

KPMG

GMS Flash Alert

2025-060 | 26 March 2025

Australia – Highlights of Federal Budget 2025-26

The Federal Budget 2025-26 was delivered by the Australian government on 25 March 2025.[1]

The Budget contains several tax, superannuation, and cost-of-living measures, including modest cuts to Australian resident tax rates. This *GMS Flash Alert* focuses on the tax, superannuation, and cost-of-living relief measures announced under the Budget.

For an in-depth analysis of the key measures and financial announcements from the 2025-26 Federal Budget and what they mean for businesses and the economy, see "Federal Budget 2025-26," a website of the KPMG International member firm in Australia dedicated to the Federal Budget.

(For coverage of last year's Budget, see *GMS Flash Alert* 2024-25, 17 May 2024.)

WHY THIS MATTERS

Changes to personal income tax and superannuation guarantee rates may require amendments to existing payroll processes and calculators for globally mobile employees.

Employers should take care that tax and superannuation aspects are considered as part of recruiting and retaining talent from overseas, whilst ensuring global workforce compliance with Australian legislation.

Given the impact of the proposed superannuation changes to the operation of Australian payroll/shadow payroll, these changes should be communicated to relevant stakeholders as soon as possible, to help ensure that payroll processes and software can be updated in a timely fashion.

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Tax and Superannuation Key Highlights

Personal Income Tax Rates and Changes to Medicare Levy Low-Income Thresholds

From 1 July 2026, the government intends to gradually reduce the 16 percent tax rate to 14 percent over a two-year period for Australian tax residents, as shown in the table below.[1]

(All dollar figures expressed are Australian dollars.)

Taxable Income	Current Rates	Rates Effective 1 July 2026	Rates Effective 1 July 2027
Up to $18,200	0%	0%	0%
$18,201 - $45,000	16%	15%	14%
$45,001 - $135,000	30%	30%	30%
$135,001 - $190,000	37%	37%	37%
From $190,000	45%	45%	45%

Source: KPMG in Australia

[$1 = €0.58 | $1 = US$0.63 | $1 = £0.489 | $1 = ¥94.95 (*Source*: www.xe.com)]

In addition, the government has increased the Medicare levy low-income thresholds by 4.7 percent to reflect the increase in inflation.

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In the case of tax-equalised and tax-protected employees on assignment in Australia, subject to Australian tax law, these changes should provide a minimal cost saving to the employers of those assignees.

Global mobility teams will need to be ready to update for the rate changes effective 1 July 2026, including amendments to cost estimates and gross-up calculations.

Restricting Foreign Ownership of Housing

The government has announced a measure to ban foreign persons (including temporary residents of Australia) from purchasing established dwellings for two years from 1 April 2025, unless an exception applies. Exceptions to the ban will be in limited circumstances and only include investments that significantly increase housing supply or support the availability of housing on a commercial scale.[2]

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Current and future temporary residents of Australia should be aware of this proposed restriction and plan accordingly. Note that this restriction does not apply to individuals who attain Australian Permanent Residency. The purpose of this measure is to combat Australia's ongoing housing crisis, with the government stating "the ban will mean Australians will be able to buy homes that would have otherwise been bought by foreign persons."

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Proposed Changes to Student Loan Debts and Future Repayments

The government has announced a measure to apply a one-off 20-percent reduction to all student loan balances (commonly referred to as HELP or HECS debt) prior to the next scheduled annual indexation on 1 June 2025.[3]

Commonwealth supported student loans (HECS or HELP debt) are repaid via the income tax system in Australia and the rate of repayment is driven by the individual's *repayment income*.

Subject to the passing of legislation, the government is also intending to 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.

Additionally, this change will also introduce a system where student loan repayments are calculated only on the income above the new $67,000 threshold, rather than repayments being based on total annual income.[4]

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Whilst not yet law, global mobility teams should begin to consider how the changes to repayments might impact any manual calculations (noting that many policies would exclude consideration of student loan repayments from tax-equalisation policies).

Payday Super (Not Part of This Year's Federal Budget)

In 2023 it was announced that from 1 July 2026, employers will be required to pay their employees' superannuation at the same time as their salaries and wages. (For related coverage, see the following issues of *GMS Flash Alert*: 2024-115 (17 May 2024) and 2023-098 (12 May 2023).) Currently, compliance with mandatory superannuation contribution requirements is assessed on a quarterly basis.

This section is referenced from KPMG Australia's recent TaxNow article titled "Initial Impressions of the draft payday super legislation."[5]

On 14 March 2025, four superannuation draft bills and draft regulations were announced. Two of the exposure draft bills released by the Treasury relate to the implementation of the government's payday super policy commitment for superannuation guarantee (SG) contributions to be paid at the same time as an employee's salary or wages.

The stated aim of the draft legislation is to address the issue of unpaid SG and secure dignified retirement outcomes for working Australians. Under the draft legislation and regulations released for consultation, payday super's proposed start date remains 1 July 2026, as announced in the 2023-24 Budget.

When SG Will Be Contributable

Under the proposed legislation, SG contributions will need to be received by the employee's superannuation fund (and therefore able to be allocated to the employees account) within seven days of the employee being paid. This represents a fundamental change to the existing regime, whereby SG contributions need to be received by the employee's superannuation fund by the 28th of the month following the end of each quarter.

Qualifying Earnings

The draft legislation introduces a new term, 'qualifying earnings.' Qualifying earnings are the amount of earnings an employee is paid on which mandatory employer SG amounts are calculated.

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Despite the new term, the proposed legislation does not materially change the substance of the provisions that define the scope of ordinary time earnings ('OTE').

Maximum Contribution Base

The Maximum Contribution Base ('MCB') will continue to act as a ceiling on the maximum amount of the contributions payable by an employer, for an employee. However, in a fundamental change from the current legislation, under the proposed changes, the MCB will apply on an *annual* rather than the current *quarterly* basis.

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This can be seen as a welcome change, since employers have often struggled to practically administer the quarterly MCB, resulting in advertent SG shortfalls, for example where employees join or leave their employment during the quarter.

Alignment of Maximum Contributions Base and Concessional Contributions Cap

Under the proposed legislation, the MCB will be aligned to the Concessional Contributions Cap (CCC), which is currently $30,000. Because the statutory rate of SG will be 12 percent by 1 July 2026, this means that (at the current rate of CCC) employers would be required to pay SG on the first $250,000.

From 1 July 2026, employers will be required to pay their employees' superannuation at the same time as their salary and wages. Currently, compliance with mandatory superannuation contribution requirements is assessed on a quarterly basis.

SGC Statements

Under the proposed amended framework, employers that need to disclose an SG shortfall will no longer be required to lodge an SGC statement. Instead, a voluntary disclosure will be required in the approved form.

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Under current legislation, Superannuation Guarantee contributions for each quarter must be made by 28 January, 28 April, 28 July, and 28 October respectively.

While some employers already contribute superannuation at or around the same time that salary and wage payments are made, many either align with the statutory due dates or undertake a reconciliation process to help ensure the minimum requirements have been met on a quarterly basis. In practice, due to the complexity of considering foreign payroll information, the quarterly due date has allowed employers with globally mobile workforces some flexibility in the timing of superannuation contributions (provided the quarterly due dates are met).

As such, KPMG in Australia anticipates the timing of contributions will be challenging for foreign employers that operate an Australian shadow payroll, or with limited-to-no Australian payroll infrastructure in place. The review and computation of foreign compensation data to determine an individual's OTE will continue to be a challenging exercise for foreign employers, furthered by the revision of contribution deadlines under the proposed legislation.

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KPMG INSIGHTS (CONT'D)

Notwithstanding the proposed legislation only being in a draft state right now, there are certain actions we recommend employers take at this time to prepare for the anticipated framework to be effective 1 July 2026:

- Changes to internal processes;
- Consider whether current pay cycles (especially if more frequent) remain suitable;
- Consider integrations to automate reporting and payments to their clearing house;
- Undertake a wage code review and take the opportunity to distinguish between items upon which super is payable, versus those on which SG is legislatively payable because they are OTE ('qualifying earnings') under the proposed legislation.

Superannuation Guarantee (Not Part of This Year's Federal Budget)

While not a Budget announcement from this year, it is worth remembering that the compulsory Superannuation Guarantee rate is currently legislated to increase to 12 percent of an individual's ordinary time earnings ('OTE'), effective 1 July 2025. (For related coverage, see *GMS Flash Alert* 2024-115 (17 May 2024).)

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This may increase assignment costs for employers depending on the structure of the international assignment package.

For those with concerns or questions about the details of the above-noted measures and how they (their business, their programmes, their assignees, etc.) might be impacted by the measures, they may wish to contact their usual tax services provider or a member of the GMS-tax team with KPMG in Australia (see the Contacts section).

FOOTNOTES:

1 For the Budget and related documents, see: https://budget.gov.au/.

2 The Treasury, "Budget Paper No.2."

3 The Treasury, "Helping with the cost-of-living."

4 Department of Education, "Making HELP and student loan repayments fairer."

5 KPMG *TaxNow*, "Initial impressions of the draft payday super legislation."

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