Perpetual

Federal Budget 2025: Managing the cost of living

By Perpetual Private
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The spotlight was on Treasurer Jim Chalmers yesterday evening as he presented his government's fourth budget. Against a backdrop of changing global trade dynamics and persistent inflationary pressures, Chalmers labelled the budget a plan for a "new generation of prosperity in a new world of uncertainty".

You can read Perpetual Private's Federal Budget 2025 summary below, or view the video above for our take on how this budget will affect your daily cost of living, the tax you pay, medical costs and superannuation.

It is important to remember that this material relates to proposals which have not yet been legislated, and our analysis contained here should be viewed in that context. We recommend that you do not take any specific action until the government provides greater detail in relevant draft legislation.

Summary

2025 is shaping up to be a significant year, with an election in Australia, increasing global trade tensions, ongoing conflicts in Europe and the Middle East, and an unpredictable new

US government intent on swiftly implementing its policy agenda.

Against this backdrop, the 2025 Budget has similar priorities to those of the 2024 budget:

- relieving cost of living pressures
- strengthening Medicare
- building more homes, investing in education and making the economy more productive and more resilient.

Of these, the first two are likely to have the most immediate impact on individuals.

Helping with the cost of living

Tax cuts

After the debates about the previous government's tax cuts, this budget contained a surprise in the form of two more cuts to phase in over the next two years:

- from 1 July 2026, the 16% tax rate for incomes between $18,201 and $45,000 will fall to 15%, then to 14% from 1 July 2027
- the Medicare levy low-income threshold will increase by 4.7% for singles, families, seniors and pensioners from 1 July 2024.

What this means for you

As of the start of this tax year, if you're on a lower income you'll pay a lower Medicare levy or may be exempt from it entirely.

Whatever your income, from the start of the 2026 tax year, you'll pay less tax on the first $26,800 you earn above the tax-free threshold. If you're making concessional or catch-up concessional super contributions, you should review these contributions and compare your effective tax rate with the super contributions tax of 15% to ensure it remains tax effective.

Energy bill relief

In an extension of last year's rebate, this budget includes another $150 energy rebate for all households and small businesses through to 31 December 2025.

What this means for you

The government will apply this rebate automatically to your domestic or small business energy bill in two payments of $75, paid after 1 July.

Student debt relief

From 1 June 2025, all student debt balances will be reduced by 20%.

What this means for you

If you have HECS or HELP debts, this will enable you to pay off the loan sooner.

Subsidising childcare

From 1 January 2026, households that earn less than $533,280 a year will qualify for a three-day-per-week childcare subsidy.

What this means for you

If you have small children and are eligible, the government will subsidise your children's early education and care for at least three days per week.

Strengthening Medicare

Reducing Pharmaceutical Benefit Scheme (PBS) medicines and expanding bulk-billing

The maximum cost of medicines on the PBS will fall for everyone who has a Medicare card and no concession card.

The government will also expand eligibility for bulk-billing incentives and establish a program to encourage more health professions to make bulk-billing available.

What this means for you

More health professions will be able to bulk-bill, so you won't need to pay for their medical services. Alongside this, you'll pay less for medicines listed on the PBS.

Boosting women's healthcare services

The Treasurer announced a federal women's health package to subsidise contraceptive pills, menopause treatments and endometriosis medicine.

What this means for you

For women, the costs of contraception, treatment and medicines for these elements of women's health will fall.

What about superannuation?

Unusually, this budget made no changes to superannuation rules, but with the end of the financial year rapidly approaching, there are some things to consider that will change automatically.

Superannuation guarantee rate will rise to 12%

As expected, the employer superannuation guarantee rate will increase to 12% from 1 July 2025.

What this means for you

If you are employed receiving superannuation guarantee employer contributions, you will receive an additional 0.5% to 12%, and you will need to review the amount of concessional contributions you make into super your super to ensure you do not exceed the cap of $30,000.

General Transfer Balance Cap (TBC) increase from 1 July 2025

On 1 July 2025, the general TBC will increase from the current $1.9 million to $2 million.

What this means for you

If you've never used your personal TBC, or you're starting your first retirement income stream in 2025, if you wait until 1 July you'll be able to start it with $2 million instead of $1.9 million.

If you've already started a retirement income stream but haven't used all your personal TBC, you'll be able to use 'proportional indexation' to increase the amount in your pension (see the ATO website for details about this cap change).

Superannuation contribution rates and thresholds for the FY2025/26

Concessional and non-concessional contributions won't be indexed, so these caps will stay as it is for the financial year 2025/26:

- concessional contributions cap: $30,000
- non-concessional contributions cap: $120,000.

What this means for you

To be eligible to make non-concessional contributions (NCC) during the 2025/26 financial year, your total superannuation balance (TSB) must be less than $2 million as at 30 June 2025.

Bring-forward provisions

For the 'bring-forward provision', the two lower TSB thresholds (currently at $1.66 million and $1.78 million) will increase to $1.76 million and $1.88 million from 1 July 2025.

TSB as at 30 June 2024	TSB as at 30 June 2025	Max NCC	Bring forward timeframe
<$1.66m	<$1.76m	$360,000	3 years
$1.66m - $1.78m	$1.76m - $1.88m	$240,000	2 years

$1.78m - $1.9m	$1.88m - $2m	$120,000	1 year
>$1.9m	>$2m	No NCC can be made	N/A

What this means for you

Based on the TSB thresholds change, the amount of non-concessional contributions you are able to make may be increased.

‘Catch-up’ contributions

To be eligible to make catch-up concessional contributions (if you didn’t reach the concessional contribution cap in any of the past five years), your total super balance must be less than $500,000 as at 30 June 2025.

What this means for you

If your total super balance is less than $500,000 as at 30 June 2025 and you have unused concessional contribution amounts from the previous five financial years, you may be able to utilise catch-up contributions to increase super tax effectively.

Spouse contributions and government co-contributions

To be eligible for spouse contributions or the government co-contribution during the financial year 2025/26, your total super balance must be less than $2 million as at 30 June 2025.

What this means for you

If your super balance is under $2 million, you may want to check whether you’re eligible for spouse contributions and/or the government co-contribution, as these can be effective ways to boost your super.

How will this budget affect your financial situation?

Depending on your circumstances, this budget includes a number of changes that may affect your taxation, superannuation and investments. A Perpetual financial adviser can help you assess how this budget will affect you and your family.

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How will the budget affect your financial situation?

A Perpetual Financial adviser can help you assess how the budget could affect you and your family.

Submit the form

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