

# FEDERAL BUDGET 2025-2026.

## Superannuation and Financial Planning Summary

Treasurer Jim Chalmers delivered his fourth and pre-election Budget, with a focus on cost-of-living relief and a surprise tax cut for all taxpayers.

The headline figures show a budget deficit of \$42.1 billion for the 2025-26 financial year, with gross debt expected to reach \$940 billion by the end of the 2024-25 financial year. Gross debt will continue to rise, reaching \$1.02 trillion in the 2025-26 financial year, and \$1.22 trillion by the 2028-29 financial year.

### Taxation

A major component of the Budget is the \$17.1 billion tax relief package for all taxpayers. Starting 1 July 2026, the tax rate for the \$18,201 to \$45,000 income bracket will reduce from 16% to 15%, providing a weekly benefit of \$5.15 for taxpayers who earn over \$45,000 p.a. This rate will be further reduced to 14% from 1 July 2027, offering an additional \$5.15 per week. When combined with existing tax cuts, the average taxpayer will benefit from an annual tax cut of \$2,548 by the 2027-28 financial year, or roughly \$50 per week.

The Budget also announced the raising of the Medicare levy thresholds, providing additional relief for one million low-income earners. From 1 July 2024, the low-income threshold for the Medicare levy will rise by 4.7%, ensuring more people are exempt or pay a reduced rate. This measure will cost the government \$648 million over the next five years.

### Cost of living

The Budget announced an allocation of \$1.8 billion for energy bill relief. The existing \$300 energy rebate will be extended by an extra \$150, benefiting all households and one million businesses. The rebate will be applied in two instalments of \$75 each, until 31 December 2025.

### Student debt reduction

As part of a previous election promise, the government will reduce student debt by 20% starting on 1 June, cutting \$16 billion from the total outstanding debt, or \$5,520 off an average loan of \$27,600.

In addition, mandatory student loan repayments will begin when an individual earns \$67,000, up from the current threshold of \$54,435. The indexation rate for Higher Education Loan Program (HELP) debts was recently changed to whichever is lower between the Consumer Price Index or the Wage Price Index.

### Support for first home buyers

The Budget introduces \$800 million to expand the Help to Buy scheme, aiming to assist an additional 40,000 people into homeownership over the next four years. The expansion includes new income and property price caps. Furthermore, foreign buyers will be banned from purchasing existing dwellings for two years, starting 1 April 2025, in a bid to make the property market more accessible to Australians.

### Welfare

While silent in the Budget, it has been reported in the media that the government will maintain the freeze on social security deeming rates at 2.25% for another year, which affects 900,000 welfare recipients. Deeming rates are used to determine eligibility for various social security payments based on assumed returns from financial assets. This freeze continues after the RBA slashed interest rates to emergency lows in 2020 and has been kept in place as part of cost-of-living support.

### Get in touch

If you would like to discuss the 2025-2026 pre-election Federal Budget further, please do not hesitate to contact your Bell Potter adviser.

Regards



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