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Federal Budget 2025: A responsible election budget?

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On 25 March 2025, the Federal Treasurer of Australia, Hon Dr Jim Chalmers, handed down a budget for the 2025-26 year that has a stated intention of rebuilding living standards through five main priorities of helping with the cost of living, strengthening Medicare, building more homes, investing in every stage of education and making our economy stronger, more productive and more resilient.

Treasury is forecasting growth to increase to 2.5% in the 2026-27 financial year which is almost 1% below the global average but up from the current 1.4% in 2023-24 and the forecast 1.5% in 2024-25. The government believes that the headline inflation rate will return to the target rate of between 2% and 3%, six months ahead of previously estimated.

Items of note raised by the Treasurer are as follows. Of course, the announcements do not constitute law and in interpreting the announcements, the devil will be in the detail. What is more interesting about the announced measures, is what was absent.

Instant asset write-off

In the 2024-25 budget, it was announced that from 1 July 2024 the instant asset write-off threshold will remain at $20,000 for 12 months for business with an aggregated turnover of less than $10 million. This measure has not yet passed parliament and there was no further mention of this measure in the 2025-26 budget papers.

Superannuation

There were no significant announcements relating to superannuation in the 2025-26 budget papers, including no further clarification on the previously proposed Division 296 Tax that has been rejected by parliament but which the government appears to remain committed to.

Tax integrity measures

The government have announced further extensions and expansions to their ongoing tax compliance and integrity programs, including the Personal Income Tax Compliance Program with further funding of $999 million over 5 years.

Cost of living incentives

Announcements related to cost-of-living incentives were:

- $150 energy rebates for all Australians plus further $150 energy rebates for eligible small businesses at a cost of $1.7 billion during the 2026 financial year

- 20% discounts applied to all student loan debts at a cost of $16 billion together with an increase in the repayment threshold to $67,000 (up from $54,435) and a reduction in the repayment rates
- Banning most non-compete clauses for low and middle-income bracket workers
- Tax cuts for all Australians through a staged reduction to the taxable income threshold between $18,201 and $45,000 of 16% down to 15% in the 2026-27 year and 14% from 1 July 2027

Other announcements

Other announcements made include:

- Pausing the previously announced expansion of the existing application of the capital gains tax provisions to foreign residents including an amendment to the point in time test to a 365-day test and a requirement to notify the ATO for share disposals over $20 million prior to the disposal
- An increase of funding to the aged care industry to fund additional wage increases
- An increase of funding to Medicare to fund bulk billing
- An increase in the Medicare levy low-income threshold
- An increase to the Future Made in Australia fund to provide $3 billion of funding to support green metal production
- $2 billion expansion of funding to the Clean Energy Finance Corporation
- A commitment to build 1.2 million homes by 2030
- A restriction on purchasing established properties (with some exemptions) by foreign residents (including temporary residents and foreign-owned companies) for two years from 1 April 2025.
- Additional funding to ASIC and the ACCC to enforce the Franchising Code and phoenixing activities

Notable exclusions

Notably absent from the budget announcements were:

- Proposed significant changes to Division 7A
- Trust income re-write
- Proposed review and changes to Capital Gains Tax rollover provisions
- Proposed re-write of the individual tax residency rules

In summary, for business owners, the budget contained minimal new initiatives.

Should you require further details on the March 2025 Federal Budget announcements, please contact your Fordham representative.

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