Federal Budget Analysis 2025

Bentleys™
THINKING AHEAD

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Advisors Accountants Auditors

Our team of specialists at Bentleys have collaborated to share their insights into what Federal Budget 2025 means for you, your family, and your business.

Their collective wisdom offers expert perspective that is well respected by our clients.

We hope you find this analysis valuable.

Introducing the 2025 Federal Budget

On Tuesday 25 March, Treasurer Jim Chalmers delivered the fourth federal budget for the Labor government. Consistent with previous budgets, the Treasurer emphasised that the 2025 budget focuses on balancing the need to limit spending while providing sufficient support for Australian households grappling with a cost-of-living crisis.

A significant emphasis has also been placed on strengthening Australia's economic resilience amid rising global uncertainty, particularly due to impending tariffs imposed by the Trump administration.

The current government has been helped in past years through windfalls in revenues which have more than offset an underlying structural budget deficit.The government has now forecast the deficit to be $42.1 billion for the 2025-26 fiscal year, with this deficit persisting over the forward estimates with debt to exceed $1 trillion.

However, the deficit is framed within an economy with growth, lower inflation within a comfortable range and low unemployment.

Labelling the budget as a “platform for prosperity in the new global context,” the government plans to fund a “Buy Australian” campaign and has announced various measures aimed at building a "more competitive and productive" economy.

As expected, the Opposition has been quick to criticise the budget, suggesting it has all the hallmarks of an election budget - designed for the next five weeks, assuming an election will be called soon.

In response, the Treasurer described this as a “responsible” budget that aims to “build Australia’s future.”

Will it be enough to win an election? It’s likely that we’ll find out in around five weeks.

Our team of specialists at Bentleys have collaborated to share their insights into what the budget means for you, your family, and your business. Their collective wisdom offers expert perspective that is well respected by our clients. We hope you find this analysis valuable.

If you have any questions about how this budget impacts you and your business, please contact your local Bentleys advisor.

We are here to assist you in navigating through the information and to help you get where you want to be.

Tony Sacre
Chief Executive Officer
Bentleys Network

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Business Insights

The budget has not announced any significant new taxation measures impacting business taxpayers.

Therefore, our analysis considers what this means for existing announced measures, including those which have not yet been enacted.

Small and medium business

Private company loan rules

The ATO has previously interpreted the tax law such that unpaid trust distributions (UPEs) to company beneficiaries which remain unpaid are subject to the private company loan rules.

On 19 February 2025, the Full Federal Court handed down its decision in favour of the taxpayer in FCT v Bendel [2025] FCAFC 15 which overturned the ATO position.

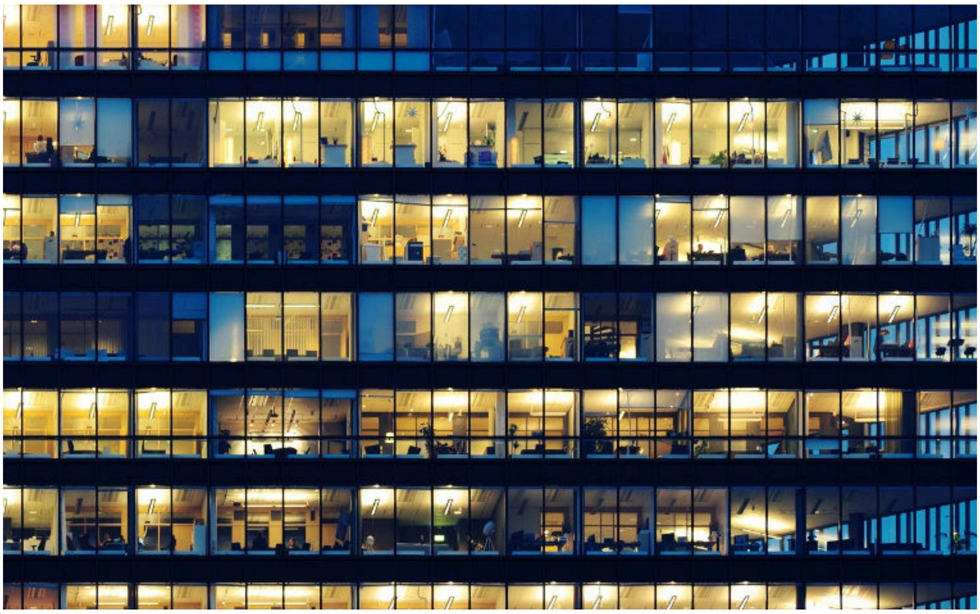
On 18 March 2025, the ATO applied for special leave to appeal to the High Court.

On 19 March 2025, the ATO refreshed its Interim Decision Impact Statement warning that:

- While the appeal process continues, the ATO will continue to apply the private company loan rules to company UPEs; and
- Irrespective of the outcome of the appeal, company UPE's may continue to have tax implications under other taxation laws, such as section 100A (a specific anti-avoidance provision dealing with trust distributions)

The budget has not made any further announcements in relation to the treatment of company UPEs under the private company loan rules. Therefore, trust distributions for the 2025 year and funding arrangements between trusts and companies will need to be carefully considered by business owners and their advisors given the uncertain with the court case and ATO position.

Limiting non-compete clauses for workers



From 2027, the government is proposing to ban non-compete clauses for certain low and middle income employees with annual wages up to $175,000 which prevent employees moving to a competitor or commencing their own business.

Employers will need to carefully consider the impact on their workforce retention policies and their current employment agreements.

Energy bill relief

The government will provide $1.8 billion over two years from 2025–26 to continue energy bill rebates of $75 per quarter for eligible Australian households and small businesses until 31 December 2025 to provide cost-of-living relief.

Non-deductibility of general interest charge

On 13 December 2023, as part of the 2023–24 Mid-Year Economic and Fiscal Outlook (MYEFO), the government announced it will amend the tax law to deny deductions for ATO interest charges.

This measure will mean that taxpayers will no longer be able to claim deductions for general interest charges (GIC) and shortfall interest charges (SIC) for income years starting on or after 1 July 2025. Any remitted interest will no longer need to be included in assessable income.

The legislation has stalled in parliament and there are no new announcements in relation to this measure in this budget and what will occur if it is not passed before the election.

Small business asset write-offs

For many years small business has had the ability to write-off the cost of assets at various higher thresholds. It appears that this will no longer be the case from 1 July 2025 unless the asset cost is less than $1,000.

On 14 May 2024, as part of the 2024–25 budget, the government announced it will continue to provide support for small businesses by extending the $20,000 instant asset write-off limit for a further 12 months until 30 June 2025. This measure was announced in the 2024 budget but has not been legislated.

In the 2025 budget delivered on 25 March 2025 there was no mention of extending this measure beyond 1 July 2025.

As this measure is not proposed to be extended and has not been legislated it will affect small business asset purchases made before or after 1 July 2025 and may impact purchases in the current financial year if the legislation is not passed.

Large business and international

Managed Investment Trusts

The federal government has announced it will clarify the operation of the Managed Investment Trust (MIT) rules to ensure that widely held offshore investors such as pension funds are able to access the concessional withholding MIT rates on eligible fund distributions.

The proposed changes are also intended to maintain current industry understanding of the operation of the MIT pooling requirements under Division 275 of the Income Tax Assessment Act 1997 and remove ambiguity around the use of MITs.

The proposed changes are also intended to support the ATO's recent tax alert TA 2025/1 that was issued on 7 March 2025 targeting inappropriate re-structures to take advantage of the MIT concessions.

The MIT changes are to take effect from 13 March 2025.

Foreign resident CGT regime

In the previous budget, the federal government had announced changes to the foreign resident CGT regime.

These proposed changes centred on the operation of foreign resident CGT rules found in Division 855 of the Income Tax Assessment Act. In particular, three areas of change are to be targeted:

a) Clarify and broaden the types of assets that foreign residents will be subject to CGT
b) Amending how the principal test is to be measured over a period
c) Require foreign residents to notify the ATO when disposing of shares and other membership interests exceeding $20m in value prior to executing the transaction

The above measures were to apply from 1 July 2025 but this is now to be deferred to the later of 1 October 2025 or the first 1 January, 1 April, 1 July or 1 October after the Act receives Royal Assent.

For foreign investors generally, the deferred start date of the changes to the foreign resident CGT regime may provide slightly more time to assess or reassess their investment strategies in Australia.

Multinationals and large businesses continue to be in the spotlight

The ATO Tax Avoidance Taskforce has proven successful for the federal government over the years in generating additional tax revenues from multinationals and taxpayers at the larger end of town.

Additional funding of $717.8 million for the Tax Avoidance Taskforce is to be provided by the federal government which will allow the ATO to continue its focus on multinationals and other large taxpayers.

The role of the taskforce is to monitor tax compliance activities at the larger end of town. Such activities have included the Top 1000 Public Groups Performance Program and Next 5000 Private Groups Tax Performance Program.

The federal government has previously seen additional revenue collections exceeding $12 billion over a 5-year period as a result of the taskforce review activities since its establishment in July 2016.

With ongoing ATO scrutiny, it is expected that many larger businesses, including multinationals operating in Australia, will continue to review and reassess their tax governance procedures and tax protocols in anticipation of ongoing ATO reviews.

Innovation and incentives

There are no planned changes to the R&D tax incentive. This is the federal government's premier mechanism to incentivise and reward companies for undertaking research and development activities in Australia.

The federal government has allocated $2 billion over 19 years from 2024–25 for Green Aluminium Production Credits to provide production-based grants to support Australian aluminium smelters switching to renewable electricity before 2036.

A further $1 billion has been allocated over seven years from 2024–25 for the Green Iron Investment Fund to fund green iron projects through capital grants to support producers to establish or transition into low emissions facilities in Australia, including up to $500 million earmarked to transform the Whyalla Steelworks.

Indirect tax and GST

Tax relief for Australian wine producers, distillers and brewers

To support hospitality venues, beer brewers, alcohol manufacturers and wine producers, the federal government has announced the following concessions relating to excise and the WET rebate:

- Freezing indexation from August 2025 on draught beer excise and excise equivalent customs duty for a two year period up to August 2027
- Increasing the cap for all eligible alcohol manufacturers by $50,000 per year, from the current annual cap of $350,000 to $400,000. This is to start from 1 July 2026
- Increasing the maximum WET rebate for wine producers from $350,000 to $400,000 per year. This is to start from 1 July 2026

Wine producers will note that the proposed increase in the WET rebate still falls short of the earlier higher rebate of up to $500,000 prior to 1 July 2018, but the new concessions should still be welcomed news for many brewers, distillers and wine producers with the government hoping that it will also support hospitality venues, jobs and regional tourism.

Goods and Services Tax

There are no further changes proposed to the Goods and Services Tax.

Families & Individuals Insights

The budget provides cost-of-living support for families and individuals.

The cost-of-living relief is modest and the tax cuts commence from 1 July 2026 to help ensure they don't add to inflationary pressures.

We have highlighted some of the key tax measures affecting Australian individuals and families:

Families and individuals

New (modest) tax cuts

There are modest new income tax cuts that apply from 1 July 2026.

From 1 July 2026, the 16% tax rate (which applies to taxable income between $18,201 and $45,000) will be reduced to 15%. From 1 July 2027, this tax rate will reduce to 14%.

For individuals with taxable income of at least $45,000, this equates to a tax saving of $268 per year in 2026-27 and $536 per year from 2027-28.

The government highlights that these new tax cuts expand on the previous tax cuts that came into effect from 1 July 2024. The previous tax cuts were more extensive. For example, from 1 July 2024, an individual with taxable income of $40,000 received a tax cut of $654. While an individual with taxable income of $100,000 received a tax cut of $2,179. Those on the top marginal rate received a tax cut of up to $4,529.

The tax brackets and rates for the current financial year and those that will apply up to and from 1 July 2027 are shown below.

Tax rate	Income
0%	$0 - $18,200
2024-25 & 2025-26: 16% 2026-27: 15% From 2027-28: 14%	$18,201 - 45,000
30%	$45,001 - 135,000
37%	$135,001 - 190,000
45%	> $190,000

Increasing Medicare levy low-income thresholds

The government will increase the Medicare levy low-income thresholds by 4.7% for singles, families, and seniors and pensioners from 1 July 2024.

Power bill relief

The government is extending energy bill relief for all households and approximately one million small businesses. Households and eligible small businesses will receive a total rebate of $150 in 2 quarterly payments to 31 December 2025.

Student support

The government has confirmed in the budget the previous announcement that it will reduce all outstanding Higher Education Loan Program (HELP) and other student loan debt by 20%. This is in addition to previous changes to cap the indexation applied to student loans.

Support for access to housing

There are additional measures in the budget to support access to housing supply including:

- Expanding the shared equity Help to Buy scheme by increasing the income caps and property price limits
- Banning foreign buyers (including temporary residents and foreign-owned companies) from purchasing established dwellings for two years from 1 April 2025

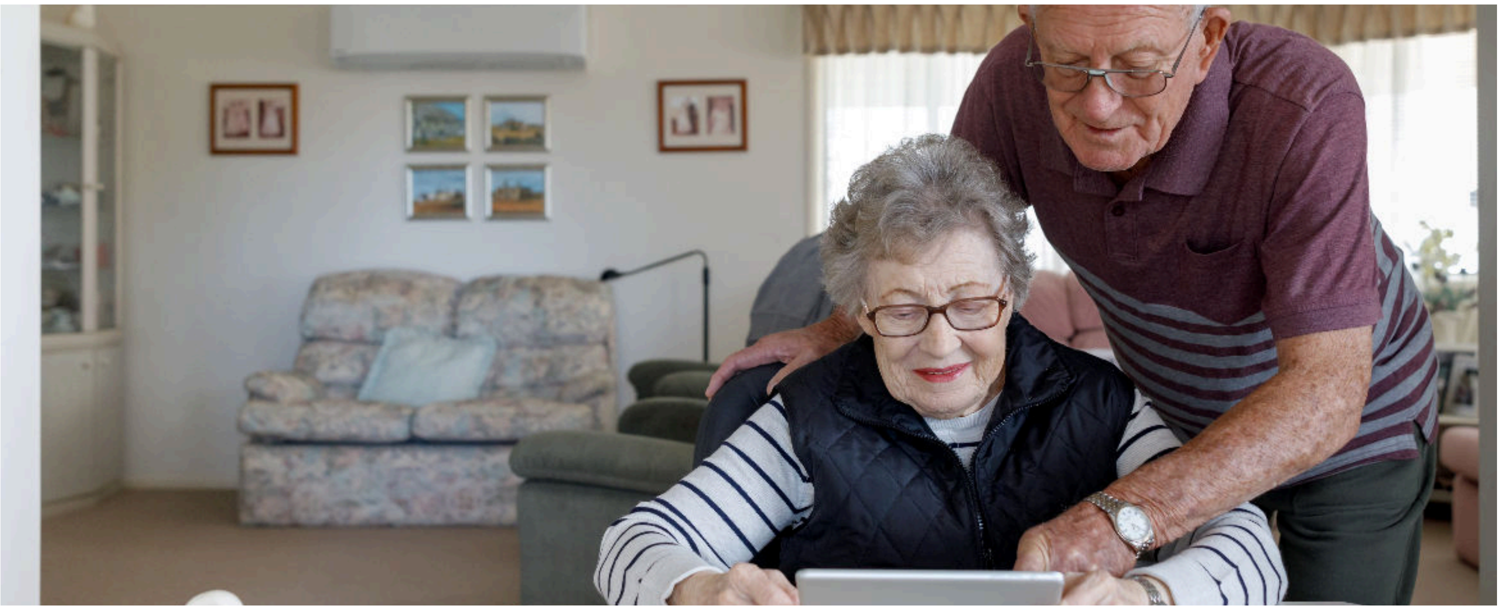
Cost of medicine and access to bulk billing

The budget includes additional measures to support access to cheaper health care.

This includes reducing the cost of medicines by funding a further reduction in the price of PBS-listed medications, cutting the cost of a script from $31.60 to $25 from 1 January 2026. The government is also providing additional funding to increase access to bulk billing.

Tax compliance programs

The budget includes additional funding to expand tax compliance activities including extending the Personal Income Tax Compliance Program.



Retirement and superannuation

The 2025 federal budget has left retirement and superannuation untouched.

The Super Guarantee is due to increase again on 1 July to 12%, and deeming will remain frozen. However, similar to last year, the proposed Division 296 tax still hovers in the background of Labor policy.

Super guarantee to increase to 12% on 1 July 2025

On 1 July 2025, the Superannuation Guarantee (SG) rate in Australia is set to increase from 11.5% to 12%. This marks the final step in a series of planned increases aimed at enhancing retirement savings for Australian workers.

The SG rate has been progressively rising by 0.5% annually since 1 July 2021, when it was 9.5%, to reach the legislated target of 12%. This increase means that employers will be required to contribute 12% of an employee's ordinary time earnings into their superannuation fund.

Deeming rates

Last year, it was announced that deeming rates on social security would remain frozen at 0.25% (lower) and 2.25% (upper) until 30 June 2025. Although this was not mentioned in this year's budget papers, the Department of Social Services has confirmed that the freeze will continue for another year.

Division 296 tax

As previously announced, the government intends to reduce tax concessions for individuals with a Total Superannuation Balance (TSB) exceeding $3 million from 1 July 2025. While the budget did not reiterate this policy or provide further details, it is still expected to proceed under a Labor government.

As a refresher, individuals with a TSB over $3 million will be subject to an additional tax of 15% on 'earnings.' 'Earnings' will be calculated based on the difference in TSB at the start and end of the financial year, adjusted for withdrawals and contributions. Negative 'earnings' can be carried forward to offset future year earnings. Individuals with balances below $3 million will be unaffected, and there are no provisions for indexing this $3 million threshold over time.

The Coalition does not support this policy and has pledged to repeal it if elected. The policy itself is not yet law, and given the expected implementation date of 1 July 2025, it may be delayed if the Labor government is re-elected.

3. Introducing our specialists

Bentleys is a network of advisory and accounting firms, with over 700 talented staff delivering solutions from 17 locations across Australia and New Zealand. We work with aspirational businesses and entrepreneurial people to help them achieve their objectives and get where they want to be. We take this opportunity to introduce our specialists - the authors of this report.

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Where you want to be

If you're passionate about your business and ambitious about growth, then talk to Bentleys.

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