SEPTEMBER / 2025

YOUR KNOWLEDGE

There's been a bit to report on since our August publication. Standouts include the RBA's interest rate cuts, the release of the Productivity Commission's interim report on the strategy for creating a more dynamic and resilient economy and in a win for over 3 million Australians with student debt - they'll see some of it wiped away with the Government's fiscal wand.

As always, please reach out if there's anything that we can help you understand better, assist you with or if there's anything else that you'd like us to focus on next month.

Until then, all the best.

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A win for those carrying student debt

In support of young Australians and in response to the rising cost of living, the Australian Government has passed legislation to reduce student loan debt by 20% and change the way that loan repayments are determined. This should help students significantly more than the advice from outside of Parliament - cut down on the smashed avo.

20% reduction in student debt

The reduction is expected to benefit more than 3 million Australians and remove over $16 billion in outstanding debt. The 20% reduction will be automatically applied to anyone with the following student loans:

- HELP loans (eg, HECS-HELP, FEE-HELP, STARTUP-HELP, SA-HELP, OS-HELP)
- VET Student loans

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- Australian Apprenticeship Support Loans
- Student Start-up Loans
- Student Financial Supplement Scheme

The reduction will be based on the loan balance at 1 June 2025, before indexation was applied. Indexation will only apply to the reduced balance. The ATO will apply the reduction automatically on a retrospective basis and will adjust the indexation that is applied. No action is needed from those with a student loan balance and the Government has indicated that you will be notified once the reduction has been applied.

If you had a HELP debt showing on your ATO account on 1 April 2025 but you paid the debt off after 1 June 2025 then the reduction will normally trigger a credit to your HELP account. If you don't have any other outstanding tax or other debts to the Commonwealth, then the credit should be refunded to you.

The HELP debt estimator is a useful tool to get an idea of the reduction amount, please reach out if you need any help in working out eligibility.

Changes to repayments

The Government has also modified the way that HELP and student loan repayments operate, primarily by increasing the amount that individuals can earn before they need to make repayments.

The minimum repayment threshold for the 2025-26 year is being increased from $56,156 to $67,000. The threshold was $54,435 for the 2024-25 year.

Under the new repayment system an individual will only need to make a compulsory repayment for the 2025-26 year if their income is above $67,000. The repayments will be calculated only against the portion of income that is above $67,000.

Repayments will still be made through the tax system and will typically be determined when tax returns are lodged with the ATO.

For many people the change in the rules will mean they have more disposable income in the short term, but it will take longer to pay off student loans. The main exception to this will be when an individual chooses to make voluntary repayments.

Creating a more dynamic and resilient economy

The Productivity Commission (PC) has been tasked by the Australian Government to conduct an inquiry into creating a more dynamic and resilient economy. The PC was asked to identify priority reforms and develop actionable recommendations.

The PC has now released its interim report which presents some draft recommendations that are focused on two key areas:

- Corporate tax reform to spur business investment
- Where efficiencies could be made in the regulatory space (ie, cutting down on red tape)

The interim report makes some interesting observations and key features of the draft recommendations are summarised below.

Corporate tax reform

The PC notes that business investment has fallen notably over the past decade and that the corporate tax system has a significant part to play in addressing this. The PC is basically suggesting that the existing corporate tax system needs to be updated to move towards a more efficient mix of taxes. The first stage of this process would involve two linked components:

- Lower tax rate: businesses earning under $1 billion could have their tax rate reduced to 20%, with larger businesses still subject to a 30% rate.
- New cashflow tax: a net cashflow tax of 5% should be applied to company profits. Under this system, companies would be able to fully deduct capital expenditure in the year it is incurred, encouraging investment and helping to produce a more dynamic and resilient economy. However, the new tax is expected to create an increased tax burden for companies earning over $1 billion.

Cutting down on red tape

The interim report notes that businesses have reported spending more time on regulatory compliance – this probably doesn't come as a surprise to most business owners who have been forced to deal with multiple layers of government regulation. Some real world examples include windfarm approvals taking up to nine years in NSW while starting a café in Brisbane could involve up to 31 separate regulatory steps.

The proposed fixes include:

- The Australian Government adopting a whole-of-government statement committing to new principles and processes to drive regulation that supports economic dynamism.
- Regulation should be scrutinised to ensure that its impact on growth and dynamism is more fully considered.

- Public servants should be subject to enhanced expectations, making them accountable for delivering growth, competition and innovation.

These are simply draft recommendations contained in an interim report so we are a long way from any of these recommendations being implemented. However, the interim report provides some insight into areas where the Government might look to make some changes to boost productivity in Australia.

The PC is inviting feedback up until 15 September on the interim report before finalising its recommendations later this year.

Non-compete clauses: the next stage

Back in March this year the Government announced its intention to ban non-compete clauses for low and middle-income employees and consult on the use of non-compete clauses for those on higher incomes. The Government has indicated that the reforms in this area will take effect from 2027. This didn't come as a complete surprise as the Competition Review had already published an issues paper on the topic and the PC had also issued a report indicating that limiting the use of unreasonable restraint of trade clauses would have a material impact on wages for workers.

Treasury has since issued a consultation paper, seeking feedback in the following key areas:

- How the proposed ban on non-compete clauses should be implemented;
- Whether additional reforms are required to the use of post-employment restraints, including for high-income employees;
- Whether changes are needed to clarify how restrictions on concurrent employment should apply to part-time or casual employees; and
- Details necessary to implement the proposed ban on no-poach and wage-fixing agreements in the Competition and Consumer Act.

Treasury makes it clear that the Government is not planning to change the way the rules apply to restraints of trade outside employment arrangements (eg, on sale of a business) or change the use of confidentiality clauses in employment.

If the proposed reforms end up being implemented, then this could have a direct impact on a range of employers and their workers. Existing agreements will need to be reviewed and potentially updated. However, it is too early at the moment to guess how this will end up, we will keep you up to date as further information becomes available.

Superannuation guarantee: due dates and considerations for employees and employers

On 1 July 2025 the superannuation guarantee rate increased to 12% which is the final stage of a series of previously legislated increases. Employers currently need to make superannuation guarantee (SG) contributions for their employees by 28 days after the end of each quarter (28 October, 28 January, 28 April and 28

July). There is an extra day's allowance when these dates fall on a public holiday.

To comply with these rules the contribution must be in the employee's superannuation fund on or before this date, unless the employer is using the ATO small business superannuation clearing house (SBSCH).

The ATO has been applying considerable compliance resources in this space in recent years which can have an impact on both employees and employers.

Employers

To be eligible to claim a tax deduction on SG contributions the quarterly amount must be in the employee's super account on or before the above quarterly due dates. The only exception to this is where the employer is using the ATO SBSCH. In that case a contribution is considered made provided it has been received by the SBSCH on or before the due date.

Employers using commercial clearing houses should be mindful of turnaround times. Commercial clearing houses collect and distribute employee contributions and may be linked to accounting / payroll software or provided by some superannuation platforms. Anecdotally it seems that turnaround times for some clearing houses could be up to 14 days, so it is recommended that employers allow sufficient time before the quarterly deadlines when processing their employee SG contributions.

If these deadlines are missed (yes even by a day!) that will trigger a superannuation guarantee charge (SGC) requirement which will result in a loss of the tax deduction and other penalties. The SGC requirements are outlined in the ATO link below:

The super guarantee charge | Australian Taxation Office

Employers do have the option to make SG payments more frequently than quarterly and this is something that employers will need to become used to if the proposed 'payday' superannuation reforms become law. This change is proposed to commence from 1 July 2026 and would require SG to be paid at the same frequency as salary or wages. There is some discussion on the payday super proposal at this link (noting that this is not yet law). The SBSCH will close at this time so employers using this service should start to consider transitioning to a commercial clearing house, please let us know you would like assistance with this.

Employees

It is recommended that you regularly check your superannuation fund statements and reconcile employer contributions to the amounts listed on your pay slips.

Where SG contributions are not received on time (or at all!) employees are encouraged to discuss this first with their employer. Should this not result in a satisfactory conclusion, employees can consider bringing this to the attention of the ATO.

There is some helpful discussion on this process at the following link.

RBA cuts rates to 3.60%: what this means for you

In a widely anticipated move on 12 August 2025, the Reserve Bank of Australia (RBA) delivered a 25 basis point rate cut, lowering the cash rate from 3.85% to 3.60%, the third reduction this year. This rate is now at its lowest level since March 2023 signaling renewed monetary easing amid persistent economic fragility.

Governor Bullock emphasised that the decision was unanimous and that larger cuts weren't considered. She did however leave the door open for further action if conditions warrant it. The unanimous decision was made because:

- Headline inflation has eased to 2.1% year on year and the RBA's preferred trimmed mean measure sits at just 2.4–2.7%, comfortably within the desired 2–3% range. So, it's now within target.
- There's still soft economic growth, quarter 1 saw GDP grow 0.2% and unemployment has gone up slightly to roughly 4.3%.

This is a welcome move for many with flow-on impacts across a wide section of the community.

Borrowing and mortgages: a borrower with a $600,000 mortgage can expect monthly repayments to fall by around $89, saving over $1,000 annually.

Refinancing: the latest cut has triggered a wave of refinancing, Canstar estimates monthly savings of around $272 on a $600,000 loan, potentially taking years off the loan term and saving tens of thousands in interest expenses.

Housing and lending: the cut may revive home buying sentiment, though the risks of swelling property prices remain. Borrowers and buyers alike are feeling the relief.

Currency and markets: the Australian dollar did weaken moderately following the decision. On the ASX 200, financial stocks, particularly the Commonwealth Bank, took a hit as investors fretted over shrinking interest margins.

While there are always winners and losers with a decision like this, for many Australians this is a positive change. Either way, please do reach out if we can help you understand how to best manage your debt, exploring refinance options, adjust pricing models or evaluating investment readiness.

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