education and employment.

Employment Contract Non-Compete Clauses to be Abolished

The government will ban non-compete clauses for more than 3m Australian workers in industries including childcare, construction and hairdressing. This has been spurred by the Treasury's Competition Review which heard troubling accounts regarding the misuse of non-compete clauses, including minimum wage workers being sued by former employers.

The ban on non-compete clauses will 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.

The government will consult on policy details, including exemptions, penalties, and transition arrangements. Following consultation and passage of legislation, the reforms will take effect from 2027, operating prospectively to give businesses and workers time to adjust.

Need Guidance?

If you have questions about how the Federal Budget may impact your individual tax position or business planning, please get in touch with your adviser.

You can also contact our tax consultants at W Wen & Co on **(02) 9871 3429** or **(02) 8090 2449** for tailored advice and support.

Sources: CPA Australia Federal Budget Report and NTAA Budget Report



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