

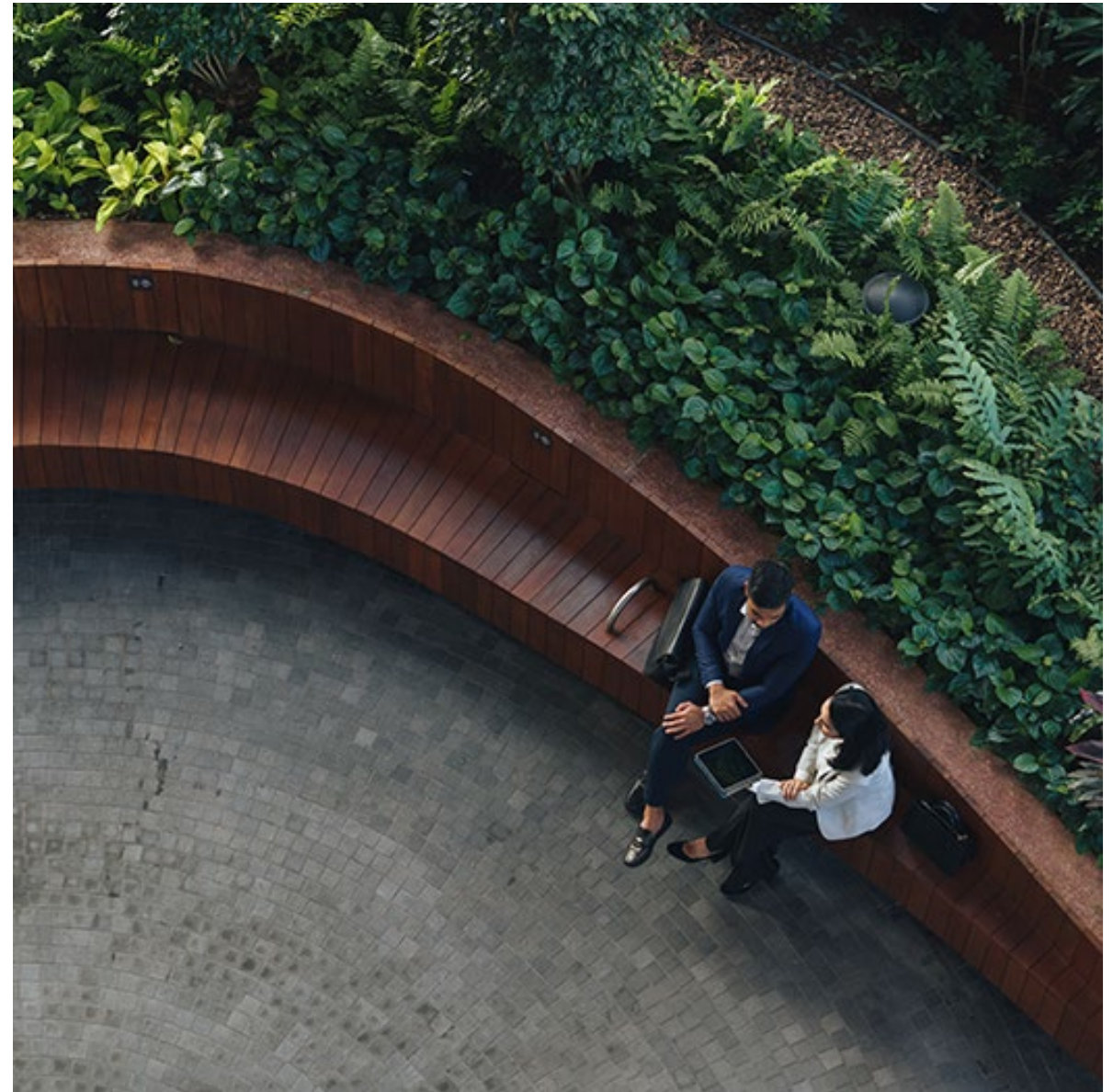


2025-2026 Australian Federal Budget Tax and Superannuation Brief

26 March 2025

Agenda

- Federal Budget overview
- Individuals
- Tax administration
- Indirect taxes
- Superannuation



Federal Budget overview

The Federal Treasurer, Dr Jim Chalmers, handed down the 2025-26 Federal Budget at 7:30 pm (AEDT) on 25 March 2025.

The budget's priorities reflect the timing of the budget ahead of the expected federal election, including helping with the cost-of-living, building more homes, and investing in education.

Despite being described by the Treasurer as a “plan for a new generation of prosperity in a new world of uncertainty”, the Budget did not include any new income tax measures affecting businesses or any new tax or regulatory measures affecting superannuation.

The only meaningful income tax measure in the budget is the reduction of the marginal tax rate for the personal income tax threshold bracket from \$18,201 to \$45,000, to be reduced from the current 16% rate to 14% over two years.

Additionally, the start dates of a number of previously announced but unenacted tax measures have been deferred until amending legislation is enacted.

There were several notable omissions from the budget, including:

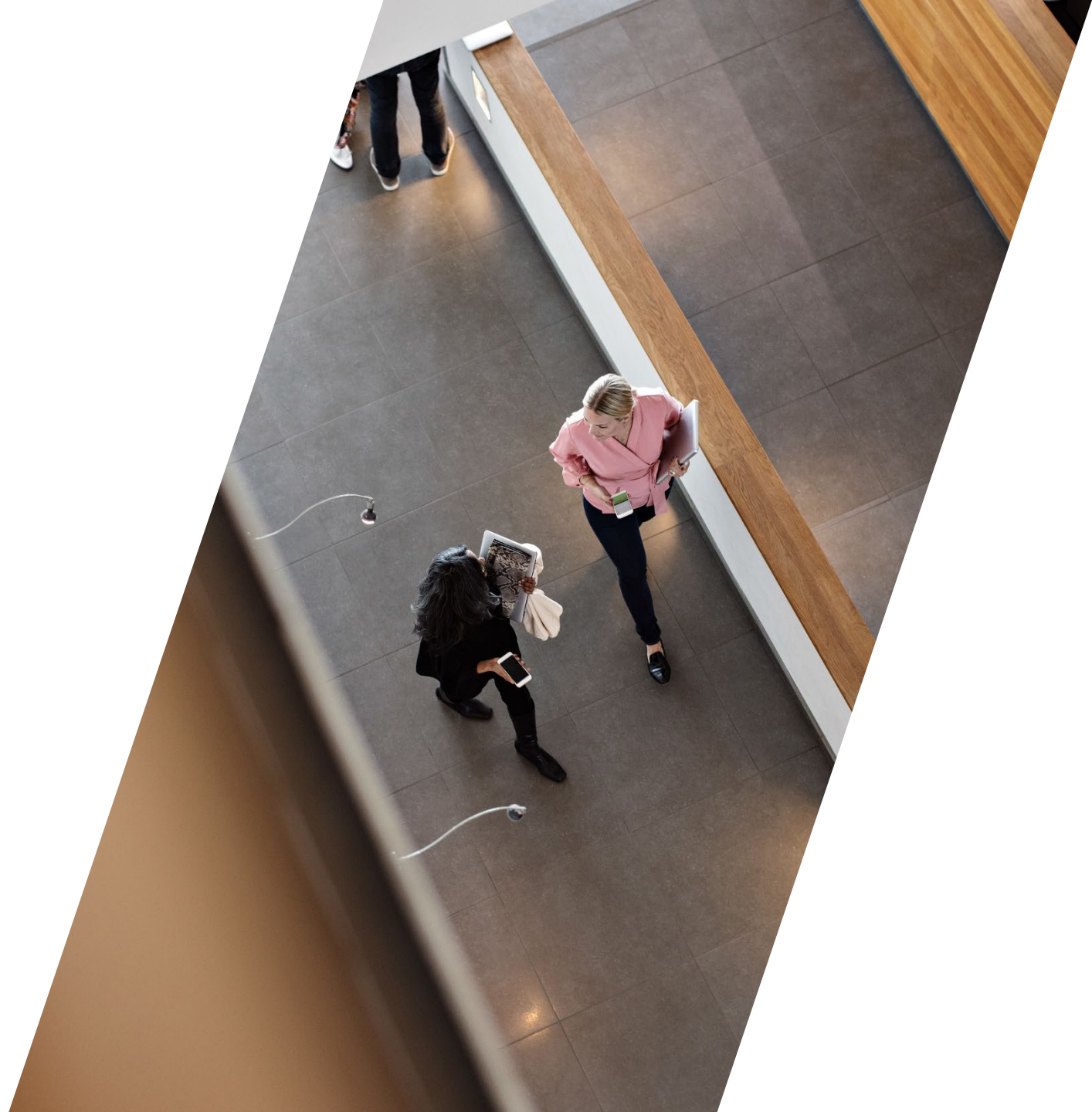
- Reform to the taxation of family trusts, despite the significant uncertainty for family groups as a result of recent court decisions.
- Clarity on whether the Government intends to pass legislation denying deductions for ATO interest prior to calling the election.
- Any change in policy on the Government's plan to impose additional tax on the growth in superannuation balances over \$3m, which does not currently have sufficient support to pass in the Senate.
- Trade and tariff policy of a fundamental nature given trade barriers are rising around the world.
- Tarriff policies to address the USA's new tariffs or to encourage free trade with other countries.
- GST reform, including any changes to the GST base or allocation of GST revenue.
- A further extension to the small business instant asset write-off.

The full Budget papers are available at www.budget.gov.au and the Treasury ministers' media releases are available at ministers.treasury.gov.au.

The tax and tax-related highlights are set out below.

01

Individuals

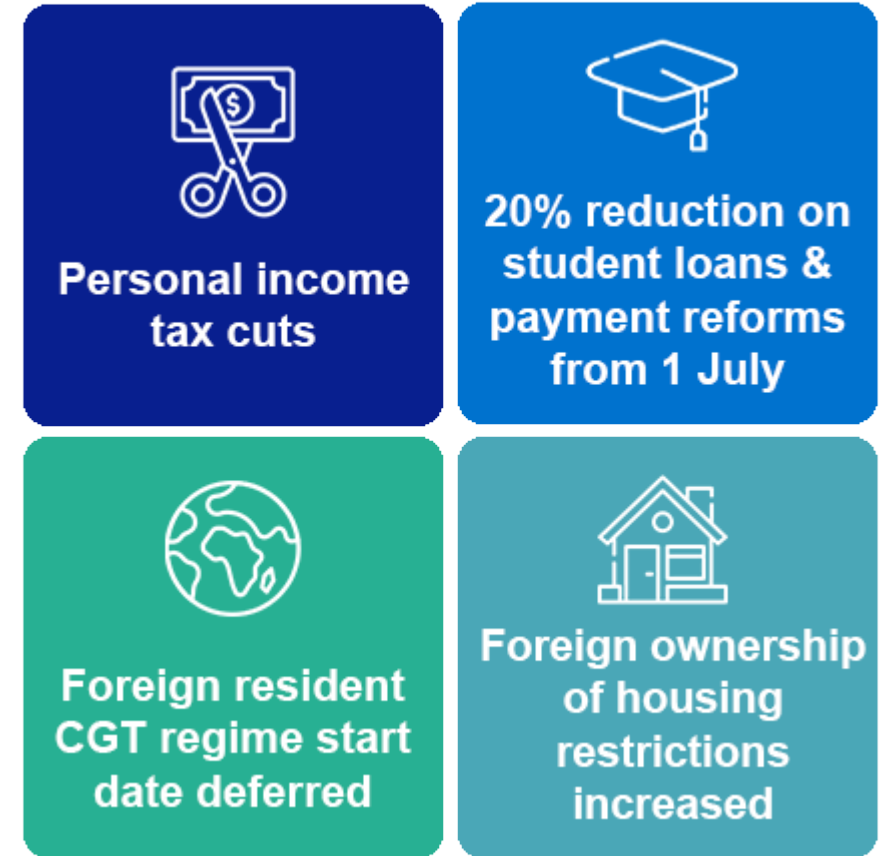


Individuals

Agenda

Key takeaways

- Personal income tax cuts
- Higher education loan repayment changes
- Start date deferred for measure to strengthen foreign resident CGT regime.
- Restrictions on foreign ownership of housing



Individuals

Personal income tax cuts

The marginal tax rate for the personal income tax threshold bracket from \$18,201 to \$45,000 will be reduced from 16% to 15% from 1 July 2026, and further reduced to 14% from 1 July 2027.

The applicable marginal tax rates and income thresholds for recent income years, as well as the proposed new rates, are depicted in the table below.

Personal income tax rates and thresholds (residents)

Tax rates (Resident)			
Threshold (\$)	2024-25 and 2025-26 (%)	2026-27 (%)	2027-28 (%)
0 - 18,200	0	0	0
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

The proposed tax cuts will not apply to non-residents or working holiday makers.

Individuals

Higher education loan repayment changes

As previously announced in November 2024, the government will reduce all outstanding Higher Education Loan Program (HELP) and other student debts by 20%, before indexation is applied on 1 June 2025. The cut will remove a total of \$16 billion in debt.

The student loan repayment system will also be reformed from 1 July 2025 by moving to a marginal repayment system with a higher minimum repayment threshold. The minimum repayment threshold is proposed to increase from \$54,435 in 2024-25 to \$67,000 in 2025-26.



Individuals

Start date deferred for measure to strengthen foreign resident CGT regime

The start date for the 2024-25 Budget measure to strengthen the foreign resident capital gains tax (CGT) regime 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 assent of amending legislation.

The 2024-25 Budget proposed to:

- clarify and broaden the types of assets that foreign residents are subject to CGT on.
- amend the point-in-time principal 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 (this notification process is intended to improve oversight and compliance with foreign resident CGT withholding rules where a vendor self-assesses their sale as not being taxable real property).

The start date for the measure has been 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 amending legislation receives assent.



Individuals

Restrictions on foreign ownership of housing

Measures will be introduced to ensure foreign investment in housing supports the government's broader agenda to boost Australia's housing supply by:

- banning foreign persons (including temporary residents and foreign-owned companies) from purchasing established dwellings for 2 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). It should be noted that, for many years, foreign persons have already been banned from purchasing established dwellings in most circumstances. This measure removes some of the exceptions to that ban and is expected to prevent a further 2,000-5,000 foreign purchases annually.
- providing the ATO with funding over 4 years from 2025-26 to enforce the ban, and
- providing the ATO and Treasury with funding from 2025-26 to implement an audit program and enhance their 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.

02

Tax administration



Tax administration

Agenda

Key takeaways

- Managed investment trust rules to be amended
- Start date deferred for clean building MIT withholding tax concession for data centres and warehouses
- ATO funding to strengthen compliance services
- Tax practitioner regulation and compliance to be enhanced



Managed investment trust rules amended for investors



Clean building MIT withholding tax concession start date deferred



ATO to expand compliance activities with \$999M funding



Stricter tax practitioner regulation and compliance

Tax administration

Managed investment trust rules to be amended

Amendments to clarify the arrangements for managed investment trusts (MITs) will be made to ensure legitimate investors can continue to access concessional withholding tax rates for fund payments from 13 March 2025.

In particular, trusts ultimately owned by a single widely-held investor will be able to access the MIT concessions. The proposed changes will ensure that genuine, foreign-based widely-held investors, such as pension funds, can still access concessional withholding tax rates on eligible distributions to members through MITs.

This measure will complement the ATO's strengthened guidelines. The amendments will not affect the ATO's power to take action under the general anti-avoidance rules in Pt IVA of ITAA 1936 where "captive MITs" involve other characteristics of the kind set out in Taxpayer Alert TA 2025/1.



Tax administration

Start date deferred for clean building MIT withholding tax concession for data centres and warehouses

The start date of the 2023-24 Budget measure to extend the clean building managed investment trust (MIT) withholding tax concession will be deferred from 1 July 2025 to the start of the quarter after assent of amending legislation.

A final withholding tax rate of 10% currently applies to payments from eligible clean building MITs made to foreign residents in countries with which Australia has effective exchange of information agreements. This applies to eligible trusts holding office buildings, retail centres and non-residential accommodation built after June 2012 that meet energy efficiency standards.

The 2023-24 Budget proposed to extend the concession to eligible data centres and warehouses from 1 July 2025, where construction commenced after 7:30 pm (AEST) on 9 May 2023. The start date for the proposal is deferred from 1 July 2025 to the first 1 January, 1 April, 1 July or 1 October after the amending legislation receives assent.

Tax administration

ATO funding to strengthen compliance activities

The ATO will be given \$999 million in funding over 4 years to extend and expand its tax compliance activities.

Additional funding includes:

- \$717.8 million over 4 years from 1 July 2025 for a 2-year expansion and a one-year extension of the Tax Avoidance Taskforce, to support compliance scrutiny on multinationals and other large taxpayers
- \$155.5 million over 4 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
- \$75.7 million over 4 years from 1 July 2025 to extend and expand the Personal Income Tax Compliance Program, to enable the ATO to deliver a combination of proactive, preventative and corrective activities, and
- \$50 million over 3 years from 1 July 2026 to extend the Tax Integrity Program, to continue the ATO's engagement program to ensure timely payment of tax and superannuation liabilities by medium and large businesses and wealthy groups.



Tax administration

Tax practitioner regulation and compliance to be enhanced

Tax practitioner regulation and compliance will be enhanced by strengthening the sanctions available to the Tax Practitioners Board (TPB), modernising the registration framework for tax practitioners and providing funding to the TPB to undertake additional compliance targeting high-risk tax practitioners over 4 years from 1 July 2025.

The measure is intended protect taxpayers from tax agent misconduct, including poor and unlawful tax advice, and maintain community confidence in the integrity of the tax system. The measure 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.

The 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.

The government will consult on the implementation details of the measure.



03

Indirect taxes



Indirect taxes

Agenda

Key takeaways

- Draught beer excise and customs duty rates
- Excise remission cap and WET producer rebate to increase for alcohol manufacturers
- Additional tariffs to be extended on goods from Russia and Belarus
- What the Budget did not announce



**Indexation freeze
on draught beer
excise & excise
equivalent
customs duty rate**



**Tariffs on Russian
and Belarusian
goods extended
by 2 more years**



**\$400K excise remission cap increase
& WET producer rebate for alcohol**

Indirect taxes

Draught beer excise and customs duty rates

The indexation on draught beer excise and excise equivalent customs duty rates on imported draught beer will be paused for a 2-year period from August 2025. The indexation will recommence from August 2027. As the excise or customs duty plus the GST on them can contribute up to 40% to retail beer prices this change will be noticeable over the two year period.



Indirect taxes

Excise remission cap and WET producer rebate to increase for alcohol manufacturers

The excise remission cap is proposed to be increased from \$350,000 to \$400,000 each financial year for all eligible alcohol manufacturers, including brewers and distillers, from 1 July 2026. The Wine Equalisation Tax (WET) producer rebate would similarly increase from \$350,000 to \$400,000 each financial year from 1 July 2026. Both these measures will support Australian producers against foreign competition although noting some New Zealand wineries, for example, are also likely to qualify for the increased WET producer rebate.



Indirect taxes

Additional tariffs to be extended on goods from Russia and Belarus

Additional tariffs on goods that are the produce or manufacture of Russia or Belarus will be extended by a further 2 years, to 24 October 2027. The temporary measure continues to deny Russia and Belarus access to the most favoured nation status through the application of an additional 35% tariff on goods that are the produce or manufacture of Russia or Belarus.



Indirect taxes

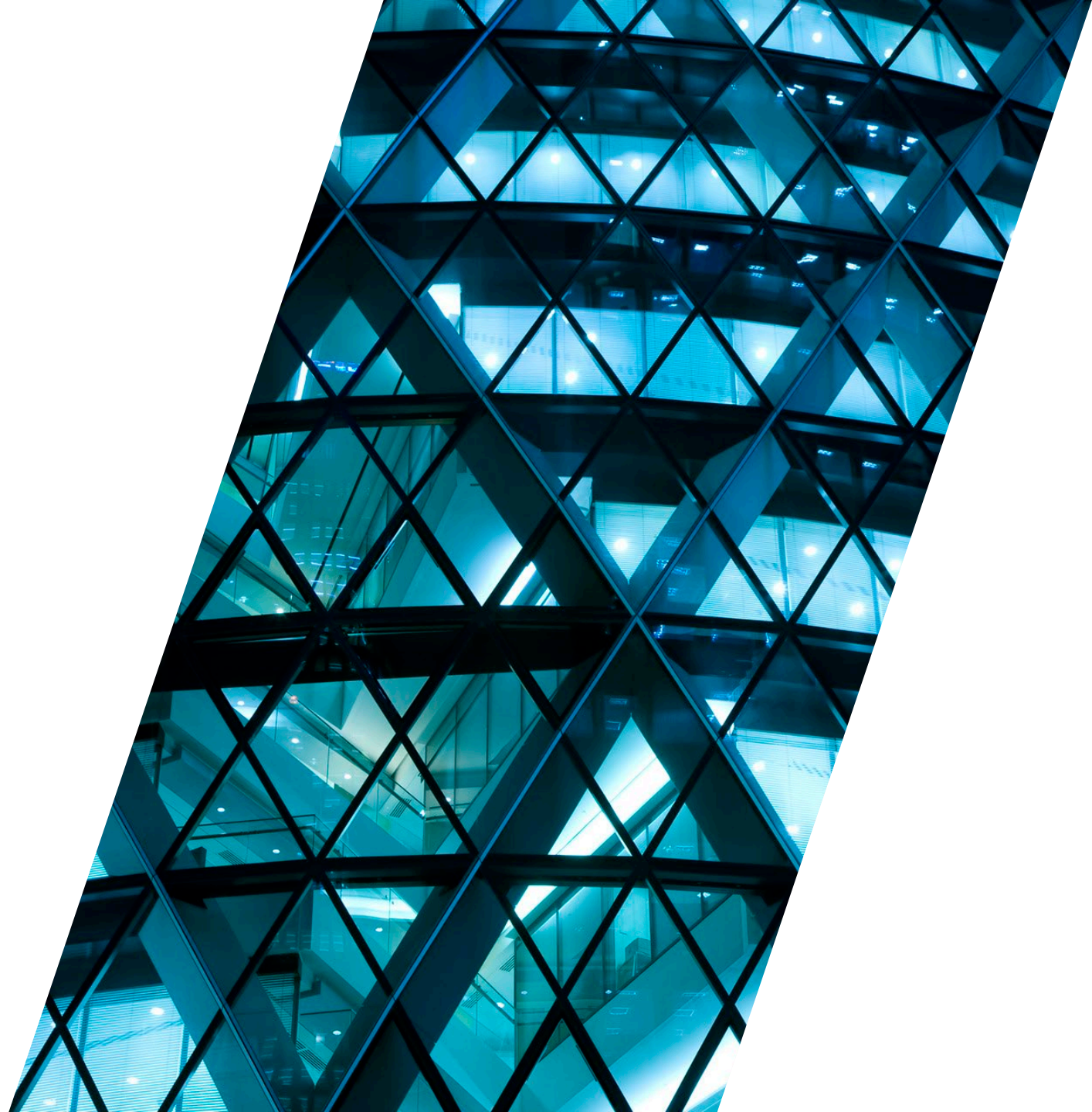
What the budget did not announce

Given the considerable contribution of indirect taxes to Commonwealth and State Government finances, it is perhaps more noteworthy what the Budget did NOT announce including:

- Retaliatory tariffs against the USA for its recent decision to apply tariffs on Australian steel and aluminium.
- Tariff reductions or enhancement of Free Trade Agreements with other nations to enhance free trade in the face of the damaging trend to raise trade barriers.
- Backdowns in the face of US Government opposition to the imposition of GST/VAT on supplies by US tech platforms (and even the contribution by those same tech giants towards the Australian produced media content flowing through their platforms),
- Review and/or amendment of the recently announced allocation of Commonwealth GST revenues across the states, and
- Broadening the base and/or rate of Australian GST.
- The significant matter of a further extension to the small business instant asset write-off. This year's budget was silent on this measure, meaning that from 1 July 2025, small businesses will only be able to immediately deduct assets costing less than \$1,000. After 30 June, businesses will need to depreciate any assets costing more than \$1,000.

04

Superannuation



Superannuation Agenda

No new major superannuation measures were announced in the 2025-2026 Budget.

Key takeaways

- Sting for some in the tax cut tail?
- Danger ahead for superannuation balances above \$3m



**No new major superannuation
measures**



**Tax on superannuation balances
above \$3M imminent**

Superannuation

Sting for some in the tax cut tail?

From 1 July 2027 taxpayers earning less than \$45,000 may pay more tax on their super contributions (15%) than their personal tax rate (14%) - meaning these unfortunate taxpayers will pay more tax when burying their hard-earned cash in superannuation contributions. Hopefully the government will ensure that the Low Income Superannuation Tax Offset is updated to cater for the reduced personal tax rates.



Superannuation

Danger ahead for superannuation balances above \$3m

The government did not make any mention of its highly controversial proposal to impose an additional tax on anyone with a superannuation account balance above \$3 million. The government intends to press on with its proposal despite significant community concerns about the inequitable taxation of unrealised gains and no indexation of the \$3 million threshold for the tax. If the ALP win the election in May then we should expect the proposed laws to be reintroduced to parliament, presumably with a deferral of the 1 July 2025 start date.



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