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SPECIAL BUDGET EDITION – March 2025

TAX NEWS, VIEWS & CLUES FROM AUSWILD & CO
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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 – providing a “modest but meaningful” cost-of-living relief.

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.

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.

Early childhood education: child care subsidy

The Government will provide funding 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 funding 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.

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 will:

- reframe the New Energy Apprenticeships Program as the Key Apprenticeship Program and expand it to capture critical residential construction occupations;
- extend the current interim Australian Apprenticeship Incentive System program settings for a further six months from 1 July 2025 to 31 December 2025;
- increase the Disability Australian Apprentice Wage Support subsidy; and
- increase the Living Away From Home Allowance.

As previously announced, the Government will also make Free TAFE a permanent program, funding at least 100,000 places annually from 1 January 2027.

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 for 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 funding for the 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 funding for Treasury to work 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.

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).

Foreign ownership of housing: ATO to enforce ban

The ATO will be tasked with enforcing the ban on foreign residents from purchasing established

properties. In addition, the ATO and Treasury will be provided with funding to implement an audit program and enhance their compliance approach to target land banking by foreign investors.

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 targeting –

- tax avoidance, with the focus on large taxpayers and multinationals.
- the shadow economy 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.
- personal income tax compliance.
- tax integrity to ensure timely payment of tax and superannuation liabilities by medium and large businesses and wealthy groups.

SUPERANNUATION

Proposed Div 296 regime: uncertainty remains

While no new major super measures were announced in the Budget, there is still 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%.

Importantly, 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.

Super guarantee

The SG rate will increase to 12% from 1 July 2025. This 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 of \$30,000.