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PERSONAL TAXATION

Personal tax rates cut from 1 July 2026 and 2027

The Government has proposed to cut the personal income tax rate for the income threshold ($18,200 to $45,000) from 16% to 15% (from 1 July 2026) and 14% (from 1 July 2027).

Under the proposed changes, every Australian taxpayer will receive a tax cut of up to $268 from 1 July 2026, rising to $536 from 1 July 2027.

The Government said the proposed tax cuts will provide "modest but meaningful" cost-of-living relief and "return bracket creep" by lowering average tax rates for all taxpayers, especially for low- and middle-income earners. The measure is expected to cost $17.1 billion.

Combined with the existing Stage 3 tax cuts from 2024–2025, the Treasurer said the average annual tax cut will increase to $2,229 in 2026–2027 and $2,548 (for 2027–2028) – so, around $50 per week (relative to 2023–2024 tax settings). A person on the average wage of around $79,000 will receive a total tax cut of $2,190 in 2027–2028 (compared to 2023–2024 tax settings).

The Government said the proposed tax cuts will reward workforce participation by encouraging part-time and lower income earners to take on more hours of work. According to the Government, the combined tax cuts will increase total hours worked by 1.3 million hours per week, equivalent to more than 30,000 full-time jobs, compared to 2023–2024 tax settings. This increase is anticipated to be driven mostly by women, who are expected to increase their labour supply by 900,000 hours compared to 2023–2024 tax settings.

The combined tax cuts are also estimated to increase nominal household disposable income by 1.9% by 2027–2028 (compared with 2023–2024 tax settings).

Current rates

The tax rates and income thresholds for residents for 2024–2025 and 2025–2026 (as already legislated) are:

- taxable income up to $18,200 – nil;
- taxable income of $18,201 to $45,000 – nil plus 16% of excess over $18,200;
- taxable income of $45,001 to $135,000 – $4,288 plus 30% of excess over $45,000;
- taxable income of $135,001 to $190,000 – $31,288 plus 37% of excess over $135,000; and
- taxable income of more than $190,001 – $51,638 plus 45% of excess over $190,000.

Proposed rates 2026–2027

The tax rates and income thresholds for residents for 2026–2027 (as proposed) are:

- taxable income up to $18,200 – nil;
- taxable income of $18,201 to $45,000 – nil plus 15% of excess over $18,200;
- taxable income of $45,001 to $135,000 – $4,020 plus 30% of excess over $45,000;
- taxable income of $135,001 to $190,000 – $31,020 plus 37% of excess over $135,000; and
- taxable income of more than $190,001 – $51,370 plus 45% of excess over $190,000.

Proposed rates 2027–2028

The tax rates and income thresholds for residents for 2027–2028 (as proposed) are:

- taxable income up to $18,200 – nil;
- taxable income of $18,201 to $45,000 – nil plus 14% of excess over $18,200;
- taxable income of $45,001 to $135,000 – $3,752 plus 30% of excess over $45,000;
- taxable income of $135,001 to $190,000 – $30,752 plus 37% of excess over $135,000; and
- taxable income of more than $190,001 – $51,102 plus 45% of excess over $190,000.

Low income tax offset (unchanged)

No changes were made to the low income tax offset (LITO) in the 2024–2025 Budget.

For completeness, and as a reminder, while the low and middle income tax offset (LMITO) ceased from

1 July 2022, low and middle income taxpayers remain entitled to the LITO.

The maximum amount of the LITO is $700. The LITO is withdrawn at a rate of 5 cents per dollar between taxable incomes of $37,500 and $45,000 and then at a rate of 1.5 cents per dollar between taxable incomes of $45,000 and $66,667.

Medicare levy low-income thresholds for 2024–2025

For the 2024–2025 income year, the Medicare levy low-income threshold for singles has been increased to $27,222 for 2024–2025 (up from $26,000 for 2023–2024). For couples with no children, the family income threshold is $45,907 (up from $43,846 for 2023–2024). The additional amount of threshold for each dependent child or student is $4,216 (up from $4,027).

For single seniors and pensioners eligible for the seniors and pensioners tax offset (SAPTO), the Medicare levy low-income threshold is $43,020 (up from $41,089). The family threshold for seniors and pensioners is $59,886 (up from $57,198), plus $4,216 for each dependent child or student.

Reduction of HELP debts

As announced in its mid-year economic and fiscal outlook (MYEFO), the Budget confirms that the Government intends to make changes that will reduce Higher Education Loan Program (HELP) and other student debts for more than three million Australians by around $19 billion. The measure will reduce outstanding student debts by 20% before indexation is applied on 1 June 2025 (subject to the passage of legislation) which will remove $16 billion in debt.

The Government has also confirmed it will commit $182.2 million over four years from 2024–2025 (and $402.3 million from 2028–2029 to 2034–2025) to reform the repayment system for the HELP and other student loan schemes. The reform will deliver a fairer student loan repayment system that is based on marginal rates and will increase the amount individuals can earn before they are required to start repaying their loan. It will take effect from 1 July 2025, subject to the passage of legislation.

The Government has already legislated a cap on HELP indexation based on the lower of the Consumer Price Index (CPI) or the Wage Price Index (WPI). That change was backdated to 1 June 2023, and has already reduced outstanding student debt by around $3 billion, according to the Government.

Energy bill rebate extended: small business included

The Government will extend its energy bill rebate until the end of 2025 by providing a further two instalments of $75 (for a total of an additional $150) 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". Treasury estimates this will directly reduce inflation by 0.5 of a percentage point in 2025, and reduce household bills by 7.5% on average. The extra energy bill rebates will cost $1.8 billion.

Early childhood education: child care subsidy

The Government will provide $4.5 million over four years from 2025–2026 to Services Australia to make system changes to ensure consistency with the passing of recent legislation to implement the Child Care Subsidy (CCS) Three Day Guarantee. According to the Government, this will ensure families are entitled to at least three days a week of subsidised early childhood education and care.

The CCS Three Day Guarantee will replace the CCS activity test from January 2026.

The Government will also provide $2.5 million over two years from 2024–2025 as a one-off Business Continuity Payment of $10,000 to CCS approved services closed or partially closed for eight days or more due to impacts of Ex-Tropical Cyclone Alfred, subject to conditions, including providers agreeing to temporarily not charge families CCS gap fees during the closure period.

Help to Buy home scheme expanded; income and price caps increased

The Government will increase its equity investment in the Help to Buy scheme to $6.3 billion (up $800 million), and increase the income and price caps.

Under this shared equity loan scheme, the Commonwealth will provide an equity contribution up to 40% of the purchase price to assist up to 40,000 eligible first home buyers to purchase a new or existing home.

The Government said it will increase the scheme's income cap from $90,000 to $100,000 for individuals, and from $120,000 to $160,000 for joint applicants and single parents.

The property price caps for eligible homes will also be increased and linked with the average house price in each state and territory, not dwelling price, so first home buyers have more choice. For example, the NSW capital city and regional centre price cap will be set at $1.3 million (rather than at the median house price of approximately $1.5 million) to ensure purchase prices remain within the borrowing capacity of first-home buyers. The cap will be $800,000 for NSW outside the capital city and regional centres.

The Minister for Housing, Claire O'Neil, said first home buyers on average rates with a $519,000 home will save about $900 per month when buying an existing home, and $1,200 per month when buying a new home.

Commonwealth legislation to establish the Help to Buy program was enacted on 10 December 2024, and the Help to Buy scheme is expected to be open for applications later in 2025, following registration of the Program Directions, passage of State legislation, and implementation by Housing Australia.

BUSINESS TAXATION

Extending subsidies for apprentices and fee-free TAFE

The Government will provide $722.8 million over four years from 2025–2026 to deliver increased support for apprentices. Funding includes:

- $626.9 million over four years from 2025–2026 to reframe the New Energy Apprenticeships Program as the Key Apprenticeship Program and expand it to capture critical residential construction occupations;
- $77.8 million over four years from 2025–2026 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 four years from 2025–2026 to increase the Disability Australian Apprentice Wage Support subsidy; and
- $7.0 million over four years from 2025–2026 to increase the Living Away From Home Allowance.

As previously announced, the Government will also provide $253.7 million over two years from 2026–2027 (and an additional $1.4 billion from 2028–2029 to 2034–2035) 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.

Instant asset write-off extension: Bill still before Parliament

One of the Government's key tax measures that is currently still outstanding is the proposed extension of the instant asset write-off measures for 2024–2025.

There is no mention in the Budget papers of the measure, though it is alluded to in couple of media releases. It can be assumed that the Government still intends to proceed with the measure as currently drafted.

By way of reminder, the measures will allow small businesses (with an aggregated turnover of less than $10 million) to:

- deduct in full the cost of eligible depreciating assets costing less than $20,000 that are first used or installed ready for use between 1 July 2024 and 30 June 2025;
- deduct an amount included in the second element (cost addition) of eligible depreciating asset's cost that they have incurred between 1 July 2024 and 30 June 2025, if they claimed an immediate deduction for the asset under the simplified depreciation rules in a prior income year where the amount is:
  - the first amount of second element cost incurred after the end of the income year in which the asset was written off; and
  - less than $20,000.

The proposed $20,000 threshold under the measures applies on a per asset basis, so small businesses can write-off multiple assets. Further, assets valued at $20,000 or more will continue to be placed into the small business simplified depreciation pool and depreciated at 15% in the first income year and 30% each income year after that. In addition, pool balances under $20,000 at the end of 2024–2025 income year can be written off.

OTHER MEASURES

Support for small business franchisees

The Government will provide $7.1 million over two years from 2025–2026 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 $0.8 million in 2025–2026 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.

Employment contract non-compete clauses to be abolished

The Government will ban non-compete clauses for more than three million 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 2009* (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.

Foreign ownership of housing: ATO to enforce ban

The ATO will be provided $5.7 million over four years from 2025–2026 to enforce the ban on foreign residents from purchasing established properties. In addition, the ATO and Treasury will be provided with $8.9 million over four years from 2025–2026 and $1.9 million per year ongoing from 2029–2030 to implement an audit program and enhance their compliance approach to target land banking by foreign investors.

The Government has already announced the ban on 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.

The land banking measures are designed to ensure "foreign investors comply with requirements to put vacant land to use for residential and commercial developments within reasonable timeframes". Land banking refers to the practice of entities purchasing land and holding it until such time as its value has increased and then selling (ie with no development or use of the land).

ATO enforcement of taxpayer compliance: increased funding

In now what is a standard feature of Budgets in recent years, 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".

The additional funding includes the following.

- $717.8 million over four years from 1 July 2025 for a two-year expansion and a one-year extension of the Tax Avoidance Taskforce. This focuses on multinationals and other large taxpayers.
- $155.5 million over four 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 four 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.
- $50.0 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.

The anticipated return on this investment is also noteworthy – it is estimated to increase receipts by $3.2 billion over five years from 2024–2025, and increase payments by $1.4 billion, including an increase in GST payments to the states and territories of $402.6 million and $31.0 million in unpaid superannuation (to be disbursed to employees).

SUPERANNUATION

No major new super measures announced

The Government did not announce any new major superannuation measures in the Budget.

The only super item of note was some additional funding to extend an ATO Tax Integrity Program which is expected to raise an extra $31 million in unpaid superannuation from medium and large businesses and wealthy groups over five years from 2024–2025. Since the MYEFO in December 2024, superannuation fund tax receipts have been revised up by $2.4 billion in 2025–2026 and $9.7 billion over the five years from 2024–2025 to 2028–2029.

The Government also highlighted some improvements to processing times to a range of services as a result of the investment in new staff from November 2023. These included Age Pension claims now being processed 52 days faster and Paid Parental Leave claims taking three days to process instead of 31 days.

Super guarantee: no change to legislated rate rise

The Budget did not announce any change to the timing of the next (and final) super guarantee (SG) rate increase. The SG rate is currently legislated to increase from 11.5% to 12% on 1 July 2025. It has been gradually increasing by 0.5% each year since it was 9.5% in 2020-21. The 12% rate from 1 July 2025 marks its final destination rate.

With the SG rate set to increase to 12% for 2025–2026 (up from 11.5%), employers need to be mindful that they cannot use an employee's salary sacrificed contributions to reduce the employer's extra 0.5% of super guarantee. The ordinary time earnings (OTE) base for super guarantee purposes now specifically includes any sacrificed OTE amounts. This means that contributions made on behalf of an employee under a salary sacrifice arrangement are not treated as employer contributions which reduce an employer's charge percentage.

Super guarantee opt-out for high-income earners

The increase in the SG rate to 12% from 1 July 2025 also means that the SG opt-out income threshold will decrease to $250,000 from 1 July 2025 (down from $260,870). High-income earners with multiple employers can opt out of the SG regime in respect of an employer to avoid unintentionally breaching the concessional contributions cap ($30,000 for 2024–2025 and 2025–2026). Therefore, the SG opt-out threshold from 1 July 2025 will be $250,000 ($30,000 divided by 0.12).

Proposed Div 296 regime: uncertainty remains

While no new major super measures were announced in the Budget, the super industry has enough on its plate at the moment in terms of navigating the uncertainty surrounding the proposed Division 296 regime for superannuation account balances above $3 million from 1 July 2025.

Under proposed Division 296 of the *Income Tax Assessment Act 1997*, individuals with an adjusted total superannuation balance over $3 million at 30 June each year will be subject to an additional 15% tax on a percentage of earnings equal to the percentage of superannuation balances that exceeds $3 million (not indexed) for an income year. The Division 296 tax will apply from 2025–2026 and will be in addition to any tax their super funds pay on earnings in accumulation. As a result, earnings attributable to balances above $3 million will generally attract a combined headline rate of 30%.

The calculation of "earnings" also means that unrealised capital gains will be subject to the Division 296 tax. This is because "earnings" for Division 296 purposes will be a calculated estimate of earnings and not actual "realised" earnings.

Special rules for working out Div 296 tax will apply to individuals with defined benefit interests. For defined benefit interests, Division 296 tax will generally be deferred for payment until 21 days after the first benefit is paid from the interest.

The Bills containing the proposed regime are still before the Senate. In a Senate Economics Legislation Committee report in May 2024, the Coalition and Greens Senators did not support the Bills in their current form. These Bills will lapse once the Prime Minister calls the Federal election, unless they are passed beforehand when Parliament resumes for the Budget sittings on 25–27 March. Therefore, the status of the proposed Div 296 regime may be subject to the outcome of the May election, if not passed before the calling of the election.

To date, the Australian Labor Party (ALP) has insisted on passing the Division 296 Bills in their current form and rejected concerns about the taxing of unrealised gains and the $3 million threshold not being indexed. If the ALP is returned to Government at the May election, it is likely that the Bills would be re-introduced, although the proposed 1 July 2025 start date may be delayed.