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IN THIS
ISSUE:

- 2025-26 Federal Budget Announcements
- More Tax Cuts on the Way for Australian Workers
- Is There Such A Thing As A Tax-Free Lunch?
- A Cost Of Drinking Crisis
- Navigating The Term - What Is A Tariff?
- And More...



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2025-26 Federal Budget Announcements

The Federal Budget was handed down on 25 March 2025, and has outlined a number of changes that impact businesses, tax & individuals.



Increase To The Medicare Levy

From 1 July 2024, the Government will raise the Medicare levy low-income thresholds by 4.7% for singles, families, seniors, and pensioners. This adjustment ensures that over one million lower-income Australians will either remain exempt from the levy or continue to pay a reduced rate.

- The threshold for singles will

be increased from \$26,000 to \$27,222.

- The family threshold will be increased from \$43,846 to \$45,907.
- The threshold for single seniors and pensioners will be increased from \$41,089 to \$43,020.
- The family threshold for seniors and pensioners will be increased from \$57,198 to \$59,886.
- The family income thresholds will increase by \$4,216 for each dependent child or student, up from \$4,027.



New Personal Income Tax Cuts From 1 July 2026

The Government will introduce further tax cuts for all Australian taxpayers, building on the first round of reductions rolled out in July 2024. Under these changes:

- From 1 July 2026, the 16% tax rate for incomes between \$18,201 and \$45,000 will drop to 15%.
- It will then be further reduced to 14% from 1 July 2027.

This means taxpayers will save up to \$268 per year from 2026 and up to \$536 per year from 2027.

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CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND


THE TAX INSTITUTE
CHARTERED TAX
ADVISER

Suite 46, 195 Wellington Road
Clayton, Victoria 3168
Australia

TEL 03 95187222

EMAIL
mail@djsmithgroup.com.au

WEBSITE
www.djsmithgroup.com.au

PRINCIPAL
Darren Smith

Business Advisory Services
Self Managed Superannuation
Tax Consulting & Advice
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Estate Planning



Tax Compliance Measures Announced

The Government is increasing funding for the Tax Practitioners Board to enhance compliance efforts, focusing on high-risk tax practitioners. Additionally, it plans to make it easier for tax agents returning from a career break to re-enter the profession. These measures are part of the Government's response to the PWC matter and align with recommendations from the 2019 Independent Review of the Tax Practitioners Board.

Over the next four years, nearly \$1 billion will be allocated to extend and expand tax compliance initiatives, ensuring a fairer and more transparent tax system:

- **\$717.8 million** (from 1 July 2025) to extend the Tax Avoidance Taskforce for two years and expand it for an additional year. This funding will strengthen the ATO's ability to monitor tax compliance among multinationals and large taxpayers.
- **\$155.5 million** (from 1 July 2025) to expand the Shadow Economy Compliance Program. This initiative targets tax evasion in sectors such as worker exploitation, underreported income, and illicit tobacco trade, preventing non-compliant businesses from gaining an unfair advantage.
- **\$75.7 million** (from 1 July 2025) to continue and expand the Personal Income Tax Compliance Program. The ATO will enhance proactive, preventative, and corrective measures to address key areas of non-compliance.
- **\$50 million** (from 1 July 2026) to extend the Tax Integrity Program for three years. This funding will allow the ATO to engage with medium and large businesses, as well as wealthy individuals, to ensure timely tax and superannuation payments.



Additional Energy Bill Relief To Reduce Cost-Of-Living Pressures

To help households and small businesses manage energy costs, the Government is committing an extra \$1.8 billion to extend energy bill relief until the end of 2025. Over 10 million households and one million small businesses will receive two additional \$75 quarterly rebates throughout 2025 (\$25 per month), which will be paid directly to their energy supplier.



Tackling Excessive Surcharges

To ensure fairer pricing at checkouts, the Government is strengthening compliance measures against excessive card surcharges. The ACCC will receive additional funding to monitor businesses and increase public awareness of surcharge regulations.

The Government is also considering banning debit card surcharges, pending further work by the RBA to balance benefits for both consumers and small businesses. In the meantime, the ATO and Services Australia have already stopped passing on debit card surcharges from 1 January 2025.



Expanding The Help to Buy Scheme

The Government is expanding the Help to Buy scheme to support Australians to buy homes with lower deposits and smaller mortgages. This Budget is committing around \$800 million to lift the property price and income caps to make the scheme more accessible.

Under the scheme, the Government will provide an equity contribution of up to 40 per cent to support eligible home buyers to buy a home with a lower deposit and smaller mortgage, helping around 40,000 Australian households locked out of the market into home ownership.



Supporting Renters & Affordable Housing

To strengthen renters' rights, the A Better Deal for Renters initiative introduces clearer eviction rules and limits rent increases to once per year. The Government is also encouraging investment in build-to-rent developments, with tax measures expected to support 80,000 new long-term rental homes over the next decade.



Support For Students And Graduates

The Government will reduce outstanding student debts by 20 percent, removing \$16 billion in debt. It will also make the repayment system fairer by moving to a marginal repayment system with a higher minimum repayment threshold. These changes will deliver significant cost-of-living relief to Australians with student debt, allowing them to keep more of what they earn.

The Government has already legislated a cap on HELP indexation based on the lower of the Consumer Price Index or the Wage Price Index. The change was backdated to 1 June 2023 and has reduced outstanding student debt by around \$3 billion.



Supporting The Hospitality Sector And Alcohol Producers

The Government is pausing draught beer excise indexation for two years from August 2025, preventing scheduled increases in August 2025, February 2026, August 2026, and February 2027. Indexation will resume in August 2027.

To further support alcohol producers, the Excise Remission Scheme and Wine Equalisation Tax (WET) Producer Rebate caps will increase from \$350,000 to \$400,000 per financial year starting 1 July 2026, benefiting brewers, distillers, and wine producers.



Energy Efficiency Grants

The Government is investing \$56.7 million in Energy Efficiency Grants for Small and Medium Enterprises, to be delivered over two funding rounds. Businesses can access grants of up to \$25,000 to improve energy efficiency by upgrading appliances, heating systems, and other energy-intensive operations.



Housing Support

The Government will provide \$58.8 million over five years from 2024–25 to increase support for housing, including:

- \$54.0 million over four years from 2024–25 to increase the supply and adoption of prefabricated and modular housing construction, including:
- \$49.3 million over two years from 2025–26 to support states and territories to scale up existing projects for prefabricated and modular housing construction
- \$4.7 million over four years from 2024–25 to develop a voluntary certification and rating scheme for prefabricated and modular housing manufacturers. Costs for the scheme will be recovered from

industry from 2028–29 onwards.

- \$4.9 million over four years from 2025–26 to continue the Regional Home Guarantee and Family Home Guarantee streams of the Home Guarantee Scheme.
- The Government will also provide \$0.8 billion in additional investment in the Help to Buy program, bringing total equity investments to \$6.3 billion, through increasing property price caps and increasing income caps from \$90,000 to \$100,000 for singles and from \$120,000 to \$160,000 for joint applications.



National Anti-Scam Centre

The Government will provide \$6.7 million in 2025–26 to extend the operation of the National Anti-Scam Centre within the Australian Competition and Consumer Commission to continue protecting consumers and businesses from scam activity.



Small Business and Franchisee Support and Protection

The Government will provide \$12.0 million over four years from 2025–26, to support and protect small businesses. Funding includes:

- \$7.1 million over two years from 2025–26 for the Australian Competition and Consumer Commission to strengthen regulatory oversight of the Franchising Code of Conduct.
- \$3.0 million over four years from 2025–26 for the Australian Securities and Investments Commission to improve its data analytics capability to better target enforcement activities to deter illegal phoenixing activities, particularly in the construction sector.
- \$1.2 million in 2025–26 to partner with White Box Enterprises to establish a Social Enterprise Loan Fund to offer small loans to social enterprises, including work integration social enterprises, to support employment for disadvantaged Australians.
- \$0.8 million in 2025–26 for the Treasury 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.

More Tax Cuts on the Way for Australian Workers

Good news for Australian taxpayers - more tax cuts are coming!

Following the first round of tax reductions, which began in July 2024, the Government has announced additional cuts in 2026 and 2027 in the 2025-26 Budget, aiming to put more money back into people's pockets.

From 1 July 2026, the tax rate on incomes between \$18,201 and \$45,000 will drop from 16% to 15%, and a year later, it will be reduced further to 14%. This means an average worker will see an extra \$268 in savings in 2026–27 and \$536 per year from 2027–28.

When combined with earlier tax cuts, Australians on average earnings will receive up to \$2,190 in tax relief per year from 2027–28. Across all taxpayers, the average annual savings are expected to be \$2,548, or about \$50 a week - offering significant relief in a time of rising living costs.

These cuts are expected to ease financial pressure and boost workforce participation, particularly among women, who are projected to increase their working hours by 900,000 per week.

More Families to Benefit from Childcare Subsidy Changes

Families with young children will soon have better access to subsidised childcare, following recent changes passed by the government. From January next year, parents will be guaranteed at least three days of subsidised childcare, regardless of how much they work or study, provided their household income is under \$533,280.

This change marks a major shift, as it removes the activity test requirement introduced in 2018. Previously, parents needed to work, study, or volunteer to qualify for childcare subsidies. The removal of this test is expected to benefit around 66,700 families in the first full year, with another 100,000 families gaining access to additional care hours.

The government currently spends around \$15 billion annually on childcare subsidies and has also committed \$1 billion to build over 160 new childcare centres in areas with the greatest need.

For parents, this initiative offers much-needed financial relief and flexibility, making quality childcare more accessible. By ensuring more children can attend early learning, the changes also support better long-term educational outcomes. These reforms reflect a broader commitment to supporting working families and improving early childhood education across the country.

Extra Energy Bill Relief for Households and Small Businesses

From 1 July, households and around one million small businesses will receive an extra \$150 off their energy bills, as part of a new \$1.8 billion government initiative announced in the Federal Budget.

This extends the existing power bill relief until the end of 2025, offering continued financial support amid rising living costs.

The announcement comes as the \$300 rebates introduced in last year's budget are set to expire on 30 June 2025. Under the new plan, eligible recipients will receive two \$75 rebates directly off their electricity bills by 31 December 2025.

With bipartisan support—after the Coalition pledged to match the relief—this measure aims to ease cost-of-living pressures while keeping downward pressure on electricity prices. So far, Commonwealth and state energy bill relief has helped lower electricity price increases, with prices falling 25.2% across 2024.

The additional rebates build on the nearly \$5 billion in energy bill relief already delivered, helping households and businesses manage expenses while broader energy affordability and sustainability solutions are explored.



The Instant Asset Write-Off – Nothing Announced In The Budget

The Government has extended the Instant Asset Write-Off for years - sometimes at \$20,000, or even higher during COVID. Though originally introduced as a temporary measure during the GFC, it has been renewed annually ever since - until now.

This means that from this year, small businesses will need to depreciate any asset purchase over \$1,000 instead of claiming an immediate tax deduction.

While the long-term financial impact is minimal - you still get the deduction, just spread over time - businesses will now face larger and more complex depreciation schedules.



To benefit from the Instant Asset Write-off, you will need to purchase assets before 30 June, as waiting will mean a slower tax deduction. Need further assistance? Speak with one of our trusted tax advisers.

Is There Such A Thing As A Tax-Free Lunch?

They say there's no such thing as a free lunch - but what about a tax-free one instead?

One of the policies proposed by the Liberal Party ahead of this year's election surrounds the concept of entertainment, particularly concerning tax.

Under the proposed policy, small businesses will be allowed to spend up to \$20,000 per year on entertainment and receive a tax deduction.

Let's break down what this all means.



Entertainment is explicitly mentioned as not tax-deductible in the Tax Act, except when subject to Fringe Benefits Tax.

For example, if you took your staff out for a lavish lunch and spent \$1,100, this would be subject to Fringe Benefits Tax (and thus, it would be tax-deductible). However, if you took your clients out to lunch and spent the same amount, the amount that applies to your clients would not be subject to Fringe Benefits Tax and would not be tax-deductible.

Let's make it a little more complicated.

If you have a 'business meeting' with a light lunch, that is tax-deductible. This is because the ATO (through their interpretation of the act) determine the lunch as 'mere sustenance'. However, if you add a second course or alcohol to the lunch, it is then designated as entertainment.



The proposed new policy allows any meals, regardless of how many courses, to be tax deductible with no FBT (but only if no alcohol is included with the meal).

If the circumstances allow for the policy to pass, you could potentially take yourself out to lunch each day (with up to \$400 per week at your disposal) and receive a tax deduction for it.

At this point, lunch or dinner without alcohol is definitively deductible, but there are no clear instructions if, for example, a bottle of wine is ordered with that lunch or dinner. There are multiple ways the ATO may instruct on what to do if this occurs, but until the policy clears its thinking, this will need to await more information.

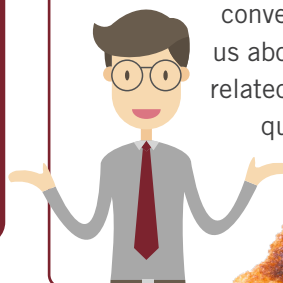
With such scarce detail readily available, advising on this proposed policy's impact on your business is challenging.

However, it is important to recognise that this is currently only a general announcement contingent on the Liberal Party winning the election (and that the policy would still need to be approved as legislation by the houses of parliament).

Until the circumstances align and more details are released, make sure to abide by the current legislation with regard to lunches. While there may be no such thing as a free lunch, we can assist you with ensuring that you are meeting your tax obligations.



Why not start a conversation with us about your FBT-related queries and questions?



TAX-FREE



A Cost Of Drinking Crisis

Australians have long enjoyed a drink at the pub or a glass of wine at home, but the rising cost of alcohol is turning this simple pleasure into a luxury.

The latest tax increase on alcohol, driven by automatic indexation linked to the Consumer Price Index (CPI), has further added to the financial strain on consumers and businesses alike.

How Much Have Alcohol Prices Increased?

As of 3 February 2025, the Australian Taxation Office (ATO) implemented a 0.4% increase in alcohol excise duty, leading to small but cumulative price rises:

Beer



(above 3% alcohol in containers under eight litres): From \$61.32 to **\$61.57** per litre

Pub beer tax



(for beers over 3.5% alcohol): From \$43.22 to **\$43.39** per litre

A 375ml can of full-strength beer



(4.9% alcohol): Up by **1 cent**

Spirits



(exceeding 10% alcohol): From \$103.89 to **\$104.31** per litre

Though seemingly small, these increases add up over time, placing further pressure on consumers and businesses already struggling with rising costs.

The Burden of Alcohol Taxation

The hospitality and alcohol industries have been vocal in their calls for the government to freeze the excise duty's automatic increases. Many industry leaders argue that these tax hikes come at a time when pubs, restaurants, and bottle shops are still recovering from economic challenges.

Australia has one of the highest alcohol tax rates globally, with spirits taxed seven times more than in the United States and significantly higher than in New Zealand.

Brewers and distillers are particularly affected, as tax increases apply twice a year, impacting profitability and consumer prices. The food and beverage sector is already facing financial strain, with an 8.5% business failure rate - the highest of any industry.

The Government Response: A Partial Freeze

Recognising the growing concerns, Prime Minister Anthony Albanese recently announced a freeze on alcohol excise duty - but only for draught beer.

From August 2025 to August 2027, the excise tax on draught beer will remain unchanged, providing some relief to brewers and venues.

However, all other alcoholic beverages will continue to be subjected to twice-yearly tax increases, which industry leaders argue is an unfair and unsustainable burden. Spirits, in particular, remain heavily taxed without any reprieve.

Additionally, the government has extended relief for brewers and distillers by increasing the excise refund cap from \$350,000 to \$400,000, effective July 1, 2025. While this measure provides some assistance, small independent breweries and distilleries argue that it does not go far enough to counteract the impact of rising taxes.

What This Means for Consumers and Businesses

For everyday Australians, higher alcohol taxes translate to increased costs for drinks at home and in venues. A recent poll of over 4,300 people found that 81% felt alcohol prices had risen so much that they would rather drink at home than go out.

For businesses, particularly in the hospitality sector, these increases create a difficult choice: absorb the extra costs or pass them on to customers. With many already struggling, higher prices could further dampen consumer spending and put more pressure on an industry already facing high failure rates.



The impact of alcohol tax increases continues to be significant for both businesses and consumers.

While the freeze on draught beer excise provides some relief, the broader taxation framework remains unchanged for other alcoholic beverages. As taxation continues to

shape pricing, its effects on the industry and consumer behavior will be closely monitored in the coming years.

Are you involved in an industry that deals with alcohol, or run a business that sells or buys? Why not engage with one of our trusted advisers, and find out what this might mean for you?

Navigating The Term – What Is A Tariff?

Tariffs have been a hot topic recently, making headlines as discussions around their impact on trade and the economy continue to grow.

While they might seem like just another policy term, tariffs can directly affect local businesses, retailers, and consumers. But what exactly is a tariff?

A tariff is a tax or duty imposed on imported goods by the Australian government. The purpose of a tariff is to regulate trade by either protecting local industries from overseas competition or generating revenue.

When an imported product is subject to a tariff, the importer must pay an additional cost based on a percentage of the item's value or a fixed amount per unit.



Why Are Tariffs Applied?

The Australian government applies tariffs for several reasons, including:

- **Protecting Local Industries** – Tariffs can make imported goods more expensive, giving local businesses a competitive edge.
- **Encouraging Domestic Production** – By making imported products less attractive due to higher costs, tariffs can drive demand for locally produced alternatives.
- **Generating Government Revenue** – Tariffs also serve as a source of income for the government.
- **Regulating Trade Relationships** – Tariffs can be used as a negotiation tool in international trade agreements.



How Do Tariffs Affect Businesses and Consumers?

For Businesses

- **Manufacturers benefit** when tariffs make imported

goods more expensive, reducing competition from cheaper overseas products.

- **Importers and retailers face higher costs** when tariffs are applied, which may lead to higher consumer prices.

For Consumers

- Tariffs can **increase the price of goods**, particularly for items not widely produced in Australia, such as certain electronics, clothing, or vehicles.
- On the other hand, tariffs encourage the growth of local industries, potentially leading to more jobs and economic stability.



Our Tariff System

Australia generally has **low tariffs**, with many goods imported at a 5% rate or duty-free. However, some industries, like textiles, clothing, and footwear, still have protective tariffs. Australia also has some **free trade agreements (FTAs)** with countries such as the United States, China, and Japan, which can reduce or eliminate tariffs on certain goods.

Tariffs are an essential tool in Australia's trade policy, affecting businesses, consumers, and the economy as a whole. While they can help local industries, they can also lead to higher prices for imported goods. Understanding tariffs can help businesses navigate trade regulations and make informed financial decisions.

If you're an importer, business owner, or consumer looking to understand how tariffs impact your costs, seeking professional advice can help you plan accordingly.

Hidden Costs & Taxes In Your First Property Purchase

Buying your first home is an exciting milestone, but many first-time buyers underestimate the additional costs beyond the purchase price. Understanding these hidden expenses can help you budget effectively and avoid financial strain.

Stamp Duty

Stamp duty is one of the most considerable upfront costs when purchasing property.

The amount varies by state, property price, and whether you qualify for first-home buyer exemptions or concessions.

For example, in New South Wales, first-home buyers may receive concessions on properties under a certain threshold, while in Victoria, full exemptions apply for homes under \$600,000.

Lenders Mortgage Insurance (LMI)

If your deposit is less than 20% of the property value, lenders may require Lenders Mortgage Insurance (LMI). This one-off premium protects the lender if you default on the loan, which can cost thousands, depending on the loan size and deposit amount.

Legal & Conveyancing Fees

Hiring a solicitor or conveyancer is essential for handling contracts, conducting title searches, and managing settlements. Fees generally range from \$1,000 to \$3,000, depending on the complexity of the transaction.

Building & Pest Inspections

A pre-purchase inspection is highly recommended to identify structural issues or pest infestations. Costs typically range from \$300 to \$700 but can save you from costly repairs down the line.

Loan Application & Valuation Fees

Lenders may charge loan establishment fees, usually between \$200 and \$700. A valuation fee (between \$200 and \$600) may also apply to assess the property's market value before approving the loan.

Council & Utility Costs

Local councils charge rates based on property value and location, ranging from \$1,000 to \$3,000 annually. You'll also need to budget for utility connection fees for electricity, water, and gas, which can add up to several hundred dollars.

Strata & Maintenance Costs

If buying an apartment or townhouse, you may need to pay strata fees, which cover building maintenance and insurance. These fees vary significantly but range from \$500 to \$5,000 annually.

Beyond the purchase price, these additional costs and taxes can significantly impact your budget. Factoring them into your financial plan ensures a smoother transition into homeownership without unexpected financial stress.



If you are looking for further information or have additional questions, speak with a trusted adviser or mortgage broker. They may be able to provide additional clarity.

