

Federal Budget May 2025

On the eve of a looming Federal election, Treasurer Jim Chalmers has delivered a Budget which provides cost of living relief through tax cuts, lower power bills and a reduced co-payment for medicines.

The Budget shows an expected deficit in the underlying cash balance for 2024-25 of \$27.6 billion, or 1 percent of GDP. However, larger deficits are forecast over the remainder of the forward estimates period to 2028-29.

Cost of living measures

Energy bill relief extended for six months

Energy bill rebates will be extended for another six months from 1 July to 31 December 2025. A rebate of \$150 (\$75 paid in two quarterly instalments) will apply to electricity bills for eligible households and small businesses.

Strengthening Medicare

The Government will provide significant additional funding over five years to increase access to bulk billing and to expand the Medicare Urgent Care Clinics Program. This will include an additional 50 Medicare Urgent Care Clinics across Australia, which will take the total number to 137.

Cheaper medicines

The Government will provide increased funding to lower the Pharmaceutical Benefits Scheme (PBS) general patient co-payment from \$31.60 to \$25.00 on 1 January 2026. Concession card holders will continue to pay \$7.70 for medicines listed on the PBS.

Cutting Student Debt

The Government will reduce all outstanding Higher Education Loan Program (HELP) and other student debts by 20% from 1 June 2025.

In addition, from 1 July 2025 the Government will increase the amount that people can earn before they are required to start paying back their loans from \$54,435 in 2024–25 to \$67,000 in 2025–26. The Government has stated that no one will pay more under the new system.

Superannuation

The Government will allocate \$50 million over three years from 1 July 2026 to extend the Tax Integrity Program. This will enable the ATO to continue its engagement program to ensure timely payment of tax and superannuation liabilities by medium and large businesses and wealthy groups. This measure is estimated to increase receipts by \$31 million in unpaid superannuation to be disbursed to employees.

There were no further announcements in relation to superannuation in this Budget.

Personal taxation

Personal income tax cuts

The Government has announced it will deliver new tax cuts to all taxpayers from 1 July 2026, by reducing the tax rate for taxable income between \$18,201 and \$45,000 as follows:

- From 1 July 2026, the 16% rate will be reduced to 15%.
- From 1 July 2027, the 15% rate will be reduced further to 14%.

This will provide a tax cut of up to \$268 in 2026–27 and up to \$536 in 2027-28, relative to current tax settings. If implemented, the new marginal tax rates for individuals would be as follows:

Thresholds	Rates in 2024-25 and 2025-26	Rates in 2026-27	Rates in 2027-28
0 – 18,200	Tax free	Tax free	Tax free
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%

Increasing the Medicare levy low-income thresholds

The Government will increase the Medicare levy low-income thresholds retrospectively from 1 July 2024. This is a routine increase to the thresholds to ensure that low-income individuals continue to be exempt from paying the Medicare levy or pay a reduced levy rate. The thresholds are proposed to be increased as follows:

Income category	Medicare levy low-income threshold increase for 2024/25
Singles	from \$26,000 to \$27,222
Families	from \$43,846 to \$45,907
Single seniors and pensioners	from \$41,089 to \$43,020
Family seniors and pensioners	From \$57,198 to \$59,886

Social security

No announcements in relation to social security pensions or allowances

The Government has not made any announcements in relation to changes to any social security allowances or pensions.

No announcements in relation to an extension of the deeming rate freeze

Social security deeming rates are currently frozen at 0.25% and 2.25%. The freeze on deeming rates is scheduled to end on 30 June 2025, however there was speculation that the Government would make an announcement regarding a possible extension. No announcement regarding deeming rates was included in the Federal Budget.

Aged Care

Aged care reform and funding pay increases for aged care nurses

The Government has announced additional funding to continue the delivery of aged care reforms and the implementation of recommendations from the Royal Commission into Aged Care Quality

and Safety. The Government has also announced additional funding to increase the minimum award wages of registered and enrolled nurses employed in the aged care sector.

Where to from here?

Many of the measures announced in the 2025 Federal Budget need to be passed as law to take effect. With the 2025 Federal Election expected to be called shortly, there are limited days for both houses of Parliament to sit to pass these measures.

Any questions?

We hope you have found this useful. We will continue to keep you informed as to whether these proposed Budget changes are actually adopted. If you have any questions or wish to discuss anything please call us on 03 9544 1004.

All the best,

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