SUPER
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2025 Federal Budget analysis

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About the Super Members Council (SMC)

We are strong voice advocating for more than 11 million Australians who have over $1.5 trillion in retirement savings managed by profit-to-member superannuation funds. We will protect and advance their interests throughout their lives, advocating on their behalf to ensure superannuation policy is stable, effective, and equitable. We produce rigorous research and analysis and work with Parliamentarians and policy makers across the full breadth of Parliament.

Political and economic context

This pre-election Budget was delivered in unique domestic circumstances at a challenging time globally.

Until recently, political commentors widely expected an early election would eliminate the need for a March Budget – it's being labelled the Budget the Prime Minster and Treasurer did not expect to have. But the impending landfall of ex-tropical cyclone Alfred in Queensland and New South Wales closed the door on an early April poll, leaving parliament to sit this week as scheduled.

With an election due by 17 May - and to be called in days - Treasurer Chalmers no doubt penned his fourth Budget with an eye to the polls.

The Budget provides moderate cost-of-living relief (while not stimulating inflation), paints a picture of sound economic management - with inflation back in the target band - and improving unemployment in an already tight labour market. Chalmers points to ripe economic conditions for further interest rate cuts by the Reserve Bank of Australia (RBA). Real wages are expected to grow by a quarter per cent more than was forecast in December.

But the papers also contain grim realities for whoever forms the next government – and taxpayers. Pressure is building on expenses with interest payments rising substantially alongside debt. Net debt is estimated to be $620.3 billion next year, commodity prices (and therefore tax revenue) are moderating, and global economic headwinds in the form of slowing global growth (especially in China) and a potential trade war are set to continue to cause Australia a political and economic headache.

Domestically, cost-of-living has continued to dominate the agenda, as it has for most of this parliamentary term. Surprise tax cuts for all taxpayers by adjusting the lower tax bracket, extending power bill relief payments, and an extra $8.5 billion for bulk billed Medicare services were centrepieces of the Government's cost-of-living Budget sweeteners.

The Opposition was quick to oppose the tax cuts, suggesting Peter Dutton may be poised to make some significant announcements in Thursday evening's Budget reply.

Housing was another cost-of-living focus in the Budget, and a hot issue expected in the upcoming election. The Budget included an expansion of the Help to Buy program, more funding for housing services for vulnerable Australians, and banning foreign buyers. The opposition has already announced its plan to lower net migration, establish a housing fund to help supply, and allowing access to super for a house deposit.

With an election so close, one area of focus naturally turns to what the Government has squirrelled away for election announcements, classified as "decisions taken but not yet announced". The Budget shows $1.52 billion has been allocated for future payments – low by historical standards, but keep in mind the Government has made several big spending announcements since the Budget update in December.

Economic outlook

Treasury is expecting a turbulent global economy but a resilient domestic one in the period ahead.

Uncertainty in the global economy is expected to lead to subdued global GDP growth which is forecast to remain flat at 3¼% in each of the next 3 years. Escalating trade tensions have magnified uncertainty and volatility in global markets, and could disrupt trade, investment, economic activity and push up prices. Treasury scenario analysis of tariffs suggests those most at risk are the Chinese and US economies, with only modest impacts for Australia.

On the domestic front, growth, employment and wages are resilient with inflation falling further.

The domestic economy is forecast to grow by 1½% in 2024-25 (¼% lower than expected last December), 2¼% in 2025-26 and 2½% in 2026-27. The improvement in growth is expected to be broad-based and supported by a gradual recovery in growth in private finance demand.

CPI inflation is now expected to be 2½%in 2024-25, ¼ of a percentage point lower than the Mid-Year Economic and Fiscal Outlook (MYEFO) forecast. Excluding the temporary impact of energy rebates and fuel, inflation is expected to sustainably return to the RBA's target band around the middle of this year, which is around 6 months earlier than expected at MYEFO. These are important numbers – inflation is the main game for good reason. Taming inflation is critical for relieving household cost pressures and ensuring the real purchasing power of members' savings aren't eroded.

Since MYEFO, employment growth has been upgraded, the participation rate is expected to remain higher for longer and the unemployment rate is now expected to peak at ¼ of a percentage point lower at 4¼%. Wages are estimated to grow at 3¼% in 2025-26, up ¼ on the last estimates.

These forecasts point to strength in underlying contributions to member accounts, noting the final increase in the Super Guarantee to 12%commences from 1 July this year. However, global uncertainty suggests returns could be more volatile than usual in the period ahead.

The underlying cash balance is largely unchanged since MYEFO, with forecast deficits of $179.5 billion over the next five years including a forecast deficit of $42.1 billion in the 2025-26 Budget year. Policy decisions in this Budget have deteriorated the bottom line by $34.9 billion over the forward estimates, with favourable movements in economic and other parameter variations boosting the Budget forecasts by $36.4 billion – offsetting the impact of these policy decisions.

In summary, the Australian economy is well-positioned but faces continued global uncertainty:

– **Moderating Inflation:** Inflation has fallen significantly from its peak in 2022 and is expected to sustainably return to the Reserve Bank of Australia's target band around the middle of this year – around six months earlier than expected at MYEFO.
– **Resilient Labor Market:** Unemployment rate forecasts have been trimmed by ¼% through to 2026-27, participation is high, and employment growth is strong.
– **Commodity prices** for key Australian exports (iron ore, coal and LNG) are forecast to remain at elevated levels for a further six months compared to the MYEFO assumptions.
– **Economic growth:** The Australian economy is forecast to grow by 1½% in 2024–25, 2¼% in 2025-26 and 2½% in 2026–27.

Table 1. Major economic parameters

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Real GDP	1.4	1 1/2	2 1/4	2 1/2	2 3/4	2 3/4
Employment	2.2	2 3/4	1	1 1/4	1 1/2	1 1/2
Unemployment rate	4.0	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4
Consumer price index	3.8	2 1/2	3	2 1/2	2 1/2	2 1/2
Wage price index	4.1	3	3 1/4	3 1/4	3 1/2	3 3/4
Nominal GDP	4.1	4 1/4	3 1/4	4	5 1/4	5 1/2

Source: Budget papers 2025-26

Superannuation

Superannuation fund taxes

In superannuation, there are no new measures or surprises, although the Government is projecting a $9.7 billion increase in super taxes over the next five years driven by, higher-than-expected current year collections, higher contributions due to the strength in employment and an increase in tax from earnings on investments.

Payday super

In MYEFO, the Government provided $404.1 million over 4 years from 2024–25 (and $11.2 million per year ongoing) to implement Payday super.

From 1 July 2026, employers will be required to pay their employees' Superannuation Guarantee entitlements on the same day they pay salary and wages. This will particularly benefit workers in the lower paid, casual and insecure workforce, who are more likely to miss out when superannuation is paid less frequently.

Enhanced tax and super compliance

$50 million over 3 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 and to collect $31 million in unpaid superannuation to be disbursed to employees.

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 (ACCC) to continue protecting consumers and businesses from scam activity.

Increase in employees at ASIC, APRA and ATO

– ASIC staff numbers will be increased in 2025-26 from 2,188 to 2,555.
– APRA staff numbers will be increased in 2025-26 from 893 to 907.
– ATO staff numbers will be increased in 2025-26 from 19,705 to 20,994.

Tax changes

Tax cuts

The Government announced modest new tax cuts for every Australian taxpayer from 1 July 2026. The new tax cuts will provide cost-of-living relief and return bracket creep. They will also boost labour supply, particularly for women.

Under the Government's new tax cuts:

- 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 measure is estimated to decrease receipts by $17.1 billion over 3 years from 2026-27.

Cost-of-living measures

Heath care

- The Government is committing a further $7.9 billion over four years from 2025–26 to support access to affordable primary care and expanding eligibility for payments which incentivise clinics to bulk bill.
- The Government will provide $784.6 million over four years from 2025-26 (and $236.4 million per year ongoing) to lower the Pharmaceutical Benefits Scheme (PBS) general patient co-payment from $31.60 to $25.00 on 1 January 2026.
- The Government is providing $644 million over three years from 2025–26 to establish 50 additional Medicare Urgent Care Clinics across the country.

Energy bill relief extension

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.

Cheaper childcare

The Government has confirmed its commitment to building a universal early childhood education where every child is guaranteed access to at least three days per week of early education and care. This includes funding to lift the wages of early educators, establishing a fund to build new child care centres, and replacing the Child Care Subsidy activity test with a new 3 Day Guarantee.

Student debt

The Government will reduce outstanding student debts by 20%, which will remove $16 billion in debt, and will 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.

Housing

Expanding Help to Buy

The scheme allows homebuyers to "co-buy" their property with the Government, reducing the size of the deposit and mortgage needed to buy a home. Income caps and property price caps for Help to Buy shared equity scheme will rise.

Under the new changes, the income cap will be lifted for both singles and couples looking to buy a home, and the price caps for properties will also be raised. For singles the income cap will lift from $90,000 to $100,000, and for couples or single parents, it climbs from $120,000 to $160,000. Price caps will be tied to the median house price in that region, rather than the median dwelling price.

The total number of places available in the scheme remains unchanged at 10,000 a year for four years. The changes will cost an additional $800 million, with the Government committing a total of $6.3 billion under the scheme.

Other housing measures

The Government announced several other measures to address housing supply and affordability. This includes:

- $54 million will to be offered to the states and territories in to help grow the prefabricated and modular home construction sector.
- Ban on foreign buyers from purchasing existing dwellings for two years from 1 April 2025 and $5.7 million to the ATO to enforce the ban.
- $8.9 million to the ATO and Treasury to target land banking by foreign buyers and ensure vacant land in Australia is put to productive use within a reasonable amount of time.

Boosting the construction workforce

Establishment of the Housing Construction Apprenticeship stream as part of the new Key Apprenticeship Program.

From 1 July 2025, eligible apprentices in housing construction occupations will receive up to $10,000 in financial incentives over the course of their apprenticeships, encouraging more people into housing construction trades and providing apprentices with cost-of-living support. This will assist in addressing shortages and ensure Australia has the workforce needed to deliver our ambitious target of building 1.2 million homes over the next 5 years.

Employers of apprentices in priority occupations may also be eligible for up to $5,000 as a Priority Hiring Incentive, which includes many occupations relevant to housing construction. These current settings for the Priority Hiring Incentive have been extended for an additional 6 months to 31 December 2025.

Economic equality and security

Pay increases for aged care workers

Over successive Budgets the Government has invested $17.7 billion to deliver on its commitment to support the Fair Work Commission’s decisions under the Aged Care Work Value Case. This includes, in the 2025–26 Budget, $2.6 billion for further award wage increases for aged care nurses from 1 March 2025. As a result of the Fair Work Commission’s decisions, all aged care workers under the relevant awards are receiving award wage increases. This is around 400,000 workers.

Gender-based violence

The Government has invested in a range of measures that support the outcomes of the National Plan to End Violence against Women and Children 2022–2032. Gender-based violence overwhelmingly affects women has a range of detrimental impacts on economic security and health outcomes.

The current Budget includes funding to:

– delivering prevention, early intervention and response services to address family, domestic, and sexual violence in high needs First Nations communities.
– extension of the Safe Places Emergency Accommodation Program and support the completion of projects that increase frontline crisis accommodation
– immediate, targeted measures to improve victim and survivor engagement with the justice system and inform a broader response to the ALRC Inquiry into Justice System Responses to Sexual Violence.
– additional funding for the Workplace Gender Equality Agency and Australian Public Service Commission to support continued work on public sector reporting requirements, including for workplace sexual harassment.

Women’s health

This year’s Budget includes several measures to address the unique healthcare needs of women, particularly around reproductive and sexual health. These include:

– $792.9 million over five years from 2024–25 to improve health care access and affordability for women. This package includes measures which improve contraceptive choice, provide more support for menopause and perimenopause and enhance endometriosis care.
– Increased funding to strengthen and support the maternal health care workforce.

First Nations health care

The Government is investing to close the gap by improving health assessments and detection for First Nations Australians. This includes funding for improved detection, monitoring and management of specific illnesses, supporting to access to health assessments via the Deadly Choices Program and funding for hearing and oral health services in remote communities

Mental health supports

– Culturally safe mental health supports via First Nations social and emotional wellbeing and mental health activities.
– Increased funding to continue to deliver high-quality, free digital mental health supports for all Australians.
– Wellbeing support for the LGBTIQA+ community via peer support and referral services.

Industry and employment

Reforms to abolish non-compete clauses for most workers

The non-compete clauses put limits on workers moving into similar roles at other firms or starting their own business in the same industry. The clauses would be banned for workers earning less than the high-income threshold in the Fair Work Act, which is currently $175,000.

Pause on indexation on the draught beer excise for two years

Hospitality businesses will benefit from a pause on indexation on the draught beer excise for two years, from this August.

What's missing from the Budget

No changes to LISTO - Low Income Superannuation Tax Offset

Most Australians are taxed at a lower rate on their super than on their salary. This is because super is a long-term proposition: super contributions represent delayed spending and these tax concessions reward people for saving for retirement.

The LISTO compensates low-income individuals for the tax their super fund pays on concessional contributions. LISTO addresses the unfairness of taxing compulsory super contributions at a higher rate than the individual's regular income tax rate.

The tax cuts in this Budget are welcome but create a new, larger superannuation penalty for lower income earners. The 16% marginal tax rate that applies for income from $18,201 to $45,000 will be reduced to 15% from 1 July 2026 and further to 14% from 1 July 2027. Lower-paid Australians will be paying a higher marginal tax rate on their super (15%) than their take home pay (14%), the first time this has happened since the LISTO was introduced. High income earners, meanwhile, will be paying a much lower marginal tax rate on their super (15%), than their take home pay (45%).

This new and larger penalty for lower income Australians contributing to their super reinforces the need for LISTO reform. The LISTO has been frozen since it was introduced 13 years ago, effectively cutting the super tax benefit for some of the nation's lowest-income workers. SMC analysis shows the lowest paid Australians have missed out on a combined $2.5 billion since 2020 because LISTO has not kept pace with changing tax brackets and Super Guarantee rate.

Around 60% of LISTO recipients are women – making a push to lift the LISTO a targeted measure to help close the super gender gap.

By raising this payment from $500 to $810, and by paying the tax offset for workers earning up to $45,000 a year (the current income cut-off is $37,000), this Budget could have started to strengthen retirement for more of the nation's lowest-paid workers.

Table 1: Changes needed to ensure LISTO operates as originally intended

	SG rate	Legislated		Revised Policy	
		Amount	Threshold	Amount	Threshold
2025-26	12.0%	$500	$37,000	$810	$45,000

SG for workers under 18, irrespective of hours worked

Another super priority not addressed in this Budget is removing an outdated law denying most teen workers up to $10,000 from their retirement savings.

Under-18s currently are not guaranteed super contributions unless they work more than 30 hours a week, due to a discriminatory rule, which is also challenging for businesses to administer.

Because most (93%) of under-18s usually work less than 30 hours per week, most are not paid super. SMC analysis shows that a typical teenager who works at least two years could miss out on almost $2,200 in super by the age of 18. Teens are projected to miss out on almost $10,000 (in today's dollars) by the time they reach retirement age.

About 505,000 under-18 workers will be excluded from paid super in 2024-25, missing out on a combined total of $368 million in super contributions.

The under-18s exclusion pre-dates the creation of digital payroll software - and its intent was to stop fees and insurance premiums from eroding low-balance accounts. But today there are fee caps and stronger protections on low-balance accounts, so continuing to exclude under-18s who work less than 30 hours a week is age-based discrimination with little justification.

While there would be a small payroll impact on employers, businesses can generally claim a tax deduction for super contributions. Given this, the estimated impact on businesses would be around $260 million in 2024-25, or an estimated additional total payroll cost across all industries of around 0.03%.