Budget
2026–27

BUDGET STRATEGY AND OUTLOOK
BUDGET PAPER NO. 1

Circulated by

The Honourable Jim Chalmers MP
Treasurer of the Commonwealth of Australia

and

Senator the Honourable Katy Gallagher
Minister for Finance, Minister for Women, Minister for the Public Service,
Minister for Government Services of the Commonwealth of Australia

For the information of honourable members
on the occasion of the Budget 2026–27

12 May 2026

2026–27 BUDGET PAPERS

Budget Speech

No. 1 Budget Strategy and Outlook 2026–27

Contains information on the economic and fiscal outlook, together with information on the fiscal strategy.

No. 2 Budget Measures 2026–27

Provides a comprehensive statement on the budget payment and receipt measures in the 2026–27 Budget.

No. 3 Federal Financial Relations 2026–27

Provides information on the Australian Government's financial relations with the states, territories and local government.

No. 4 Agency Resourcing 2026–27

Contains information on resourcing for Australian Government agencies (including special appropriations, special accounts and a summary of agency resourcing).

2026–27 BUDGET RELATED PAPERS

No. 1 Portfolio Budget Statements

Detailed information on the resources available and the planned performance of each Australian Government entity for 2026–27.

Treasury acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

Budget
2026–27

BUDGET STRATEGY AND OUTLOOK
BUDGET PAPER NO. 1

Circulated by

The Honourable Jim Chalmers MP
Treasurer of the Commonwealth of Australia

and

Senator the Honourable Katy Gallagher
Minister for Finance, Minister for Women, Minister for the Public Service,
Minister for Government Services of the Commonwealth of Australia

For the information of honourable members
on the occasion of the Budget 2026–27

12 May 2026

© Commonwealth of Australia 2026

ISSN 0728 7194 (print); 1326 4133 (online)

This publication is available for your use under a Creative Commons Attribution 4.0 International licence, with the exception of the Commonwealth Coat of Arms, third-party content and where otherwise stated. The full licence terms are available from http://creativecommons.org/licenses/by/4.0/legalcode.

Use of Commonwealth of Australia material under Creative Commons Attribution 4.0 International licence requires you to attribute the work (but not in any way that suggests that the Commonwealth of Australia endorses you or your use of the work).

Commonwealth of Australia material used 'as supplied'.

Provided you have not modified or transformed Commonwealth of Australia material in any way including, for example, by changing the Commonwealth of Australia text; calculating percentage changes; graphing or charting data; or deriving new statistics from published statistics – then the Commonwealth of Australia prefers the following attribution:

Source: The Commonwealth of Australia.

Derivative material

If you have modified or transformed Commonwealth of Australia material, or derived new material from those of the Commonwealth of Australia in any way, then the Commonwealth of Australia prefers the following attribution:

Based on Commonwealth of Australia data.

Use of the Coat of Arms

The terms under which the Coat of Arms can be used are set out on the Department of the Prime Minister and Cabinet website (see www.pmc.gov.au/honours-and-symbols/commonwealth-coat-arms).

Other uses

Enquiries regarding this licence and any other use of this document are welcome at:

Manager
Media Unit
The Treasury
Langton Crescent
Parkes ACT 2600
Email: media@treasury.gov.au

Internet

A copy of this document is available on the central Budget website at: www.budget.gov.au.
Printed by CanPrint Communications Pty Ltd.

Contents

Statement 1: Budget overview

The conflict in the Middle East has triggered substantial economic and energy disruptions across the world. It is driving global inflation higher, global growth lower, and has compounded uncertainty and volatility at home and abroad. The conflict is compounding cost pressures faced by Australians; straining some supply chains, and the impacts on our economy will be felt for some time.

The impact of high global oil prices is expected to significantly add to inflationary pressures in the near term, with headline inflation forecast to be 5 per cent through the year to the June quarter 2026. Higher inflation is expected to weigh on growth in real incomes and household consumption. As a result, growth in the Australian economy is forecast to slow from 2¼ per cent in 2025–26 to 1¾ per cent in 2026–27.

Despite the substantial economic impact of this global shock, Australia confronts these challenges from a position of strength. The Australian economy is growing faster than any major advanced economy, has low unemployment, solid wage growth, and our public finances are among the strongest in the developed world.

While the economic outlook remains highly uncertain, growth in the Australian economy is expected to pick up to 2¼ per cent in 2027–28, unemployment is expected to stabilise at around 4 ½ per cent and solid wages growth is expected to continue. This recovery assumes that global oil prices begin to decline from mid-2026 and largely stabilise by mid-2027. Headline inflation is forecast to decline to 2 ½ per cent by the June quarter 2027, and abstracting from the impact of fuel prices, it is forecast to sustainably return to the RBA's target band in the middle of 2027.

Against this backdrop, there are significant structural changes in the energy and technology sectors, and longstanding challenges when it comes to productivity, intergenerational equity and home ownership that demand sensible and responsible action.

The Government has delivered a stronger and more sustainable budget, with lower deficits and less debt. This is helping to take pressure off inflation, build fiscal buffers at a time of heightened global uncertainty and make more room to return bracket creep in future budgets. The budget position has improved by a cumulative $44.9 billion over the forward estimates and debt and deficits are lower every year compared to the 2025–26 MYEFO. The budget deficit for 2026–27 is $31.5 billion, an improvement of $2.8 billion compared to MYEFO. The budget is projected to return to balance in 2034–35 and a surplus of 0.8 per cent of GDP in 2036–37, supported by structural savings and reforms to the tax system.

As at 30 June 2027, gross debt is $1,051.0 billion, $18.0 billion lower than at MYEFO and $173.0 billion lower than the estimate the Government inherited. As a share of GDP, gross debt is expected to peak 1.2 percentage points lower and two years earlier than at MYEFO. The Government has found $63.8 billion of savings and reprioritisations in this update, helping to ensure net policy decisions improve the budget position for the second consecutive update. When accounting for provisions, net decisions improve the budget by $26.1 billion. The Government is returning every dollar of the tax receipts upgrade to the budget for the second consecutive update.

This is a responsible Budget focused on resilience and reform. It responds to near term and long-term challenges, helping Australians today and lifting living standards into the future. It does this by:

- **Responding to the global oil shock** – securing Australia's near-term fuel and fertiliser security through the Export Finance Australia's $7.5 billion Fuel and Fertiliser Security Facility, strengthening longer term fuel security with our $3.2 billion Australian Fuel Security Reserve and boosting our energy sovereignty by making more clean fuels here, promoting electrification, and implementing a 20 per cent gas reservation. Overall, the $14.8 billion Strengthening Australia's Fuel Resilience package supports Australians to respond to market disruptions and invest in future resilience.

- **Taking pressure off Australians** – delivering new and permanent income tax cuts for working Australian taxpayers through the $250 Working Australians Tax Offset and the $1000 instant deduction, more than halving the fuel excise and excise-equivalent customs duties, reducing the heavy vehicle road user charge to zero for three months, rolling out legislated tax cuts for every Australian taxpayer this year, increasing the Medicare levy low-income thresholds, boosting housing supply, making health care more affordable and accessible, and backing higher wages for low-paid workers.

- **Making our economy more productive** – rolling out a comprehensive productivity package that will reduce regulatory burden by $10.2 billion each year, boost long-run GDP by around $13.0 billion through work underway with states and territories, and lift young firms' investment in R&D by $400.0 million per year. These reforms make it easier to do business, easier to build and easier to invest through meaningful reforms to approvals processes, establishing a single national market, promoting the uptake of AI, implementing landmark reforms to energy markets and making significant investments in science and innovation.

- **Delivering tax reform for workers, businesses and future generations** – reforming negative gearing, capital gains and discretionary trust tax arrangements to improve the fairness of the tax system, support home ownership and fund new income tax cuts for every working Australian taxpayer, as well as delivering over $3.5 billion of new measures that lower taxes for businesses and start-ups including loss refundability, support for venture capital, and a permanent $20,000 instant asset write off for small business.

- **Sensible and responsible savings** – building a stronger and more sustainable budget by returning the NDIS to its original intent, further reducing public service spending on external labour and non-wage expenses, aligning private health insurance rebate entitlements across age groups and returning uncommitted funding across discretionary programs.

Statement 1 contents

Statement 1: Budget overview

Economic Outlook

The conflict in the Middle East has disrupted global oil supplies, created extreme global volatility and uncertainty and weighed heavily on the global economic outlook. The conflict will result in higher global inflation and lower growth, with the scale of the impact dependent on its duration and severity. The conflict has disrupted around one-fifth of the world's seaborne oil and gas supply. It has also impacted many other global supply chains, including for fertiliser, chemicals, aluminium and plastics.

The economic impacts of the conflict in the Middle East are likely to linger beyond the resolution of the conflict. For markets and supply chains to normalise once the conflict ends, damaged infrastructure will need to be repaired so production in the region can restart, refiners will need time to process raw inputs into fuel and refined products, and shipping and global trade will need to resume and stabilise.

Australia is not immune from the impacts of the conflict, and the economic consequences will continue to be felt for some time. The conflict has compounded cost pressures for households and businesses and is straining some supply chains.

Headline inflation rose to 4.6 per cent in the 12 months to March 2026, driven by a 32.8 per cent rise in automotive fuel prices in the month. The impact of higher fuel prices is expected to broaden in the coming months, as prices flow through to other goods and services. This is expected to add to several pre-existing temporary and persistent inflationary pressures.

As a result, headline inflation is forecast to be 5 per cent through the year to the June quarter 2026. Headline inflation is forecast to decline to 2½ per cent through the year to the June quarter 2027, supported by an assumed decline in global oil prices from the middle of 2026, a resolution of temporary pressures, and a moderation in services inflation. Abstracting from the impact of fuel prices, inflation is forecast to sustainably return to the RBA's target band in the middle of 2027.

The conflict in the Middle East, high global oil prices and resulting inflationary pressures are expected to weigh on growth in real incomes and household consumption in the near-term. As a result, growth in the Australian economy is forecast to slow from 2¼ per cent in 2025–26 to 1¾ per cent in 2026–27. While the economic outlook remains highly uncertain, the Australian economy is expected to grow by 2¼ per cent in 2027–28. This recovery assumes that global oil prices begin to decline from the middle of 2026 and largely stabilise from the middle of 2027, informed by current market expectations.

Despite the substantial economic impacts of the global oil shock, Australia confronts these challenges from a position of relative strength. The Australian economy is growing faster than every major advanced economy, unemployment remains low, the labour force participation rate remains high, wages growth is solid, and public finances are among the strongest in the developed world, with gross debt lower than every major advanced economy.

Economic activity strengthened over 2025, driven by the recovery in the private sector. Rising momentum in private demand was supported by strong growth in investment and household consumption. Private final demand exceeded public final demand's contribution to growth in every quarter of 2025. Growth in business investment picked up substantially in 2025, driven by non-mining business investment.

The momentum in business investment growth is expected to continue with capital expenditure intentions for 2025–26 nearing $200.0 billion, despite substantial global uncertainty. Dwelling investment growth also improved in 2025. Dwelling investment has grown for eight consecutive quarters, the longest run of quarterly growth in a decade.

The labour market remains resilient and is well placed to withstand slower economic growth in 2026–27. The unemployment rate remains low by historical standards, employment has continued to grow, and the labour force participation rate remains near its recent record high.

The unemployment rate has been broadly stable over the past year and is expected to remain low by historic standards, rising only gradually from 4¼ per cent in the June quarter 2026 to 4½ per cent in the June quarter 2027 and the June quarter 2028. Labour market conditions are continuing to support solid wage growth, with growth in the Wage Price Index forecast to remain above its 10-year pre-pandemic average.

There are significant risks surrounding the economic forecasts, particularly in relation to the duration of the conflict and disruption in the Middle East. If the resolution to the conflict and sustained reopening of the Strait of Hormuz is quicker than market expectations, this could result in upside to the forecasts. Sustained domestic supply chain disruptions could emerge, even in the case of a shorter conflict. While global financial markets have so far been resilient, a more protracted conflict may suddenly weigh on market sentiment and asset valuations.

Domestically, inflation could remain persistently high, especially if the impact of the conflict in the Middle East is more severe than expected. There is also a risk that the conflict could weigh more heavily on economic growth, particularly if households and businesses become more cautious. Reduced consumption and investment have the potential to flow into weaker employment growth and higher unemployment.

There are other potential risks to the outlook. Rising global protectionism continues to drive shifts in global trade flows and place upward pressure on prices, particularly in the United States. On the upside, strong investment in AI and technology could be a potential source of productivity growth in the medium-term.

Table 1.1: Major Economic Parameters[(a)]

	Outcome	Forecasts				
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Real GDP	1.3	2 1/4	1 3/4	2 1/4	2 1/2	2 1/2
Employment	2.1	1 1/2	1 1/2	1 3/4	1 3/4	1 3/4
Unemployment rate	4.2	4 1/4	4 1/2	4 1/2	4 1/2	4 1/4
Consumer price index	2.1	5	2 1/2	2 1/2	2 1/2	2 1/2
Wage price index	3.4	3 1/4	3 1/2	3 1/2	3 1/2	3 3/4
Nominal GDP	3.6	6 3/4	4 1/4	2 3/4	4 3/4	5 1/4

a) Real GDP and nominal GDP are percentage change on preceding year. Employment, the consumer price index and the wage price index are through-the-year growth to the June quarter. The unemployment rate is the rate for the June quarter.

Source: ABS Australian National Accounts: National Income, Expenditure and Product; Labour Force, Australia; Consumer Price Index, Australia; Wage Price Index, Australia; and Treasury.

Fiscal Outlook

The Government's responsible economic and fiscal management has delivered a stronger and more sustainable budget, with lower deficits and less debt. The budget is $44.9 billion stronger over the forward estimates than the mid-year update and more than a quarter of a trillion dollars better over the eight years to 2029–30 than the estimates the Government inherited.

The underlying cash balance is better in every year of the forward estimates and the medium term compared to the 2025–26 MYEFO. The improvement in the bottom line has meant gross debt is lower over the next decade, rebuilding fiscal buffers during a time of extreme global uncertainty.

The Government's responsible fiscal management is underpinned by savings and reprioritisations, spending restraint and banking revenue upgrades. These actions mean this Budget is helping to take pressure off inflation and delivering substantial improvements in the fiscal position over time.

The Government has identified $63.8 billion in savings and reprioritisations in this update, taking the total to $177.9 billion since the 2022 PEFO. These savings are improving the structural position of the budget overtime and providing room to responsibly fund important priorities.

The Government has made net policy decisions that improve the budget position for the second consecutive update. After accounting for existing provisions, the net impact of decisions in this Budget is $26.1 billion over the forward estimates. The Government's decision to save more than it spends means that every single dollar of tax receipt upgrades has been returned to the budget for the second consecutive update.

The Government's ability to keep spending restrained means that real payments growth averages 1.5 per cent over the eight years to 2029–30, less than half the 30-year average. Payments as a share of the economy are forecast to decline from 26.8 per cent in 2026–27 to 26.2 per cent in 2029–30.

Gross debt is forecast to peak earlier and lower than at MYEFO. Gross debt is forecast to peak within the forward estimates at 35.8 per cent of GDP, 1.2 percentage points below MYEFO and 9.1 percentage points below the 2022 PEFO. Gross debt is $18 billion lower in 2026–27 than at MYEFO. Compared to the 2022 PEFO, gross debt is $173 billion lower in 2026–27 which means more than $70 billion in interest costs are saved over the decade.

Australia has lower gross debt than every major advanced economy and this Budget is consistent with this continuing, with gross debt declining to 27.2 per cent of GDP by the end of the medium term.

Table 1.2: Budget aggregates

	Actual	Estimates						Projections
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Total(a)	2036-37
	$b	$b	$b	$b	$b	$b	$b	
Underlying cash balance	**-10.0**	**-28.3**	**-31.5**	**-31.0**	**-34.4**	**-25.3**	**-150.5**	
Per cent of GDP	-0.4	-1.0	-1.0	-1.0	-1.0	-0.7		0.8
Gross debt(b)	**928.6**	**982.0**	**1,051.0**	**1,120.0**	**1,193.0**	**1,249.0**		
Per cent of GDP	33.4	33.1	34.0	35.2	35.8	35.6		27.2
Net debt(c)	**532.3**	**556.0**	**616.6**	**668.8**	**725.5**	**767.8**		
Per cent of GDP	19.2	18.8	19.9	21.0	21.8	21.9		15.1

a) Total is equal to the sum of amounts from 2025–26 to 2029–30.
b) Gross debt measures the face value of Australian Government Securities (AGS) on issue as at the end of the financial year.
c) Net debt is the sum of interest bearing liabilities (which includes AGS on issue measured at market value) less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements) as at the end of the financial year.

This Budget rebuilds fiscal buffers over the medium-term, with the budget forecast to return to balance in 2034–35. This projection is a result of the Government's substantial expenditure savings and reforms to the tax system.

The fiscal improvements in this Budget have been achieved alongside funding for automatic payments variations and addressing unavoidable decisions. This Budget includes $11.8 billion in increased social security payments to people with a disability, carers, pensioners, young people, families and those who are unemployed. This is in part driven by higher automatic payment indexation, which will help shield the most vulnerable from the impacts of the global oil shock. The Government also expects costs for disaster relief to increase by $2.5 billion, driven by costs of new disasters that occurred over the summer of 2025–26.

The Government has also taken $14 billion in unavoidable decisions to strengthen essential services that Australians rely on and address urgent and unforeseen issues.

Sensible and responsible savings

Through making sensible savings decisions and spending restraint, the Government has acted to help contain growing cost pressures and safeguard the long-term sustainability and continuity of services Australians rely on. Key savings since the MYEFO include:

- securing the future of the National Disability Insurance Scheme (NDIS) by returning it to its original intent of providing reasonable and necessary supports for Australians with permanent and significant disability
- further reducing public service spending on external labour and other non-wage expenses, such as travel, property and hospitality
- aligning private health insurance rebate entitlements across age groups to strengthen intergenerational equity, and
- returning uncommitted funding across discretionary programs, including the Battery Breakthrough Initiative, Hydrogen Headstart, Solar Sunshot and Australia's Economic Accelerator programs.

Responding to the global oil shock

The conflict in the Middle East has disrupted global oil supply, with the Government acting rapidly to shield Australians from the worst of the global oil shock and keep the country moving. The Government is taking action to deliver a $14.8 billion Strengthening Australia's Fuel Resilience package to boost our fuel supply, reinforce our supply chains, support households and businesses and increase Australia's fuel security and resilience.

Boosting Australia's fuel security

The Government has acted quickly to bolster near-term fuel security, secure additional supply, and ensure that Australia is well-positioned for future shocks.

Securing fuel and building up reserves

In the immediate response to the crisis, the Government secured more than one billion extra litres of fuel for the period from March to June. Temporary changes to the Minimum Stockholding Obligations for diesel and petrol have released 757 million litres of additional fuel in the Australian market. Fuel standards have also been relaxed to make 100 million extra litres of petrol a month available as well as increasing supply options from local production and trading partners such as the United States, Canada and Europe.

The $7.5 billion Fuel and Fertiliser Security Facility is central to the Government's commitment to preserving our energy sovereignty. This has enabled Export Finance Australia to secure over 450 million litres of additional diesel and around 100 million litres of additional jet fuel while supporting private sector storage.

The Government is also working with industry to increase the Minimum Stockholding Obligation for every type of fuel by around ten days, alongside an additional 10-day uplift of diesel and jet fuel through the $3.2 billion Australian Fuel Security Reserve. This will ensure at least 50 days of supply and storage of jet fuel and diesel.

To ensure domestic fuel refiners continue to operate over the next decade, the Government has amended the Fuel Security Services Payment to make it easier for refineries to access existing funds and better reflect market conditions. The Government has also committed $10.0 million to explore new fuel security initiatives, including to support feasibility studies into new or expanded refining capabilities, to be co-funded with state and territory jurisdictions.

Ensuring a coordinated national response

To strengthen Australia's supply chain resilience and to coordinate planning across the country, the Government provided $9.2 million to establish a Fuel Supply Taskforce (the Taskforce). The Taskforce is ensuring that Australia responds to the global oil shock, secures fuel supply in a coordinated manner and provides consistent messaging to households and businesses. The Government has also launched a national advertising campaign to support the delivery of the National Fuel Security Plan, which encourages people to take voluntary and practical actions that reduce fuel demand.

The Government is working closely with our international partners to ensure the supply of critical goods since the outbreak of the conflict in the Middle East. Working with industry and the Indonesian Government, the Government has secured an additional 250,000 tonnes of agricultural grade urea for Australian farmers. The Government has engaged directly with key trading partners, including agreeing joint statements with Japan, the Republic of Korea, Singapore, Malaysia and Brunei Darussalam affirming our shared commitment to being reliable suppliers of critical goods.

Strengthening supply chains

The Government is helping businesses manage market disruptions and adapt their operations.

Through the National Reconstruction Fund's $1.0 billion Economic Resilience Program, the Government is providing interest free loans to help manufacturing and logistics businesses in critical supply chains manage market disruption. This complements the $5.0 billion Net Zero Fund established in MYEFO, which provides concessional capital for business upgrades that reduce emissions.

The Government has also more than halved the fuel excise and reduced the heavy vehicle road user charge to zero for three months, and is streamlining biosecurity border processes to help get fertiliser to farms faster and providing an additional $8.2 million to support the delay of cost recovery for agricultural export services as further relief to farmers and producers.

The Government will provide $55 million for a Transport Resilience and Capacity Kickstart pilot program to incentivise more freight to move via trains and cargo ships – improving fuel efficiency and supply chain resilience in the context of the global oil shock.

The Government has also established the Trade Resilience Service (the TRS) in response to the crisis in the Middle East. The service equips exporters with key logistics and freight information and market intelligence to help them continue to supply their products to international customers, maintain export reliant jobs, identify shipping routes for essential imported inputs and inform operational decision making and strategic planning. The TRS operates alongside the $50.0 million Accessing New Markets Initiative, which the Government is expanding, to help Australian businesses build resilience through growing and diversifying their exports.

Building energy sovereignty

The Government is improving Australia's longer-term resilience to energy shocks by producing more energy here and guaranteeing users' supply. These actions will provide Australians with more choice in how they power their homes, businesses and vehicles, reducing their dependence on imported fuels and vulnerability to high global energy prices.

Establishing a domestic gas reservation

The Government is introducing a domestic gas reservation so that LNG exporters supply a proportion of their total production to the domestic market, equivalent to 20 per cent of exports. This will secure additional supply of gas, drive downward pressure on prices for all users and build out domestic energy resilience in the face of volatile international markets.

The domestic reservation scheme will commence on 1 July 2027, with final consultation on legislation throughout June and July 2026. Design will be guided by principles announced in December 2025, including that existing contracts will be respected. The Government is providing $35.5 million to support the implementation of the reserve, and streamline gas regulatory frameworks, with the reservation superseding the Australian Domestic Gas Security Mechanism and Heads of Agreements and enabling further reform to the Gas Market Code.

Making more clean fuels here

The Government is committed to developing a domestic low carbon liquid fuels industry to support Australia's long-term economic resilience and fuel security. This is underpinned by the $1.1 billion investment through the Cleaner Fuels Program announced at MYEFO, which will provide production support for new low carbon liquid fuel projects. We are also progressing the $1 billion Round 2 of the Hydrogen Headstart program to provide revenue support for large-scale renewable hydrogen projects.

The Government is also taking actions to support broader market development. This includes investing in a green fuel bunkering strategy and progressing further work with industry to introduce a market measure that drives demand for new Australian low carbon liquid fuel production. This will reduce our reliance on imported fuels, improving the resilience of our domestic fuel supply.

Electrifying freight and transit

The Government is making it easier for businesses and households to switch to cleaner, cheaper to run vehicles through support for electric vehicles and charging infrastructure.

The electric car discount introduced by the Government in 2022 has encouraged growth in electric vehicle (EV) sales, with Australians now having access to a wider range of EVs. This has reduced carbon emissions and the reliance on oil, and helped motorists slash their fuel bills.

The Government will transition the arrangements to support electric cars to a permanent 25 per cent fringe benefits tax (FBT) discount for eligible electric cars costing over $75,000 from 1 April 2027 and for all eligible electric cars from 1 April 2029. Electric cars costing up to $75,000 will continue to receive a full FBT exemption provided the fringe benefit arrangement commences before 1 April 2029.

Transitional support targets cars costing up to $75,000 to further incentivise the supply of more affordable electric cars while moving to more sustainable settings for the future. These new arrangements reflect the recommendations of the statutory review of the electric car discount policy.

The Government is also releasing $40.0 million over four years from 2025–26 to accelerate the rollout of EV chargers in regional blackspots and on kerbsides to support Australians with their choice to purchase an EV. This program, which formed part of the Government's Net Zero Plan package in MYEFO, leverages the complementary strengths of charge point operators and distribution network service providers to reduce costs and deployment timeframes.

In this context, the Government is updating the Dealership and Repairer Initiative for Vehicle Electrification Nationally program to support growing consumer demand for electric vehicles and the transition to more efficient vehicles. The expanded program will help eligible businesses meet the additional costs associated with selling and servicing EVs, including equipment and tooling needed to support EV capacity, alongside continued assistance for charging infrastructure.

The Government will also provide a further $40.5 million to accelerate the electrification of Australia Post's delivery fleet.

These initiatives complement National Competition Policy reforms with the states and territories to increase transport productivity and support the uptake of heavy zero emissions vehicles.

Taking pressure off Australians

The Government is taking pressure off Australians, families and businesses with immediate relief in response to the global oil shock and helping ease cost-of-living pressures with ongoing support.

Tax cuts to help with the cost-of-living

The Government's legislated tax cuts are rolling out for every Australian taxpayer this year and next year. From 1 July 2026, the 16 per cent rate, which applies to income between $18,201 and $45,000, will be reduced to 15 per cent and from 1 July 2027 it will reduce further to 14 per cent. These tax cuts will provide cost-of-living relief and return bracket creep, building on tax cuts that took effect in 2024.

In this Budget, the Government is delivering another tax cut for Australian workers by introducing the Working Australians Tax Offset (WATO). The WATO will provide an annual tax offset of up to $250 for income earned by Australian workers from the 2027–28 income year onwards, paid automatically in workers' tax returns. The WATO will provide a tax cut to over 13 million working Australians.

Individuals earning income from work will also be able to receive an instant tax deduction of up to $1,000 from the 2026–27 income year, making the tax system simpler and delivering additional relief to Australian workers.

The Government will also increase the Medicare levy low-income thresholds for singles, families, and seniors and pensioners by 2.9 per cent from the 2025–26 income year, providing further cost-of-living relief. This increase will benefit more than one million Australians on lower incomes who will continue to be exempt from the Medicare levy or pay a reduced levy rate. This measure is estimated to decrease receipts by $450.0 million over the five years from 2025–26.

Helping Australians with the cost of fuel

Taking the sting out of fuel prices

The Government has delivered a $2.9 billion package to more than halve the fuel excise and excise-equivalent customs duties (excise) and reduce the heavy vehicle road user charge to zero for a temporary three-month period. In total, the rate of excise on petrol and diesel has been reduced by 32 cents, cutting the cost of a 65-litre tank of fuel by nearly $23. State and territory governments will provide the Commonwealth up to $400.0 million to enable increased GST revenue on fuel due to higher fuel prices to be returned through lower excise, which equates to 5.7 cents per litre of the cut for petrol and diesel.

A fair go for consumers and small business

The Government has directed the Australian Competition and Consumer Commission (ACCC) to increase fuel price monitoring, with weekly public reporting across capital cities and more than 190 regional locations to improve transparency, promote competition and support consumers during the current Middle East conflict. The Government is also increasing the ACCC's enforcement resourcing and has strengthened competition and consumer protections by doubling maximum penalties to $100.0 million for serious breaches of competition law and consumer laws. Legislative changes are also being progressed to allow an increase in maximum penalties that can be imposed for breaches of the Oil Code of Conduct in the fuel industry. Stronger penalties will help deter suppliers from exploiting the current crisis, protecting consumers from anti-competitive, misleading and otherwise illegal practices.

Small business supports

The Government is continuing to support small businesses to access credit by extending the Small Business Responsible Lending Obligation exemption for a further ten years to prevent burdens and delays when accessing loans.

The Australian Taxation Office (ATO) is streamlining access to temporary relief from tax obligations for eligible businesses until 30 June 2026. This includes more generous payment plans, remission of interest and penalties, and support in varying pay as you go (PAYG) instalments where there has been a reduction in taxable income. The Fair Work Commission has also been empowered to make time-sensitive orders to help truck drivers and transport operators recover costs from higher fuel prices.

Small businesses can also access existing financial and mental wellbeing supports through the NewAccess for Small Business Owners and the Small Business Debt Helpline. The Government is delivering $8.0 million in additional funding to extend these programs for a further 12 months from 1 July 2026.

More homes and a fair go for first home buyers

This Budget builds on the Government's substantial housing agenda by reforming the tax system to help more Australians own their own home, boosting housing supply, continuing to support renters and securing more housing for vulnerable Australians.

Helping more Australians own their own home

The Government is reforming negative gearing and capital gains tax (CGT) concessions to help level the playing field for first home buyers and support more Australians to realise the dream of homeownership. These tax changes are estimated to support an additional 75,000 first home buyers over the decade. New builds will be exempt from the changes to support investment in additional housing supply alongside the Government's pro-supply policies, including new measures in this Budget.

Building more homes

The Government is establishing a new $2.0 billion Local Infrastructure Fund to help local governments and state utilities build essential infrastructure to support new housing – including by connecting essential services such as water, power, sewerage and roads. This funding will support up to 65,000 homes over the decade and brings the Government's total investment in housing enabling infrastructure to $6.3 billion since coming to government, with a further $5.9 billion available to states and territories as part of the 100,000 Homes for First Home Buyers program.

The Local Infrastructure Fund is available in states and territories that commit to further reform to drive productivity in the housing sector including by speeding up and simplifying approvals, making more land available and ready for new homes and simplifying the National Construction Code – changes that could support tens of thousands more homes across Australia.

Banning foreign investors from buying existing homes

The Government is extending the ban on foreign purchases of established dwellings by two years and three months until 30 June 2029, helping more Australians buy homes that would otherwise be bought by foreign investors. Current limited exceptions to the ban for purchases of established dwellings that support housing supply will continue. General exemptions from foreign investment screening will also continue to apply for purchases of established dwellings, including for permanent residents and New Zealand citizens.

Making renting fairer and more affordable

The Government continues to work with states and territories to harmonise and strengthen renters' rights across Australia through A Better Deal for Renters. The Government has also strengthened affordability standards for tax measures that support greater investment in build-to-rent developments. Industry estimates that these measures will support the construction of around 80,000 new rental homes over the next decade, including up to 1,200 affordable homes in the near term.

The Government has already delivered back-to-back increases in fortnightly rates of Commonwealth Rent Assistance (CRA), and continues to support over 1.4 million Australians through CRA. Combined with regular indexation, maximum rates of CRA have increased by over 50 per cent since March 2022.

Securing more housing for Australians doing it tough

The Government will provide $59.4 million over four years from 2026–27 to states to supplement rental income for Community Housing Providers providing social housing for over 4,000 young people aged 16–24 who are at risk of, or experiencing, homelessness. The Government is continuing to roll out an ambitious social and affordable housing agenda, delivering 55,000 social and affordable homes across Australia. This Budget also releases a further $100.0 million from the Housing Australia Future Fund to improve the quality of housing for First Nations Australians in remote communities.

More affordable and accessible health care

The Government is making health care more affordable and accessible, through record investment in public hospitals, ongoing funding for Medicare Urgent Care Clinics, and new and amended listings on the Pharmaceutical Benefits Scheme (PBS).

Cheaper medicines

The Government is providing $5.9 billion for new and amended PBS listings, including treatments for cystic fibrosis, chronic kidney disease, various cancers and more. The Budget also permanently subsidises COVID-19 oral antiviral medicines through the PBS.

To protect eligible older Australians from respiratory syncytial virus (RSV), this Budget provides $449.3 million to list the RSV vaccine Arexvy® on the National Immunisation Program, at no cost to patients.

Funding hospitals and urgent care

The Government is investing an additional $25.0 billion over five years from 2026–27 for Australia's public hospitals, including as part of the new National Health Reform Agreement (NHRA) Addendum. The Addendum embeds key reforms to make Australia's hospital and health care system more effective, efficient and equitable. This includes $221.0 million in 2026–27 for smaller jurisdictions to reflect additional cost challenges, and $92.8 million for data and digital reforms to upgrade digitally enabled health care for patients and practitioners.

Medicare Urgent Care Clinics have already delivered almost 3 million free visits nationwide. This Budget provides $1.8 billion over five years (and $580.2 million per year ongoing) to make Medicare Urgent Care Clinics a permanent feature of Australia's health system. These clinics mean Australians can get bulk billed urgent health care, seven days a week, across extended hours, while also taking pressure off local hospital emergency departments.

Public dental services for adults

For the first time, the Government will permanently fund the Public Dental Services for Adults agreement to support the delivery of dental services to eligible adult patients, providing $431.0 million (and $107.8 million per year ongoing).

Mental health care

The Government will provide $277.5 million in 2026–27 for a 12-month extension of the National Mental Health and Suicide Prevention Agreement to deliver continuity of supports across Australia, including free services such as Medicare Mental Health Centres and headspace clinics. This builds on the Government's $1.1 billion package to deliver expanded mental health services including 32 new and upgraded Medicare Mental Health Centres and 58 new, upgraded or expanded headspace services.

Supporting fair wages

The Government has backed wage growth for low-paid workers in each of the last four Annual Wage Reviews. Across these reviews, the National Minimum Wage increased by over $9,120 per year. For the upcoming 2026 Annual Wage Review decision, the Government has recommended the Fair Work Commission award an economically sustainable real wage increase to Australia's award workers.

The Fair Work Commission has decided to phase out junior pay rates for 18- to 20-year olds in retail, fast food and pharmacy modern awards, to ensure young workers get fair wages.

The Government is continuing to support the Fair Work Commission's Gender Undervaluation – Priority Awards Review, which is seeking to remedy potential historical undervaluation in awards used in certain female-dominated industries. The Fair Work Commission found historical gender undervaluation occurred for the five awards considered and determined wage increases for occupations covered by the *Aboriginal and Torres Strait Islander Health Workers and Practitioners and Aboriginal Community-Controlled Health Services Award 2020*, *Children's Services Award 2010*, *Health Professionals and Support Services Award 2020* and *Pharmacy Industry Award 2020*, with further decisions to come. The Review is expected to be finalised this year.

Making our economy more productive

Improving productivity is central to the Government's economic plan to grow Australia's economy. The Government has a comprehensive productivity package that helps reduce regulatory costs and supports higher living standards for all Australians. These reforms will reduce regulatory burden by $10.2 billion each year.

Box 1.1 Boosting Productivity

The Government is delivering an ambitious productivity agenda, based on five pillars: creating a more dynamic and resilient economy, building a skilled and adaptable workforce, harnessing data and digital technology, delivering quality care more efficiently, and investing in cheaper, cleaner energy and the net zero transformation.

Significant progress was made in the first term of the Government, including landmark merger reform, moving to ban non-competes, establishing the Capacity Investment Scheme and making meaningful investments in skills and training.

However, productivity growth in the decade to 2020 was the slowest in 60 years and it will take ongoing reforms to turn this trajectory around.

Boosting productivity growth is a major focus for this term of government. At the Economic Reform Roundtable, leaders across business, unions, civil society and government discussed more than 300 ideas and contributions. The Productivity Commission released inquiries on each of the five pillars, recommending reform in 17 areas.

This Budget builds on this work and delivers a package of productivity enhancing reforms that make it easier to do business and reduce compliance costs, make it easier to build, and make it easier to invest and innovate.

Our productivity package will cut compliance costs by $10.2 billion each year and unlock a further $400.0 million in Research and Development (R&D) investment by young firms each year. Long-run GDP is also likely to be boosted by around $13 billion a year via work underway with states and territories under National Competition Policy.

The Government is now progressing 13 of 17 reform areas identified by the Productivity Commission's five pillar inquiries, and the majority of near-term recommendations for the Commonwealth.

Incentivising investment and innovation

This Budget boosts productivity through a tax reform package including over $3.5 billion in new measures that lower taxes for businesses to encourage investment and innovation. The package includes loss carry back to support resilience, investment and risk taking, introducing loss refundability to help start-ups invest and grow, making the $20,000 instant asset write-off permanent and expanding tax incentives for venture capital to help unlock patient capital for young, expanding firms. The Government is also better targeting the Research and Development Tax Incentive to unlock $400.0 million per year in additional R&D by young firms.

Strengthening the superannuation performance test

The Government will strengthen the superannuation performance test to help reduce unintended barriers to investment for Australia's $4.5 trillion superannuation sector, supporting the efficient flow of capital across the economy to drive innovation and economic growth, while helping Australians achieve better retirement outcomes. Reforms will ensure the test remains fit for purpose and supports strong member outcomes.

Better coordinating Government investment

The Government recently established the Investor Council as a forum for the Government's independent, expert-led specialist investment vehicles and key agencies to share information, identify barriers to investment and coordinate investment. This Budget enhances the role of the Investor Front Door as the single point of entry for Commonwealth project facilitation and the chair of the Investor Council, where it will connect the Investor Council with insights about Government priorities and reforms underway to streamline approval processes.

The Government is leveraging its specialist investment vehicles to deliver on Government priorities. The Government has enabled the National Reconstruction Fund's $1 billion Economic Resilience Program to provide interest free loans to help manufacturing and logistics businesses during the current market disruption. It has expanded the remit of Export Finance Australia, to enable the delivery of the Fuel and Fertiliser Security Facility. Additionally, amendments to the Clean Energy Finance Corporation's Investment Mandate have simplified administrative arrangements.

Reducing red tape

The Government will reduce regulatory burden in the financial sector by $780 million per year by progressing 14 legislative reforms. The reforms include increasing the monetary thresholds for large proprietary companies, improving the efficiency of climate-related financial disclosures, further modernising business communications by making electronic recordkeeping and communication with ASIC easier and extending previous technology neutrality reforms to the Australian Small Business and Family Enterprise Ombudsman, and increasing the cap on banks' covered bond issuance.

Reducing unnecessary red tape and supporting modernised business communications, will reduce costs for Australian businesses and allow them to operate more flexibly.

In addition to these reforms, Council of Financial Regulators agencies are taking 13 actions to reduce duplicative, inconsistent or opaque data requests through improved coordination, planning and engagement with industry, and streamlining existing data collections. These changes will reduce costs and uncertainty for financial institutions.

Financial regulators will also continue delivering more than 50 commitments in the Better Regulation Roadmap implementation plan.

Together these actions will reduce costs by a further $181.0 million each year.

The Government is also introducing new measures that will mean individuals and businesses spend less time on compliance when it comes to tax and tariff obligations while also ensuring the system is set up for the long term. These new measures, including the latest round of nuisance tariff abolition detailed below, are estimated to reduce compliance costs by around $540.0 million per year.

Removing barriers to trade

The Government will abolish an additional 497 nuisance tariffs from 1 July 2026. This builds on the removal of 457 nuisance tariffs in July 2024. Together, the Government will have removed almost 1,000 tariffs over two years. This will streamline around $23.0 billion worth of trade and save businesses $157.0 million in compliance costs per year.

In addition, the Government will consult on abolishing additional tariffs to cut costs for Australian businesses.

The Government is providing $7.6 million over four years to expand the Australian Trusted Trader program, reducing red tape at the border and providing faster access to markets for more trusted importers and exporters. The Government continues to support simplified trade regulatory reforms that will streamline business interaction with government while maintaining strong border integrity. Given the ongoing consequences of the conflict, the Government is also streamlining biosecurity border processes to help get fertiliser to farmers faster.

Together, these efforts are simplifying trade and easing regulatory burdens for more Australian businesses, strengthening competitiveness and enhancing productivity

Building a single national market

Under National Competition Policy, the Government is working with the states and territories to create a single national market for goods, to allow products to move freely and seamlessly across borders without entering a new regulatory system. These reforms will boost long-run GDP by around $13.0 billion a year, once fully implemented. New reforms include working with the states and territories on targeted harmonisation of retail tenancies, agricultural and veterinary chemicals regulation and payroll tax administrative arrangements. This builds on existing reforms including recognising trusted overseas and international standards for product safety, and work with states and territories to harmonise standards for building and construction, waste and recycling, and household electrical consumer products.

The Government is also working to create a single national market for workers, including progressing national licensing, prioritising the electrical and engineering occupations, and establishing a national approach to worker screening in the care and support economy.

Making it easier to engage with government

Modernising and simplifying our financial system frameworks and data communications helps reduce unnecessary red tape, streamline data collection and improve coordination across the financial system. The Government is continuing to make engagement easier and quicker through reforms such as:

- expanding the Digital ID as a simple and secure way for Australians to verify their identity and access 255 government services online, delivering efficiencies and fraud reduction benefits across government and accredited private sector providers
- extending the operation of the Consumer Data Right (the CDR), including to explore the potential for taxpayers to safely share their ATO-held data; and, in a pilot with industry, investigating whether using the CDR and Digital ID programs can better protect renters' personal information while making rental applications easier
- progressing reforms to deliver a tell us once approach that reduces the amount of time Australians spend providing the same information across different areas of government
- strengthening digital authentication and continued investment in business registry stabilisation and uplift, including linking Director IDs to ASIC's Companies Register, making it easier to start new businesses and update and access information on Australia's businesses, and
- rebuilding ABN and Super Fund Lookup services, and improving synchronisation between ASIC and the Australian Charities and Not-for-profits Commission registers, to improve data quality, system reliability and access to trusted information for compliance and due diligence.

Driving ongoing regulatory reform

The Government is undertaking reforms to continuously improve and modernise regulation, while ensuring essential protections remain effective over time, including developing regular Regulatory Reform Omnibus Bills to build on the 60 measures legislated in 2025.

Regulatory deep dives are being progressed in priority areas – the financial sector, tax, young firms and business dynamism, housing, higher education regulation, the national construction code, data centre approvals and 'white tape' – to strengthen regulatory systems while reducing burden.

The Government is also embedding productivity in regulatory practice and performance by updating Ministerial Statements of Expectations and will improve the Impact Analysis framework, from 1 July 2026, to ensure key regulatory policies are better shaped by more timely and concise analysis.

Accelerating approvals

Faster and more predictable approval processes encourage private investment and can support the uptake of new technologies. By making it easier to seek environmental approvals, upgrade telecommunications infrastructure and attract foreign investment, the Government is also helping speed up work on new projects.

Faster environmental approval processes

The *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) and regulations are Australia's main national environmental legislation. The Government's landmark 2025 reforms to the EPBC Act will make project assessments clearer, faster and more consistent, while strengthening environmental protections and enabling better cooperation with states and territories. Streamlining assessment pathways is estimated to reduce regulatory burden by up to $6.9 billion each year. The Government is investing more than $500.0 million to implement these reforms:

- ongoing funding to establish the new National Environmental Protection Agency as a statutory agency from 1 July 2026, responsible for enforcing environmental laws, conducting audits, strengthening environmental protection and streamlining project approvals
- $105.9 million to enable simpler and faster environmental approvals through better access to environmental information and data and by deploying AI
- $47.6 million to progress bilateral agreements with states and territories, to enable states to conduct assessments and approvals on the Commonwealth's behalf, to reduce duplication and ensure more efficient processing of environmental approvals
- $36.9 million to bolster the Nature Repair Market to enable biodiversity certificates to also be used as environmental offsets
- $28.0 million to further support forestry operations under Regional Forest Agreements to meet the new regulatory requirements

- $26.4 million for the Department of Climate Change, Energy, the Environment and Water and the National Environmental Protection Agency to work with the states and territories to develop new bioregional plans and strategic assessments which will fast-track approvals in priority areas including housing, renewable energy and critical minerals

- $13.2 million to establish the new Restoration Contributions Holder, and

- funding to support the states and territories to implement bioregional plans and strategic assessments in priority areas.

Telecommunications infrastructure

The Government will modernise the *Telecommunications Act 1997* and the *National Broadband Network Companies Act 2011* to improve the rollout of fibre and new telecommunications infrastructure, enable the removal of redundant facilities and enhance National Broadband Network services in multi-dwelling and commercial buildings. This will support further investment in digital connectivity.

Streamlining and strengthening foreign investment

Further streamlining of the foreign investment framework will reduce barriers for low-risk investments and accelerate low-risk approvals. The reforms will also strengthen tools to identify and manage risks and non-compliance. The net direct regulatory burden will reduce by up to $16 million each year.

Clearer consultation requirements for offshore resources projects

This Budget invests in legislative reforms that reduce regulatory duplication and clarify community consultation requirements necessary for offshore resources projects, providing more certainty for investment and better consultation outcomes for local communities, including First Nations communities. This will speed up assessment timeframes, reduce regulatory compliance costs and provide greater legal certainty for titleholders and regulators.

Establishing a single entry point for Commonwealth project facilitation

The Investor Front Door will become the single entry point for projects seeking Commonwealth regulatory and investment facilitation through consolidating the Major Projects Facilitation Agency and the major project investment facilitation functions of the Net Zero Economy Authority into the Investor Front Door, as part of the Government's Future Made in Australia effort to attract and accelerate nationally significant investments. It will work with states and territories to set target timeframes for pilot projects. The Government is also strengthening the Investor Council to support the Investor Front Door to prioritise investment proposals, coordinate public financing and provide a forum to share information on the broader regulatory and investment landscape.

Building more homes

The Government is providing $2 billion for a new stream of the Housing Support Program – the Local Infrastructure Fund – to help local governments and state utility providers build the critical 'last mile' infrastructure needed to support new housing developments. This funding will support up to 65,000 homes over ten years. This funding is available in states and territories that commit to further reforms to drive productivity in the housing sector and support further increases to housing supply. This includes speeding up and simplifying approvals, making more land available and ready for new homes and delivering a simpler National Construction Code. These changes could support tens of thousands more homes across Australia and an estimated regulatory save of up to $3 billion a year, based on a scenario in which regulatory costs are reduced by 10 per cent.

Simplify building regulations

The Government is making all mandatory Australian standards free, including across construction, occupational health and safety, and product safety, saving small electrical, plumbing and construction firms up to $1600 in access fees. This measure will also help improve the quality and safety of goods and services for consumers.

Simplifying building regulations reduces building costs and improves construction productivity. Under National Competition Policy, the Government is delivering new agreements with states and territories to remove barriers to modern methods of construction in housing and streamline commercial planning and zoning regulations

Modernising energy markets

The Government is working collaboratively with states and territories to pursue some of the most significant reforms to Australia's energy markets since the establishment of the National Electricity Market (NEM) in the 1990s.

In November 2024, the Australian Government commissioned an independent review of the NEM wholesale market settings. In December 2025, the Government welcomed the expert panel's recommended range of reforms, which are focused on strengthening market incentives and preserving competition to support an orderly and efficient transition to renewable energy.

If agreed by all states and territories and implemented, the Review's recommendation would:

- address key barriers to investment by strengthening long term price signals
- improve competition by levelling the playing field between vertically integrated 'gentailers' and other generators and retailers and
- enable greater participation of smaller scale resources such as rooftop solar and household batteries in the wholesale market.

At the 8 May Energy and Climate Change Ministerial Council, a strong majority of Energy Ministers agreed to develop a legislative package to implement measures recommended by the NEM review panel and continue the preparatory work related to the establishment of the Electricity Services Entry Mechanism and Market Making Obligation.

The Government is taking action to enable these reforms, which complement its broader energy strategy, including actions taken in this Budget. By establishing a Consumer Energy Resources National Technical Regulator, we will set the technical requirements to allow consumers to benefit from their solar, batteries and EVs supporting the grid. Over 370,000 batteries have been installed through the Cheaper Home Batteries program, complementing the 4.3 million solar PV systems on Australian rooftops. The coordination of households batteries and, in future, vehicle-to-grid could reduce system costs by over $7.0 billion to 2050.

These reforms contribute to the Government's broader National Competition Policy agenda and build on the establishment of the NEM through the Hilmer National Competition Policy reforms in 1994.

They complement reforms to gas and liquid fuel markets, such as the Domestic Gas Reservation, which will provide Australians with greater energy sovereignty, strengthening supply security and building resilience against volatile international markets.

Better recognising skills

The Government is investing $85.2 million to deliver faster skills assessments for migrant trades workers and to accelerate occupational licensing. Once implemented, these changes could cut the time taken to enter the workforce by up to 6 months and facilitate up to an additional 4,000 skilled trades workers into the workforce per year.

As part of this investment, Trades Recognition Australia will deliver a new program of skills assessments for onshore visa holders, ensuring their existing qualifications and practical trade experience are recognised for the purposes of gaining employment and meeting workforce shortages.

The Government is also reforming the permanent migration points test, to select better educated, higher-skilled and younger migrants overall.

University students with relevant vocational education and training (VET) qualifications will have the length and cost of their study reduced through the development of a National Credit Recognition Framework. The Australian Tertiary Education Commission will develop the Framework to strengthen the recognition of VET qualifications and reduce unnecessary repetition. Almost 25,000 students started a bachelor degree in 2024 through a VET pathway, with many moving into priority skills areas including nursing, teacher education and construction.

The Government is also helping teachers access high-quality evidence-based teaching supports, as identified in the Productivity Commission's recommendations on building a skilled and adaptable workforce.

Unlocking the data and AI opportunity

The Government is ensuring all Australians benefit from AI by continuing to progress actions under the National AI Plan. These include:

- accelerating the development and commercialisation of AI by Australian researchers and businesses by making up to $70m available through upcoming rounds of the Cooperative Research Centres (CRC) and CRC-P program starting in 2026 and 2027 for an 'AI Accelerator'
- launching AI.gov.au – the trusted, practical resource to help organisations understand, plan for and use AI responsibly.
- improving service delivery and efficiency across public sector agencies, including accelerating environmental approvals and piloting an AI-enabled digital tool to improve the use of the National Construction Code
- advancing data policy by acting on the Statutory Review of the Data Availability and Transparency Act 2022 to better support government data sharing
- aligning data centre investment with Australia's national interests by setting expectations for data centre developers
- developing collaborative arrangements with leading international and domestic AI and technology companies, including two Memoranda of Understanding with major tech companies Anthropic and Microsoft, and
- working collaboratively to keep Australians safe under existing regulatory frameworks, including by establishing the AI Safety Institute and through the Copyright and Artificial Intelligence Reference Group and the AI Employment and Workplaces Forum.

Investing in science and innovation

In this Budget, the Government is significantly improving its investment in R&D. The *Ambitious Australia: Strategic Examination of Research and Development* final report highlighted the critical role of R&D in fuelling innovation and productivity improvements across the economy, and that more can be done to get value from Government investment.

To help guide the Government's more-than $39.0 billion investment in R&D, this Budget establishes a new National Resilience and Science Council. This will provide strategic oversight of key innovation investments to better align them with Australia's economic objectives, and will advise on the Government's ongoing response to *Ambitious Australia*.

The Government is committing $1.5 billion to strengthening our science capabilities and institutions, including the Commonwealth Scientific and Industrial Research Organisation, the National Measurement Institute, the Australian Space Agency and the Square Kilometre Array. Sustaining Australia's science and research capabilities will power future productivity and build economic resilience.

Work is also progressing to reform registration requirements so that universities can achieve research specialisation in chosen areas of focus. This will enable universities to build scale in areas of comparative and competitive advantage. Reduced research compliance pressures will allow for greater investment in undergraduate teaching and learning in non-research-intensive disciplines

The Government is advancing a forward-looking vision for financial innovation, tokenisation and payments reform to support regulatory coordination, industry adoption and the productivity agenda. The Government will maintain momentum on initiatives delivered this financial year by regulators establishing a regulatory sandbox to support testing of use cases for tokenised assets, strengthening regulator-industry cooperation, analysing the market for a tokenised government bond, and developing a new strategic plan for the payments system.

The reforms to R&D funding programs are complemented by tax reforms targeted at unlocking investment and promoting innovation by Australian businesses. The reforms to the Research and Development Tax Incentive will better target the incentive and unlock $400.0 million more investment in R&D by young firms each year. Reforms to the treatment of losses, expanding venture capital incentives and making the $20,000 instant asset write-off permanent will support resilience, investment and risk taking.

Tax reform for workers, businesses and future generations

This Budget includes a comprehensive tax reform package that represents the most significant transformation of Australia's tax system in more than a quarter of a century.

The package is designed to deliver tax cuts for working Australians, enable more Australians to realise the goal of home ownership, and strengthen incentives for investment and innovation (see *Statement No. 4: A Better Tax System for Workers, Businesses and future generations*).

The Government's tax reforms are structured in three parts:

1. A fairer tax system for workers, first home buyers and future generations
2. A better tax system for business that rewards investment and innovation, and
3. A simpler and more sustainable tax system.

The package builds on the Government's significant tax reforms to date and is broadly revenue neutral over the forward estimates, with revenue returned to workers and businesses.

Box 1.2 The need for a better tax system

As highlighted in successive intergenerational reports, as the population ages there will be a higher tax burden on a declining share of working age Australians. At the same time, current tax settings make it harder for many Australians, including young Australians, to get into the housing market.

Homeownership rates have declined over recent decades, especially for younger Australians. Since 1999, housing prices have risen more than twice as fast as average full-time earnings and, since 2001, the home ownership rate for households 25 to 34 years old has declined by 7 percentage points – meaning only around 44 per cent of households 25 to 34 years old owned their own home in 2021.

The Government has a significant agenda to boost housing supply, including new measures in this Budget, and is supporting first home buyers into the market through the expanded 5% Deposit Scheme and Help to Buy. However, tax settings also play a role in housing affordability. The 50 per cent capital gains tax discount and negative gearing provide generous incentives for investors, which have added to demand for property and contributed to higher housing prices over time. This has come at the expense of owner-occupiers, making it harder for more Australians to own their own home. These tax settings distort investment toward more leveraged investment in existing homes and are poorly targeted when it comes to supporting new housing supply. The 50 per cent discount also poorly approximates the inflation component of returns, meaning investors can be undercompensated or overcompensated for inflation across a range of asset types.

There are also fairness and sustainability considerations around the use of discretionary trusts, with the number of discretionary trusts more than doubling over the past 20 years. While there are legitimate reasons to use trusts, such as succession planning and asset protection, these arrangements provide opportunities to pay a lower rate of tax that are not available to most workers. The wealthiest 10 per cent of households hold over 90 per cent of the value of private trusts, the majority of which are discretionary trusts.

Tax settings are a key factor in shaping productivity outcomes. Australia's productivity growth has also slowed over the last two decades, in part due to weaker business investment and declining business dynamism. This has implications for Australia's long-term economic prosperity, real wage growth and the living standards of current and future generations. It also affects the resilience of our economy, including our ability to manage shocks like the energy price shock that is occurring due to the current Middle East crisis.

Simplifying and modernising the tax system is also important to reduce compliance costs and support stable and efficient revenue to fund the essential services Australians rely on.

A fairer tax system for workers, first home buyers and future generations

The Government's priority when it comes to tax is delivering tax cuts to Australian workers so they can keep more of what they earn. The first part of the Government's tax reform package rebalances the tax system to take the pressure off workers and help level the playing field for first home buyers.

Cutting taxes for workers

The Government is delivering another tax cut for Australian workers by introducing the Working Australians Tax Offset (WATO). The WATO will provide an annual tax offset of up to $250 for income earned by Australian workers from the 2027–28 income year. This increases the effective tax-free threshold by nearly $1,800 to $19,985 for workers (or up to $24,985 for workers eligible for the Low Income Tax Offset) – the largest permanent increase in the effective tax-free threshold since 2012–13. The WATO will benefit over 13 million Australian workers and deliver further, meaningful cost-of-living relief. Around 6.3 million women will benefit from the WATO in 2027–28.

The WATO complements the first round of tax cuts the Government provided in the 2024–25 Budget, and the new tax cuts for every Australian taxpayer announced in the 2025–26 Budget that will come into effect over this year and next year.

The WATO will help Australian workers to keep more of what they earn. Combined with the first three tax cuts already legislated, an Australian worker on average earnings ($81,245) will receive a tax cut of $1,978 in 2026–27 and $2,496 per year from 2027–28, compared to 2023–24 tax settings.

The Government is also implementing a $1,000 instant tax deduction for workers from the 2026–27 income year. This will deliver lower, simpler taxes for 6.2 million workers with an average tax benefit of $205. The combined benefit of the Governments tax cuts and instant deduction for an Australian worker on average earnings could be up to $2,816 for the 2027–28 income year relative to 2023–24 tax settings.

The Government's tax cuts return bracket creep by lowering average tax rates for working Australian taxpayers, especially for low- and middle-income workers. An Australian worker on average earnings is expected to pay up to $38,977 less tax from 2024–25 to 2036–37, relative to 2023–24 settings. The average tax rate for an Australian worker on average earnings who receives the average benefit of the instant tax deduction will fall from 21.9 per cent in 2023–24 to 20.2 per cent in 2027–28, and is not expected to exceed 2023–24 levels until 2032–33 – three years later than under 2024–25 settings. The average tax rate across all taxpayers will fall from 25.5 per cent in 2023–24 to 24.7 per cent in 2027–28.

The WATO is estimated to decrease receipts by $6.4 billion over the five years from 2025–26. The instant tax deduction will cost $2.6 billion over the five years from 2024–25, with the financial impacts of this measure already provided for. The Government will also increase the Medicare levy low-income thresholds by 2.9 per cent for singles, families, and seniors and pensioners from the 2025–26 income year, providing further cost-of-living relief. This measure is estimated to decrease receipts by $450.0 million over the five years from 2025–26.

Reforming negative gearing and capital gains tax

To help level the playing field for first home buyers, from 1 July 2027 the Government will limit negative gearing for residential property to new builds that genuinely add to housing supply. Properties held at 7:30pm (AEST) 12 May 2026 will be exempt, so arrangements will not change for existing investors. Investments that support government housing programs, for example, through the provision of affordable housing, will also be exempt.

The CGT rules will also be amended from 1 July 2027. The 50 per cent CGT discount for individuals, trusts and partnerships will be replaced with cost base indexation and a 30 per cent minimum tax rate. Cost base indexation will ensure that in future, only real capital gains are subject to tax, encouraging investment to flow to where it's most productive. The minimum tax will complement these changes by reducing incentives to hold onto assets to realise a gain when it's most tax advantageous. The minimum tax will also support more consistent taxation of lifetime income by aligning the tax rate on real capital gains with the marginal tax rate faced by the average worker. Transitional arrangements will limit the impact on existing investments, with the new arrangements only applying to gains arising after 1 July 2027. Investors who acquire new homes will be able to choose either the 50 per cent CGT discount or the new arrangements when they sell the property.

The reforms to negative gearing and CGT are prospective and respect previous investment decisions, and will not impact the main residence CGT exemption or superannuation tax arrangements. The Government will consult with stakeholders on key details of the capital gains tax reforms, including the treatment of early-stage and start-up businesses given the unique features of the tech and start-up sector.

These changes are expected to support around 75,000 additional first home buyers into the market over the next decade. Combined with additional housing supply measures, this Budget will support up to 30,000 new homes over the same period, and more as the benefit of productivity-enhancing reform flows through into the housing market.

Fairer tax arrangements for discretionary trusts

From 1 July 2028, the Government will introduce a 30 per cent minimum tax on discretionary trusts. The tax will be paid by the trustee as it is the trustee that controls distributions. Beneficiaries will still need to declare the income in their tax returns, but beneficiaries, other than corporate beneficiaries, will receive non-refundable credits for the tax payable by the trustee, which can be used to offset current year income tax liabilities. The minimum tax will mean a fairer rate of tax is paid on income from discretionary trusts, more closely aligning the tax rates for trusts with the rates paid by workers who earn a living from wages.

Fixed trusts (including fixed testamentary trusts) will not be subject to the minimum tax, providing an alternative vehicle to access the benefits of succession planning and asset protection. The minimum tax will also not apply to other types of trusts including widely held trusts, complying superannuation funds, special disability trusts, deceased estates and charitable trusts. Some types of income such as primary production income, certain income relating to vulnerable minors, amounts to which non-resident withholding tax applies, and income from assets of discretionary testamentary trusts existing at announcement will also be excluded.

Rollover relief will be available to assist small businesses and others that wish to restructure out of discretionary trusts into another entity type, for example a company or fixed trust. This will provide relief from income tax consequences of restructuring, including tax on capital gains, and will be available for three years from 1 July 2027. The Government will consult with stakeholders on key details of this policy including the mechanism for collecting the minimum tax on trusts, how trustees use excess franking credits and details of rollover relief for restructuring.

These reforms will make the tax system fairer and more sustainable, and help fund tax cuts as well as the essential services Australians rely on.

A better tax system for business

The Government's tax reform package will support a more dynamic and resilient economy by encouraging sensible risk-taking, helping firms manage temporary shocks and supporting investment and innovation. The package includes over $3.5 billion of new measures that lower taxes for businesses. These reforms provide a more consistent tax treatment for investment and support economic growth and jobs.

Boosting resilience and dynamism

The current tax treatment of losses discourages risk taking and entrenches advantages for large and incumbent firms. Limited access to the value of tax losses makes it harder for new and innovative firms to compete against incumbent firms, who can often offset losses against profits from another part of their business. It also limits their resilience during economic shocks.

To support improved cash flow for businesses facing temporary losses, the Government will introduce permanent two-year loss carry back for all companies with up to $1.0 billion in turnover. Eligible companies with a tax loss will receive a refund of tax paid in prior years, providing timely support when losses occur. The measure will take effect from income years after 1 July 2026, supporting businesses as they manage the impacts of the conflict in the Middle East.

The introduction of loss carry back is expected to directly benefit up to 85,000 companies each year. This measure is estimated to reduce receipts by $2.3 billion over five years from 2025–26.

In addition to this reform, from 1 July 2028, the Government will introduce loss refundability for small start-up companies, to help new businesses invest and grow in their first two years. Refundability will be capped at the amount of FBT and withholding tax paid on employee wages. The measure will support up to 25,000 new businesses each year.

Firms that cannot, or do not elect to, exchange their tax losses for a refundable offset can continue to carry them forward as normal. The measure will support young firms to employ Australian workers and support job creation. It will give young firms greater confidence to take sensible risks to innovate and drive growth. This measure is estimated to increase payments of refundable tax offsets by $410.0 million over the five years from 2025–26.

Introducing loss carry back and allowing start-ups to access a refundable tax offset will help promote dynamism and sensible risk-taking by lowering the effective tax rate on new, risky investments, and improve the resilience of firms during temporary downturns in business conditions.

Expanding venture capital incentives

Venture capital firms support the diffusion of innovation through investment and sharing knowledge, advice and professional networks. Tax incentives support venture capital investment in startups and high-growth businesses in recognition that these businesses can struggle to access traditional forms of commercial funding and often need 'patient' capital to meet long investment timeframes. However, some asset and fund size caps to access these tax incentives have not been updated in decades.

From 1 July 2027, the Government will help unlock more foreign and local investment in venture capital by adjusting these asset and fund size caps to compensate for inflation since they were last set. This will help to ensure that incentives align with modern company valuations. This measure is estimated to decrease receipts by $10.0 million and increase payments by $14.7 million over the five years from 2025–26.

Better targeting the Research and Development Tax Incentive

The Research and Development Tax Incentive (R&DTI) encourages innovative activities that support Australia's productivity. However, the current program is complex and expensive. Over the five years from 2019–20, the cost of the R&DTI has grown by around 70 per cent to be $4.4 billion in 2023–24.

The recent *Ambitious Australia Report* found that the R&DTI can be reformed to better target its objectives and to address concerns around program complexity and cost. In response, from 1 July 2028, the Government will simplify and better target the R&DTI to focus support to where it is most effective at encouraging additional research and development. Key reforms include:

- increasing the offset for experimental 'core' R&D – uncertain, experimental work conducted to generate new knowledge – by around 25 to 50 per cent and removing eligibility for expenditure that only supports R&D. The intensity threshold will reduce from 2 per cent to 1.5 per cent, providing higher offsets to firms undertaking substantial core R&D. Expenditure on supporting activities – such as literature review and equipment maintenance – will no longer be eligible.

- providing greater support to young, fast-growing firms by increasing the turnover threshold for the higher, refundable offset to $50.0 million. Refundability will be limited to firms operating less than ten years, with older firms eligible for an equivalent, non-refundable offset.
- increasing the maximum expenditure threshold to $200.0 million, encouraging Australia's largest R&D businesses to keep their R&D onshore, and
- improving assurance around small claims by increasing the minimum expenditure threshold to $50,000, with R&D below this required to be undertaken with a Research Service Provider or Cooperative Research Centre.

These reforms to the R&DTI will improve the sustainability and impact of the program. The reforms are estimated to provide savings of $650.0 million over the five years from 2025–26 while delivering an estimated $400.0 million increase in R&D by young firms each year. The savings from these reforms will help fund business tax reforms that support the wider innovation and business investment ecosystem.

Making the small business instant asset write-off permanent

The Government will make the $20,000 instant asset write-off permanent from 1 July 2026 – giving small businesses certainty that they can rely on this measure into the future. This measure will improve cash flow and reduce compliance costs by allowing eligible small businesses with aggregated annual turnover of less than $10.0 million to continue to immediately deduct assets costing less than $20,000 rather than depreciating them over several years. This measure is estimated to reduce receipts by $890 million over the five years from 2025–26.

A simpler and more sustainable tax system

The Government's tax reform package includes substantial reforms that make it simpler for workers and businesses to engage with the tax system, while improving the sustainability of the system to help fund the services Australians rely on.

Making tax easier for workers and small businesses

The introduction of a $1,000 instant deduction for work-related expenses will allow workers to reduce their taxable income by up to $1,000 without providing receipts when they lodge their 2026–27 and future tax returns. This will help workers cut back on paperwork and save them time and money at tax time. The ATO estimates the measure will collectively save individuals $380 million in compliance costs each year.

Making the $20,000 instant asset write-off permanent will benefit small business whether they are a sole trader, a partnership, or run through a trust or company, and is particularly valuable for sole traders who often face higher administrative burdens relative to their size. This measure is estimated to reduce compliance costs for small businesses by around $32.0 million per year.

The Government will also work with the ATO to make it easier for businesses to manage their cash flow and comply with their tax obligations by expanding businesses' access to the dynamic PAYG instalment pilot. This allows businesses to vary their instalments, without risk of interest changes, based on more up-to-date business conditions by using an ATO-approved dynamic instalment calculation embedded in their business accounting software. This will support businesses to better manage cash flow as economic conditions change, releasing funds when times are tough and preventing debts when conditions improve.

To support the more effective adoption of dynamic instalments, from 1 July 2027 the Government will also provide businesses with flexibility to opt-in to reporting and paying PAYG instalments monthly, so that their instalments adjust more quickly to real-time business conditions. This measure will increase receipts by $75.0 million and increase payments by $17.2 million over the five years from 2025–26, and is expected to save businesses approximately 10,000 hours and $850,000 annually in reduced compliance costs.

The Government's nuisance tariff abolition will further streamline trade and save businesses $157 million in compliance costs per year, with consultation on abolition of additional tariffs.

More sustainable tax settings for electric vehicles

The Government is adjusting settings of the electric car discount to maintain incentives for the shift to electric vehicles while transitioning to more sustainable settings for the longer term.

The Government will transition the arrangements to support electric cars to a permanent 25 per cent fringe benefits tax (FBT) discount, for eligible electric cars over $75,000 from 1 April 2027 and for all eligible electric cars from 1 April 2029. Electric cars costing up to $75,000 will continue to receive a full FBT exemption provided the fringe benefit arrangement commences before 1 April 2029.

These new arrangements continue targeted support for the shift to electric cars, while ensuring the sustainability of the system in the long term, and reflect the recommendations of the statutory review of the electric car discount policy.

Strengthening care and broadening opportunity

The Government is strengthening Australia's care systems to help ensure every Australian has access to high-quality care and support. The Government is also investing to improve outcomes for First Nations Australians, drive progress on gender equality and continue to support veterans.

Securing the NDIS for future generations

The Government is taking the next steps to restore the NDIS to its original intent of supporting people with permanent and significant disability. The reforms in this Budget will deliver quality services and supports, clarify eligibility requirements, slow rapid cost increases and address fraud and rorts.

These reforms are expected to reduce growth in NDIS payments by $37.8 billion over the next four years. The NDIS will continue to grow each year and remain Australia's largest social program outside of the Age Pension.

Delivering quality services and supports to participants

NDIS market settings have resulted in provider viability challenges, variable quality and poor outcomes for some participants.

To address these dynamics, the Government will provide $49.4 million over four years for the National Disability Insurance Agency (the NDIA) to commission plan management, support coordination and home and living supports for Supported Independent Living participants to ensure participants receive the best supports and to address provider viability challenges. The NDIA will also introduce differentiated pricing for some supports delivered by unregistered providers.

The Government is also investing $200.0 million over three years to establish an Inclusive Communities Fund to rebuild capability among community organisations to host genuine participation activities.

Setting clearer eligibility requirements

In line with the Scheme's original intent, the Government will reform NDIS access so that it is based upon a substantial reduction in a person's functional capacity that impacts their day-to-day living. The Government will design a standardised, evidence-based assessment of functional capacity to determine scheme access. To support design, the Government will provide $19.2 million over four years to establish a Technical Advisory Group and to ensure Disability Representative Organisations can facilitate community consultation on the reforms.

Slowing rapid cost increases

Unscheduled reassessments have been a major driver of spending growth in the NDIS, with the average result of a reassessment being a 20 per cent increase in plan value. To address these issues, the reforms will tighten criteria around plan reassessments and strengthen guidance on what are reasonable and necessary supports. Budgets for social, civic and community participation and capacity building daily activities will be reset and New Framework Planning will deliver more equitable, consistent and sustainable participant plans from 1 April 2027.

Fighting fraud and stopping rorts

To improve safety and protect participants, the Government will invest $821.2 million over four years to expand the mandatory registration of providers, introduce a new enrolment system to increase oversight of payments, continue the Fraud Fusion Taskforce and strengthen the NDIA's investigative and enforcement capabilities. Fraud and non-compliance undermines the social licence of the NDIS and has a direct and devastating impact on the lives of participants and their families.

Strengthening the broader system of community disability supports

In this Budget, the Government is investing $2.0 billion to deliver Thriving Kids, with funding to be matched by states and territories. Thriving Kids will provide a national system of support for children aged 8 and under who have developmental delay or autism with low to moderate support needs through services in settings where children and families live, learn and play. The Government has also provisioned a further $3.0 billion over five years to establish Foundational Supports outside the NDIS, to be matched by states and territories as agreed by National Cabinet.

Better care for older Australians

This Budget invests $3.7 billion to increase the supply of residential aged care accommodation, accelerate the release of Support at Home packages and enhance the quality and affordability of aged care services.

Quality, affordable residential care

In response to the Residential Aged Care Accommodation Pricing Review, the Government will introduce measures to incentivise construction of up to 5,000 aged care beds a year for aged care residents and protect equity of access for supported residents – those with limited financial means.

This Budget invests $606.5 million over four years from 2026–27 to introduce new capital subsidies for aged care providers who build or expand residential accommodation, deliver up to 20 additional Specialist Dementia Care Program units and expand the Hospital to Aged Care Dementia Support program from 11 to 20 locations nationally.

The Budget also provisions $1.1 billion for future spending to increase and restructure the Accommodation Supplement and introduce an additional payment for homes with more than 60 per cent supported residents.

Easier access to quality care

The Government is providing $1 billion to make personal care services, such as showering, in the Support at Home program free of charge, alongside clinical care. These changes build on the Government's aged care reforms that have codified the rights of older Australians in law and established a system to deliver safe, dignified and high-quality care for an ageing population.

The Government is also providing $389.8 million over four years from 2026–27 to implement Support at Home program refinements, including to assessments, hardship applications and the end-of-life pathway, and to bring forward the release of Support at Home program places in 2026–27.

Continuing to improve care

This Budget will also deliver $565.1 million to strengthen regulatory, governance and quality arrangements, sector viability and workforce supports to provide better aged care for older Australians.

Strengthening Medicare

This Budget includes an additional $3.5 billion to strengthen Medicare including through new investments in Medicare Urgent Care Clinics and My Health Record, bringing the total to $27.8 billion since October 2022. Alongside these investments in Medicare, the Government is increasing funding for public hospitals by $25.0 billion over the next five years.

Improving access to bulk billing and urgent care

This Budget provides $1.8 billion over five years from 2025–26 (and $580.2 million per year ongoing) to secure the future of Medicare Urgent Care Clinics as a permanent feature of Australia's health system. This builds on previous investments to expand the total network to 137 clinics across Australia. The network has already delivered almost 3 million free visits nationwide. By July 2026, four in five Australians will live within a 20–minute drive of their local Medicare Urgent Care Clinic.

The Government has invested $11.4 billion to incentivise bulk billing, with a goal of ensuring nine out of ten GP services are bulk billed by 2030. Since the Government's recent bulk billing reforms commenced on 1 November 2025, 3,761 practices across Australia have registered as fully bulk billing, with 1,420 of these general practices previously mixed billing. The national GP bulk billing rate has risen to 81.4 per cent in the period November 2025 to January 2026, an increase of 4.3 percentage points compared to the same period 12 months earlier.

This Budget also provides an additional $25.3 million in targeted funding to lift bulk billing rates in the Central Coast, Newcastle, Lake Macquarie and Hunter regions, an area with historically low bulk billing rates. Up to six new fully bulk billing GP clinics will ensure locals and families have greater access to free primary care.

Modernising health care with digital and telehealth services

As part of its commitment to Thriving Kids, the Government is investing $85.5 million to develop and deliver a national phone line to provide parents and families with information and advice on child development.

Funding of $598.3 million will support the digital health reform agenda through My Health Record, providing easy, more secure data sharing and continuing reforms to share by default.

Broadening opportunity and increasing equality

This Budget builds on the Government's work to lower barriers to participation and progress economic inclusion. The Government is investing in economic empowerment for First Nations Australians, better outcomes for women and families, and supporting veterans' care and wellbeing.

Investing in First Nations communities and Closing the Gap

The Government is continuing to work with First Nations Partners and communities to deliver on its commitments to Closing the Gap. This Budget, the Government will invest $1.2 billion over five years from 2025–26 in measures to accelerate progress on Closing the Gap commitments and deliver better outcomes for First Nations Australians.

Jobs and economic empowerment

The Government is investing an additional $299.0 million to double the successful Remote Jobs and Economic Development Program. This funding will expand the program from 3,000 to 6,000 new jobs, delivering the dignity of work with decent pay and conditions for First Nations Australians living in remote communities.

Easing the cost-of-living for remote communities.

The Government is investing additional funding to strengthen cost-of-living support in remote communities. This includes $27.4 million to expand the Low-Cost Essentials Subsidy Scheme to all 225 remote stores around Australia, enabling more stores to deliver cost-of-living relief for 30 essential grocery items. An additional $32.7 million is also being invested to expand the Store Efficiency and Resilience Package to an additional 75 remote stores. This investment will ensure remote communities have reliable access to nutritious food and groceries all year round.

Investing in culturally safe health care

Culturally safe health care remains a priority. The Government is investing $144.1 million for health infrastructure across the Aboriginal Community-Controlled Heath Services (ACCHS). This funding will continue to improve health infrastructure across the ACCHS sector, building on over 100 projects delivered or currently underway.

The Government is providing a further $44.4 million for the successful Birthing on Country program, which provides culturally-safe maternal care to 1,100 mothers and their babies each year.

An additional $18.9 million will be provided to 13YARN, to establish a text message service and expand culturally safe crisis support, to support social and emotional wellbeing.

The recently agreed public hospital reforms will embed the Government's commitment to Closing the Gap in the health system through a First Nations schedule in the NHRA Addendum. As part of these reforms, the Government is committing almost $250.0 million in dedicated funding for new, co-designed programs to improve health outcomes for First Nations Australians, with $200.0 million matched by states and territories. This is part of the Government's additional $25.0 billion investment for public hospitals.

Improving educational outcomes

The Government is investing $113.0 million. to improve educational outcomes, including funding for the Clontarf Foundation to extend its young men's program for the 2027 and 2028 school years. Funding will also be provided to the Indigenous Boarding Provider grants program for rural and remote First Nations students for a further two years.

Supporting women and advancing gender equality

The Government is continuing to support women, helping advance gender equality and growing their participation in the workforce. The gender pay gap is at an historic low and women's workforce participation reached record highs in 2025.

A safer and more effective Child Support Scheme

The Government is committing $182.6 million to strengthen the Child Support Scheme so children get the financial support they need and women are protected from conflict and abuse. These changes will help prevent the child support system being weaponised by perpetrators of Family and Domestic Violence.

Supporting families and children

More than one million Australian families have benefited from the Government's $4.7 billion investment into Cheaper Child Care and further major reforms to help families balance work and care come into full effect in 2026. The 3-Day Guarantee, which commenced in January 2026, provides further support, entitling eligible families to three days of subsidised child care per week, regardless of activity levels.

On 1 July 2026, the Australian Government's Paid Parental Leave scheme will be expanded to six months, with eligible families being $14,000 better off than they would have been in 2022. This builds on the introduction of superannuation contributions on Paid Parental Leave that began in 2025.

The Government is investing an additional $171.7 million to expand support services for children and families in need. This includes the new Children and Family Support program which will deliver better outcomes for up to 270,000 children and families per year.

Better health care for women

The Government is continuing to support women's health by delivering cheaper medicines. In this Budget, Keytruda® has been listed on the PBS to treat cervical cancer. In 2025, 946 new cases of cervical cancer were diagnosed. Without the PBS subsidy, patients could pay more than $15,400 per script.

It is now easier for women to access and afford long-acting reversible contraceptives (LARCs). The Government is investing $2.7 million to list new items on the Medicare Benefits Schedule for participating midwives to provide LARC services. This measure is expected to deliver 4,600 patient services annually.

As part of the extension of the National Mental Health and Suicide Prevention Agreement, the Government is also providing funding to extend the work to achieve universal perinatal mental health screening.

Helping women earn more

The Government has delivered higher wages for women in historically undervalued sectors, investing $17.7 billion and $3.6 billion for pay rises in the female-dominated aged care and child care sectors respectively. The Government continues to support the Fair Work Commission's Gender Undervaluation – Priority Awards Review, with further decisions expected to be finalised this year.

Addressing violence against women, children and families

Since 2022, the Government has invested over $4.4 billion to deliver the National Plan to End Violence against Women and Children.

The Government has delivered Australia's first standalone plan to end violence against First Nations women and children. On 10 February 2026, funding of $218.3 million was announced for a national network of up to 40 Aboriginal Community-Controlled Organisations to deliver the *Our Ways – Strong Ways – Our Voices: National Aboriginal and Torres Strait Islander Plan to End Family, Domestic and Sexual Violence 2026–2036* program.

Continuing to support veterans

Alongside investments in health and care, the Government is also making changes to improve the sustainability of veterans' allied health by introducing an annual cap for allied health services. The Government will reinvest $169.7 million to increase fees paid by the Department of Veterans' Affairs to allied health providers, as recommended by the Royal Commission into Defence and Veteran Suicide. The Government is continuing to advance implementation of Royal Commission recommendations and is setting aside a further $583.4 million to deliver on those commitments, including $29.8 million to establish a National Veterans' Data Asset.

Strengthening government service delivery

The Government is making a $2.2 billion investment to improve the way Services Australia delivers services to the Australian community, including by securing frontline and emergency response staff, enhancing safety and security at Services Australia centres, delivering enhancements to myGov and cyber security uplift.

Building a resilient and secure Australia

Investments in resilience and security in this Budget help ensure that Australians and the Australian economy are less exposed to risks stemming from a more uncertain geopolitical environment. The Government is achieving this through investing in a Future Made in Australia, bolstering Australia's defence capability, building infrastructure for the future and ensuring Australians are safe in the wake of the antisemitic Bondi terrorist attack.

Future Made in Australia

The Government's Future Made in Australia agenda is securing and scaling our domestic industrial capability. This builds our economic resilience and ensures Australia increases its competitive advantages in a changing global economy.

Supporting resilient metals production

Decarbonising domestic metals production will ensure the industry's long-term future in a low emissions world while capitalising on Australia's abundant renewable energy resources. The Government is providing up to $1.0 billion to secure the long-term future for the Boyne Island Aluminium Smelter. This support, matched with an equal contribution from the Queensland Government, will crowd in almost $7.5 billion in private investment and enable Boyne to transition to aluminium production using renewable energy, becoming one of the world's first aluminium smelters underpinned by solar and wind generation.

The Government is committed to the transformation of the Whyalla Steelworks and is providing $222.6 million in further funding to continue to support and stabilise the steelworks during the administration in partnership with the South Australian Government. This funding supports local jobs and ensures ongoing operations while work continues to find a new long-term owner. The Government is also working with the Tasmanian Government to provide time-limited support to ensure workers at the Liberty Bell Bay manganese smelter receive wages while the facility is in administration and the sales process progresses.

Securing critical minerals supply chains

Growing Australia's critical minerals sector will help create diverse, resilient and sustainable global supply chains. The Government has delivered on its commitment to establish a Critical Minerals Strategic Reserve. Future transactions under the Reserve will be led out of the Department of Industry, Science and Resources, in close partnership with Export Finance Australia. The Reserve will initially focus on antimony, gallium and rare earth elements which are crucial for clean energy and high-technology manufacturing as well as advanced military equipment.

The Critical Minerals Strategic Reserve will draw on $1.0 billion from the $5.0 billion Critical Minerals Facility for transactions. The Government is also providing $150.0 million for selective stockpiling of minerals and $20.4 million to support the operation of the Reserve. To ensure Australia can be a reliable supplier of critical minerals, the Government is also providing $2.9 million to help deliver critical minerals agreements with our international partners.

Strengthening the National Medical Stockpile

To enhance Australia's supply chain resilience and readiness for potential disruptions, the Government is maintaining a strong National Medical Stockpile, including a strategic reserve of medical supplies such as vaccines and personal protective equipment. This will include $20.0 million in 2025–26 for an Emergency Health Resilience Preparedness Fund to respond to immediate supply chain risks in the context of conflict in the Middle East.

Bolstering Australia's defence capability

Australia's strategic environment has continued to deteriorate since the 2024 National Defence Strategy. The coming decade will likely be defined by fracture and disorder. The Government understands the importance of delivering and strengthening the defence capabilities Australia needs to protect the security, interests and way of life of the Australian people.

National Defence Strategy

The 2026 National Defence Strategy provides an additional $14.0 billion over the next four years and an additional $53.0 billion investment over the next 10 years through direct Government investment and plans to leverage private sector funding. These investments will increase the Australian Defence Force's ability to deter and respond to threats, strengthen Australia's sovereign defence industrial base, and build greater self-reliance in the future.

The 2026 Integrated Investment Program provides new and increased investment in high priority Defence capabilities based on lessons learned from conflicts in Ukraine and the Middle East. These include autonomous and uncrewed systems, long-range strike capabilities, and integrated air and missile defence. The Government is continuing to invest in Australia's long-term naval capability by acquiring nuclear-powered submarines and Mogami class frigates, and developing the Henderson Defence Precinct in Western Australia.

Making Australia stronger, safer and more prosperous

In an increasingly complex, unstable and unpredictable world, the Government is acting to make Australia stronger, safer and more prosperous. The Government is investing in our relationships and prioritising our region, where our interests are most at stake.

Australia will commit $33.2 million to support implementation of the historic Australia-Indonesia Treaty on Common Security, reflecting our close partnership and friendship and taking our cooperation to a new level. The Government will also commit $25.3 million to deepen our relationship with India, expanding opportunities for collaboration and trade created by India's rapid economic growth.

To enhance Australia's engagement with and support to the Pacific, the Government is providing funding of $187.8 million over four years from 2026–27 (and $49.2 million per year ongoing). The Government is also investing $60.5 million to sustain consular services and Smartraveller travel advice to help keep Australians safe overseas.

Building infrastructure for the future

This Budget continues to invest in infrastructure to keep Australians and the economy moving, help local communities come together and thrive, and make sure Australia is well-prepared for when natural disasters occur.

Sustainable investment in transport infrastructure

The Government is maintaining its over $120.0 billion 10-year transport infrastructure investment pipeline. Our approach to sustainable management of the pipeline in the face of market capacity and supply chain challenges has enabled the Government to provide an additional $8.6 billion over 11 years from 2025–26 for nationally significant projects. New investments include $3.8 billion for Suburban Rail Loop East in Victoria, $812.5 million for the Bruce Highway – Gateway Motorway to Dohles Rocks Road (Stage 2) in Queensland and $552.0 million for upgrades to Anketell Road to connect with the proposed future Westport precinct in Western Australia.

To improve the efficiency and resilience of Australia's supply chains, the Government is also providing an additional $1.75 billion targeted investment in the national rail freight network, taking the total investment in the Australian Rail Track Corporation's Network Investment Program to almost $2.8 billion.

Investing in communities

The Government is investing $841.7 million in local community infrastructure projects including through extending the Thriving Suburbs, Growing Regions and Stronger Communities programs. This will support local communities by funding parks, community centres and sport and cultural facilities.

This Budget also invests an additional $500.0 million over ten years from 2026–27 (and $50.0 million per year ongoing) to continue the Active Transport Fund, which will help promote active transport options like walking and cycling, improve road safety and reduce transport emissions.

The Government is improving Australia's preparedness to respond to natural disasters. A new national cell broadcast messaging system will improve emergency warning communications. A further $6.0 million will support development of options for a national high-speed and high-capacity mobile broadband emergency response capability. The Government is also bolstering the national aerial firefighting fleet.

Responding to the Bondi attack

The Government is addressing hate speech, violent extremism and terrorism, and strengthening our social cohesion, providing $604.2 million in response to the antisemitic Bondi terrorist attack. The Government increased funding for law enforcement agencies to detect and disrupt violence and counter violent extremism, introduced stronger hate crime and gun control laws, and is establishing the National Gun Buyback Scheme.

Funding includes $42.9 million for mental health support, and $102.0 million to enhance security for Jewish communities. The Government is also investing in additional security measures, including $68.8 million for National Security Investigations teams, $25.1 million for stronger firearm import controls, $9.0 million to accelerate the implementation of the National Hate Crimes and Incidents Database and $2.0 million for implementing the Prohibited Hate Group Listing Framework.

Together with the NSW Government, the Government has provided $21.7 million in Disaster Recovery Funding Arrangements. The Government is also committing an additional $22.0 million to the Executive Council of Australian Jewry through the Confiscated Assets Account to enhance the security of the Jewish community.

Support for Jewish Australians

The Government appointed the Hon Virginia Bell AC SC to lead the Royal Commission on Antisemitism and Social Cohesion in response to the antisemitic Bondi terrorist attack. On 30 April 2026, an interim report containing 14 recommendations was provided to the Governor-General. The Government accepted all recommendations relevant to the Commonwealth and has committed to working with states and territories to support a nationally consistent approach to implementation.

The Government adopted the Special Envoy's Plan to Combat Antisemitism and is working through the implementation of the 13 recommendations in consultation with the Jewish Australian community and the Special Envoy.

The Government is also providing $46.7 million in financial support to the Jewish community, including for security and infrastructure upgrades and grant opportunities to support priority projects, including for a Chabad of Bondi project.

The Government named the Jewish Community Foundation, associated with the Jewish Communal Appeal, and the Australian Jewish Funders in a ministerial declaration enabling them to seek deductible gift recipient endorsement as community charities from the ATO. This allows these organisations to provide direct assistance and ongoing support in the aftermath of the Bondi attack.

Managing domestic security risks

The Government is tackling serious and organised crime by providing $50.0 million to sustain the Australian Criminal Intelligence Commission's operations and additional funding for critical intelligence systems, $40.4 million to bolster the response to transnational, serious and organised crime, and $14.0 million to boost the states and territories' capabilities to disrupt the illicit tobacco and e-cigarette markets – including for transport, storage and disposal of seized tobacco and e-cigarettes.

The Government has increased investment in Australia's domestic security amid a degraded security environment, including $17.0 million to uplift protective security, $80.0 million to respond to violent extremism and establish the Counter-Terrorism Online Centre, and $70.0 million to sustain the High-Risk Terrorist Offender regime.

Statement 2: Economic Outlook

The conflict in the Middle East has severely disrupted global oil supplies, creating extreme global volatility and uncertainty and weighing heavily on the global economic outlook. The conflict will result in higher global inflation and lower growth, with the scale of the impact dependent on its duration and severity. The conflict has disrupted around one-fifth of the world's seaborne oil and gas supply. It has also impacted many other global supply chains, including for fertiliser, chemicals, aluminium and plastics.

The economic impacts of the conflict in the Middle East are likely to linger beyond the resolution of the conflict. For markets and supply chains to normalise once the conflict ends, damaged infrastructure will need to be repaired so production in the region can restart, refiners will need time to process raw inputs into fuel and refined products, and shipping and global trade will need to resume and stabilise.

Australia is not immune from the impacts of the conflict, and the economic consequences will continue to be felt for some time. The conflict has compounded cost pressures for households and businesses, and is straining some supply chains.

Headline inflation rose to 4.6 per cent in the 12 months to March 2026, driven by a 32.8 per cent rise in automotive fuel prices in the month. The impact of higher fuel prices is expected to broaden in the coming months, as prices flow through to other goods and services. This is expected to add to several pre-existing temporary and persistent inflationary pressures.

As a result, headline inflation is forecast to be 5 per cent through the year to the June quarter 2026. Headline inflation is forecast to decline to 2½ per cent through the year to the June quarter 2027, supported by an assumed decline in global oil prices from the middle of 2026, a resolution of temporary pressures, and a moderation in services inflation. Abstracting from the impact of fuel prices, inflation is forecast to sustainably return to the RBA's target band in the middle of 2027.

The conflict, high global oil prices and resulting inflationary pressures are expected to weigh on growth in real incomes and household consumption in the near-term. As a result, growth in the Australian economy is forecast to slow from 2¼ per cent in 2025–26 to 1¾ per cent in 2026–27. While the economic outlook remains highly uncertain, the Australian economy is expected to grow by 2¼ per cent in 2027–28. This recovery assumes that global oil prices begin to decline from the middle of 2026 and largely stabilise from the middle of 2027, informed by current market expectations.

Despite the substantial economic impacts of the global oil shock, Australia confronts these challenges from a position of relative strength. The Australian economy is growing faster than every major advanced economy, unemployment remains low, the labour force participation rate remains high, wages growth is solid, and public finances are among the strongest in the developed world, with gross debt lower than every major advanced economy.

Economic activity strengthened over 2025, driven by the recovery in the private sector. Rising momentum in private demand was supported by strong growth in investment and household consumption. Private final demand exceeded public final demand's contribution to growth in every quarter of 2025. Growth in business investment picked up substantially in 2025, driven by non-mining business investment.

The momentum in business investment growth is expected to continue with capital expenditure intentions for 2025–26 nearing $200 billion, despite substantial global uncertainty. Dwelling investment growth also improved in 2025. Dwelling investment has grown for eight consecutive quarters, the longest run of quarterly growth in a decade.

The labour market remains resilient and is well placed to withstand slower economic growth in 2026–27. The unemployment rate remains low by historical standards, employment has continued to grow, and the labour force participation rate remains near its recent record high.

The unemployment rate has been broadly stable over the past year and is expected to remain low by historic standards, rising only gradually from 4¼ per cent in the June quarter 2026 to 4½ per cent in the June quarter 2027 and the June quarter 2028. Labour market conditions are continuing to support solid wage growth, with growth in the Wage Price Index forecast to remain above its 10-year pre-pandemic average.

There are significant risks surrounding the economic forecasts, particularly in relation to the duration of the conflict and the extent of the disruption in the Middle East. If the resolution to the conflict and sustained reopening of the Strait of Hormuz is quicker than market expectations, this could result in upside to the forecasts. Sustained domestic supply chain disruptions could emerge, even in the case of a shorter conflict. While global financial markets have so far been resilient, a more protracted conflict may suddenly weigh on market sentiment and asset valuations.

Domestically, inflation could remain persistently high, especially if the impact of the conflict in the Middle East is more severe than expected. There is also a risk that the conflict could weigh more heavily on economic growth, particularly if households and businesses become more cautious. Reduced consumption and investment have the potential to flow into weaker employment growth and higher unemployment.

There are other potential risks to the outlook. Rising global protectionism continues to drive shifts in global trade flows and place upward pressure on prices, particularly in the United States. On the upside, strong investment in AI and technology could be a potential source of productivity growth in the medium-term.

Statement 2 contents

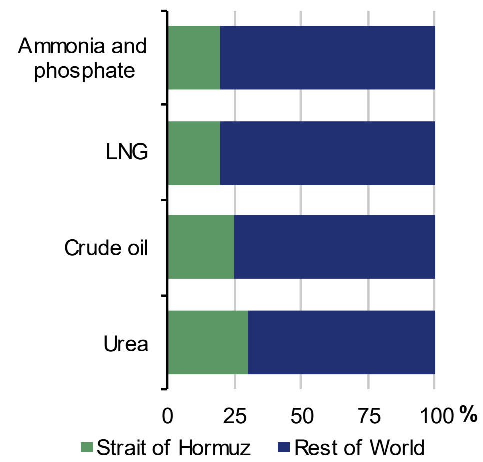
Statement 2: Economic Outlook

International economic outlook

The conflict in the Middle East has created extreme uncertainty and volatility and had a substantial impact on the global economy. The conflict has disrupted around one-fifth of the world's seaborne oil and gas supply. Many other global supply chains have also been impacted, including for fertiliser, chemicals, aluminium and plastics. This will result in higher global inflation and lower global growth, with the scale of impact depending on the duration and severity of the conflict.

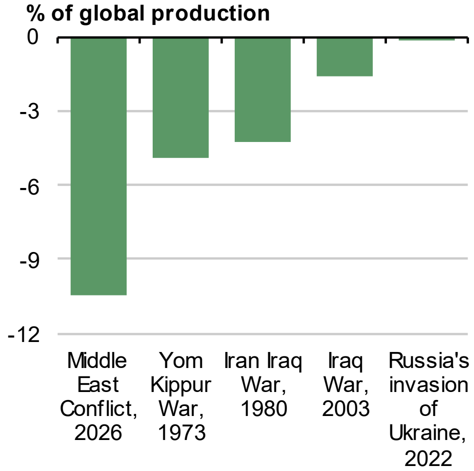
The Middle East is a significant global producer of crude oil, refined petroleum products, LNG and LPG, and the Strait of Hormuz is central to global supply chains (Chart 2.1). Gulf countries account for around 8 per cent of global aluminium production and around 10 per cent of global ethylene production (a feedstock used to manufacture plastics and clothing). Around one-third of global seaborne fertiliser supply also transits the Strait of Hormuz, placing additional pressure on input costs for businesses in all economies.

Chart 2.1: Share of global commodity trade transiting the Strait of Hormuz



Source: IEA and Treasury.
Note: Strait of Hormuz shares are approximate, based on IEA estimates. Oil represents share of seaborne trade.

Chart 2.2: Fall in global oil production following major geopolitical shocks



Source: IEA and Treasury.
Note: Fall in global crude oil production as a share of total global production, one month after the onset of each conflict.

The duration and severity of the conflict in the Middle East will determine the time it takes for production and shipping routes to recover. This will be critical to how the global economic outlook evolves. The current conflict has already resulted in the largest global oil supply disruption on record (Chart 2.2). Global growth is forecast to be 3 per cent in 2026, following growth of 3.5 per cent in 2025. Assuming an easing in global oil prices from mid-2026, global growth is expected to pick up to be 3¼ per cent in 2027 and 2028.

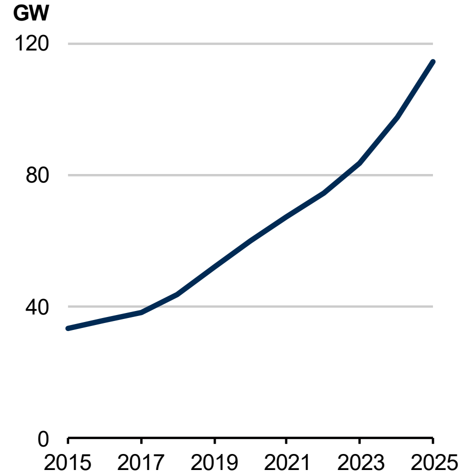
Asia is being particularly affected by the global price and supply chain impacts of the conflict in the Middle East. Prior to the conflict, around 80 per cent of the crude oil flows that transited through the Strait of Hormuz were destined for Asia. China, Japan, the Republic of Korea and India are all large net importers of oil and rely heavily on Middle East supplies. A significant increase in energy costs is also constraining economic activity in the Philippines, Vietnam, Indonesia, Thailand and Malaysia. Many of these countries have implemented measures to preserve domestic supply of oil and refined fuel.

While the conflict has added to an already uncertain global backdrop, the global economy displayed more resilience than expected in 2025. Global monetary and fiscal policy settings were broadly supportive of growth in 2025, although inflation remained a challenge. Prior to the Middle East conflict, headline inflation was above central bank targets in the United States and the United Kingdom, and core inflation measures remained persistently above target across many major advanced economies, including the United States and the Euro area.

United States' trade restrictions were implemented later and at lower rates than initially announced on 'Liberation Day' in April 2025. Further, the United States entered into a number of trade agreements and the global economy managed to divert trade flows to alternative markets. Chinese exports to the United States fell by almost 30 per cent over the course of 2025, while exports to ASEAN and the European Union increased by 30 per cent and 7 per cent, respectively. While the United States Supreme Court nullified some aspects of the United States Administration's tariff authority in January 2026, effective United States tariff rates remain at their highest level since the 1940s. The effects of this more protectionist United States stance are still unfolding across the global economy.

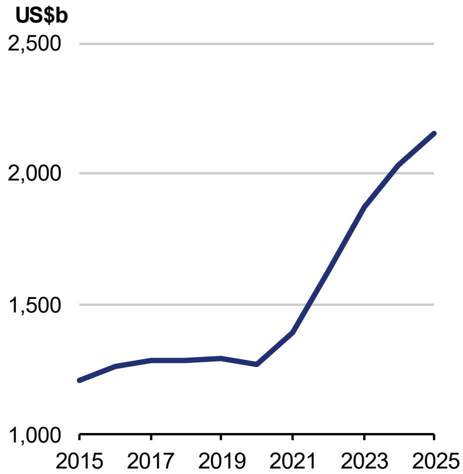
Globally, technology-driven investment is expected to continue supporting growth over the coming years and may deliver productivity gains in the medium-term. The United States is a key driver of this, with investment in information processing equipment growing by around 20 per cent in 2025. This comes on top of substantial global investment in renewable energy technologies and infrastructure (Charts 2.3 and 2.4).

Chart 2.3: Global installed data centre capacity



Source: IEA and Treasury.
Note: GW refers to gigawatts, a unit of power equal to one billion watts.

Chart 2.4: Global clean energy investment



Source: IEA and Treasury.
Note: Figures are expressed in 2024 US dollars.

The risks to the global economic outlook are largely contingent on the duration and severity of the conflict in the Middle East. If the resolution to the conflict and sustained reopening of the Strait of Hormuz is quicker than market expectations, this could result in upside to the global economic growth forecasts. The prospect of a more protracted conflict poses a significant downside risk, with sharper and broader global supply chain pressures. Energy and chemical products originating from the Middle East are inputs across the global supply chain, including plastics used in the construction industry and fertilisers relied upon by agriculture.

Financial markets have been resilient to date, but a more protracted conflict risks weighing on confidence and financial conditions. Increased uncertainty is contributing to volatility in asset valuations and is pushing credit spreads wider, which threatens to compound existing concerns surrounding private credit markets. Rising sovereign bond yields signal that financial conditions are tightening in response to concerns about the inflationary effects of higher energy prices. If the conflict adds to concerns about fiscal sustainability in heavily indebted economies, there is a risk that borrowing costs will begin to constrain the ability of some countries to use fiscal policy effectively to deal with the global energy shock.

Structural uncertainties also remain for the global economic outlook, on both the upside and the downside. The continued momentum in technology-led investment and investment in the renewable energy transition poses an upside, while fiscal vulnerabilities, more protectionist trade policy settings and continued heightened uncertainty and geopolitical risk all pose a downside to the global economic outlook.

Table 2.1: International GDP growth forecasts[(a)]

	Outcomes	Forecasts (Calendar Years)		
	2025	2026	2027	2028
Australia	2.0	2	2	2 1/2
China	5.0	4 3/4	4 1/2	4 1/2
India	7.5	6 1/4	6 1/2	6 1/2
Japan	1.2	3/4	3/4	3/4
Republic of Korea	1.0	1 3/4	2	2
United States	2.1	2 1/4	2	2
Euro area	1.5	1	1 1/4	1 1/4
United Kingdom	1.4	3/4	1	1
Other East Asia[(b)(c)]	4.5	3 3/4	3 3/4	3 3/4
Major trading partners[(b)]	3.8	3 1/4	3 1/4	3 1/4
World[(b)]	3.5	3	3 1/4	3 1/4

a) Percentage change on previous year.

b) World and Other East Asia growth rates are calculated using GDP weights based on purchasing power parity (PPP). Growth rates for major trading partners are calculated using Australian goods and services export trade weights.

c) Other East Asia includes Indonesia, Malaysia, the Philippines, Thailand, Vietnam, Singapore, and Taiwan.

Source: National statistical agencies, IMF, Refinitiv and Treasury.

China's economic growth is forecast to slow to 4¾ per cent in 2026 and 4½ per cent in 2027 and 2028. This is consistent with the recent downgrade of the official growth target to 4.5 to 5 per cent in 2026. China achieved its official growth target of 5 per cent in 2025, with strong exports helping to offset persistent weakness in the property sector and subdued household consumption. This is expected to continue in the near-term. Policy support is also stabilising growth, with recent easing measures boosting infrastructure investment.

China is relatively well positioned to navigate the effects of the Middle East conflict, with its longstanding focus on energy security resulting in substantial energy reserves and diversified supply. Higher energy prices will place upward pressure on subdued domestic inflation and may boost demand for Chinese products such as electric vehicles and solar panels. In the medium term, structural headwinds including an ageing population, slower urbanisation and property sector weakness will continue to weigh on growth.

The **United States** economy grew by 2.1 per cent in 2025, driven by strong household consumption and technology-related investment. It is expected to face headwinds in 2026, including from higher energy prices, softer labour market conditions and protectionist trade policy settings. However, economic growth in the United States is well positioned to outperform that of other advanced economies. While still exposed to global energy prices, the United States faces limited risk of near-term energy supply disruption given it is a major oil and gas producer. Household consumption is expected to be supported by expansionary fiscal policy, while a strong pipeline of AI-related investment is expected to support business investment. Growth is forecast to be 2¼ per cent in 2026 and 2 per cent in 2027 and 2028.

Inflation in the United States remains above target. Higher energy prices stemming from the Middle East conflict are expected to place further upward pressure on inflation. Despite signs of a cooling labour market and greater AI adoption, services inflation remains well above the Federal Reserve's 2 per cent inflation target.

Japan's economy was supported by robust business investment and household consumption in 2025. However, the conflict in the Middle East poses a major headwind to growth. Japan is a net energy importer, sourcing over 90 per cent of its crude oil from the Middle East prior to the conflict. With rising wages and fiscal policy providing some support for domestic demand, growth is forecast to be ¾ per cent in 2026, 2027 and 2028. Higher global energy prices will place upward pressure on inflation, even if fuel price caps and electricity subsidies limit some of the pass through to consumers. The energy shock may also weigh on industrial output.

The Republic of Korea grew by 1 per cent in 2025, with growth forecast to pick up to 1¾ per cent in 2026 and 2 per cent in 2027 and 2028. Expansionary fiscal policy, rising real wages and strong exports are expected to support activity in the near-term. However, the Middle East conflict poses a significant risk to growth. Around two-thirds of the Republic of Korea's crude oil imports and around one-quarter of its naphtha requirements were sourced from the Middle East prior to the conflict. Beyond rising energy and other input prices, the semiconductor and shipbuilding industries also remain exposed to unfavourable shifts in United States trade policy and weaker technology investment abroad.

India is forecast to grow by 6¼ per cent in 2026, and 6½ per cent in 2027 and 2028. Consumption tax cuts are expected to support economic growth. Capital investment is anticipated to reach record levels in 2026, with continued state investment in freight corridors, defence and waterways. The Middle East conflict is expected to weigh on growth, especially in 2026. India is dependent upon imported energy and fertiliser, with around half of India's imported crude oil and around 40 per cent of fertiliser imports being sourced from the Middle East prior to the conflict.

The **Euro area** is forecast to grow by 1 per cent in 2026 and 1¼ per cent in 2027 and 2028, underpinned by fiscal stimulus led by Germany, particularly infrastructure and defence spending. Energy market disruptions from the Middle East conflict present a downside risk to growth. Although Europe is less reliant on Gulf energy than Asia, it remains a net energy importer and is exposed to shifts in global energy prices. Higher global energy prices will add to the input cost pressures European industry has faced since Russia's invasion of Ukraine and weigh on household consumption.

Growth in the **United Kingdom** slowed over 2025 and is forecast to be ¾ per cent in 2026 and 1 per cent in 2027 and 2028. Fiscal vulnerabilities, subdued business investment and a softening labour market are expected to drag on activity. Inflation has been above target for an extended period, with higher global energy prices adding renewed inflationary pressure given the United Kingdom is a net importer of energy.

Other East Asian economies face a mixed outlook. Some countries, like Vietnam, have become important manufacturing hubs as bilateral trade between China and the United States has fallen. Other countries, like Taiwan, have benefitted from strong United States demand for technology goods. However, the conflict in the Middle East will have a significant impact on low-income, energy-importing countries facing higher fuel costs and weaker external demand. Potential shortages of manufacturing inputs sourced from the Middle East, such as naphtha used in plastics and helium used in semiconductors, also pose a risk to growth in regional manufacturing hubs. Growth is forecast to be 3¾ per cent in 2026, 2027 and 2028.

Domestic economic outlook

The conflict in the Middle East has had a substantial impact on the Australian economy, and the domestic outlook remains highly uncertain. Like many other countries around the world, the conflict has compounded cost pressures for households and businesses, straining supply chains, and weighing on growth. The economic consequences are expected to be felt for some time, even beyond the resolution of the conflict.

Disrupted global production and shipping of fuel, petrochemicals and other products have led to higher domestic prices. Retail petrol prices grew sharply over March, although by the end of April national average prices had returned to around pre-conflict levels, supported by the temporary reduction in the fuel excise. At the end of April, national average diesel prices were up by over 70 cents per litre since the start of the conflict in the Midde East. Global urea prices have increased by more than 70 per cent on pre-conflict levels at their peak, driving up domestic fertiliser prices by a similar amount. Prices for certain plastics have also surged, peaking over one-third higher than pre-conflict levels, with food and industrial packaging and construction particularly affected.

As a result, the conflict is adding to inflationary pressures and supply constraints in parts of the economy. Prior to the conflict, inflation was already above the RBA's target band, and the economy was operating close to its maximum capacity. Inflation is forecast to be 5 per cent through the year to the June quarter 2026, with most of the pick-up attributable to the sharp rise in fuel prices.

The economic forecasts are underpinned by the assumption that the Tapis oil price averages around US$100 per barrel in the June quarter 2026 before declining and largely stabilising from the middle of 2027, informed by current market expectations. This sees the Tapis oil price average around US$80 per barrel in the June quarter 2027. Abstracting from the impact of fuel prices, inflation is forecast to sustainably return to the RBA's target band in the middle of 2027. A modest easing in labour market conditions is expected to support a moderation in services inflation.

As a result of the conflict and the global oil shock, economic growth in Australia is forecast to slow from 2¼ per cent in 2025–26 to 1¾ per cent in 2026–27 as higher prices across the economy weigh on activity. Higher fuel prices are expected to dampen consumption and put pressure on business operations. In sectors like agriculture and construction, these impacts will be exacerbated by higher fertiliser and plastic prices.

While Australia is not immune from the impacts of the conflict, the Australian economy confronts these challenges from a position of strength. The economy grew strongly through the year in 2025, with broad growth underpinned by a pick-up in private sector activity across both household consumption and private investment. Private final demand made a stronger contribution to growth than public final demand in every quarter of 2025. The unemployment rate has increased but remains low by historical standards, employment has continued to grow, the participation rate remains near its record high and wage growth remains resilient. Australia's public finances are among the strongest in the developed world, with gross debt lower than every major advanced economy. These fundamentals mean Australia is one of the best placed economies to manage the current challenges.

Box 2.1: Price impacts from the conflict in the Middle East

The conflict in the Middle East has caused significant price movements in key products. National average petrol prices increased by around 40 per cent over the first month of the conflict, while national average diesel prices increased by around 70 per cent. Prices then declined, with the decline being much more significant for petrol. Petrol prices returned to around pre-conflict prices by the end of April, while national average diesel prices were around 40 per cent above pre-conflict levels. These movements reflect shifts in global markets, as well as reductions in the fuel excise in Australia.

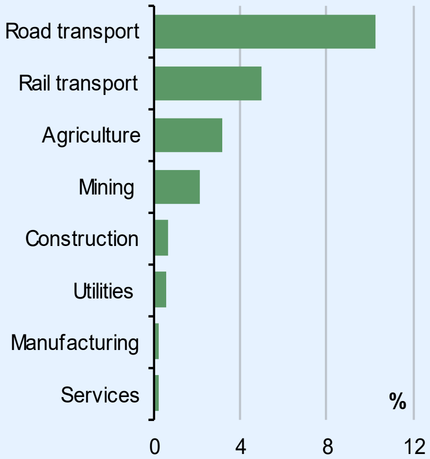
Since the start of the conflict, global benchmark oil prices have varied due to the disruption of Middle East supply, the global release of strategic reserves, demand management measures in several Asian economies, and re-routing of the global oil trade. Historically, the Singaporean petrol and diesel benchmarks (Mogas 95 and Gasoil (Platts)) have been important predictors of Australian fuel prices. Since the outbreak of the Middle East conflict, Australian petrol prices have continued to closely track Singaporean Mogas 95. However, Australian diesel prices have recently diverged from Singaporean Gasoil as Australian importers have begun to source cargoes from new suppliers.

Continued on next page

Box 2.1: Price impacts from the conflict in the Middle East (continued)

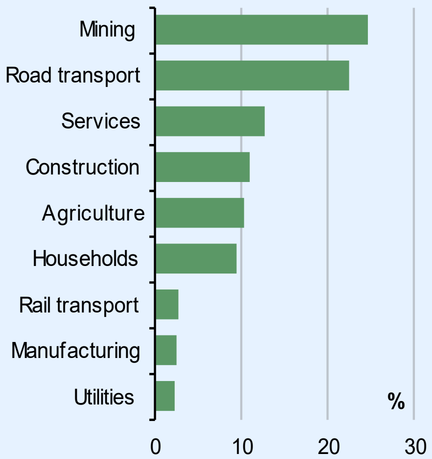
Higher petrol and diesel prices affect both households and businesses. Fuel prices make up around three per cent of household expenditure, with the majority of this being for petrol. On average, liquid fuels make up less than one per cent of business costs (mostly through diesel), although the diesel share is larger for sectors like road transport (around 10 per cent), agriculture (around three per cent) and mining (around two per cent) (Chart 2.5 and Chart 2.6). For this reason, higher fuel prices are expected to flow through to prices of other products and services.

Chart 2.5: Cost share of diesel in production



Source: ABS Australian National Accounts: Input-Output Tables (2023–24 financial year).

Chart 2.6: Share of economy wide diesel use



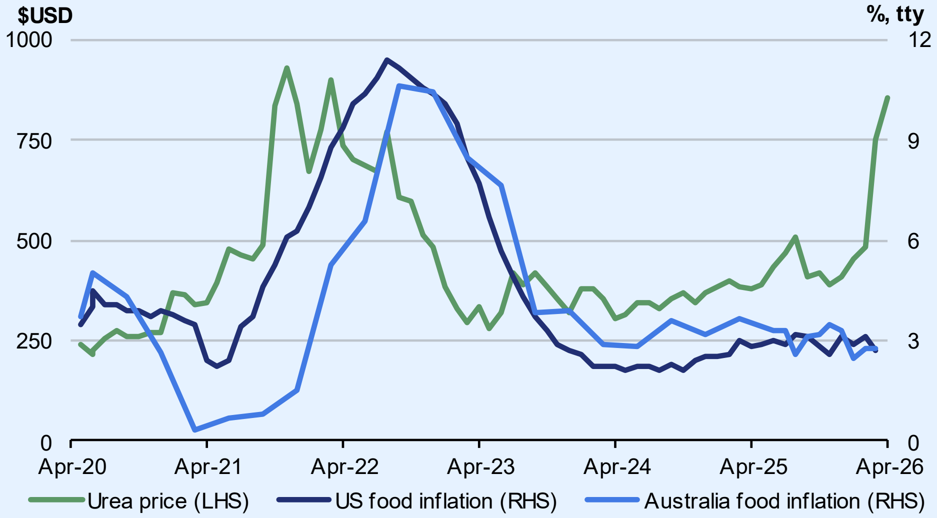
Source: ABS Australian National Accounts: Input-Output Tables (2023–24 financial year).

Global and domestic urea prices have risen by more than 70 per cent since the outbreak of the conflict in the Middle East – around 40 per cent of global urea exports originate from the Middle East. Higher urea and fertiliser prices will place upward pressure on global food prices, although this will occur with a lag due to planting cycles. For example, it took around six to twelve months for the increase in global urea prices that occurred as a result of Russia's invasion of Ukraine in 2022 to flow through to increased food inflation across the world, including in Australia (Chart 2.7).

Continued on next page

Box 2.1: Price impacts from the conflict in the Middle East (continued)

Chart 2.7: Urea prices and global food inflation



Source: ABS, Bloomberg, BLS and Treasury.
Note: Urea prices to April 2026. US and Australian food inflation data to March 2026. Urea uses granular FOB Middle East prices.

Other cost pressures are also expected to emerge. Gulf countries are important suppliers of the petrochemicals used to manufacture plastics and synthetic materials. The price of naphtha has already increased by more than 50 per cent since the outbreak of conflict. Qatar alone accounts for one-third of global helium supply, which is a byproduct of natural gas production and used in semiconductor manufacturing.

Asian manufacturing hubs which use these chemicals as inputs to plastic and semiconductor production are particularly exposed, given their dependence on Middle Eastern supply chains. Plastics are widely used in construction materials, medical supplies and packaging. Increases in polyvinyl chloride (PVC) prices are likely to flow through to dwelling construction costs, while increased packaging costs could impact a broad range of consumer goods.

While the economic impacts of the conflict in the Middle East are likely to endure for some time, growth in the Australian economy is expected to recover in 2027–28, with economic growth forecast to be 2¼ per cent that year, driven by a pick-up in household consumption as real household incomes recover.

The Australian labour market is expected to remain resilient and is well placed to withstand slower economic growth in 2026–27 due to its strong fundamentals. Market sector employment growth continued to build momentum over 2025, and aggregate employment is expected to continue to grow over the forecast period. The participation rate has been strong and is forecast to remain near its record high, and the unemployment rate is forecast to remain low by historical standards. These conditions are expected to support solid wage growth, with real wage growth expected to return in 2026–27.

The economic outlook remains highly uncertain and heavily contingent on the severity of the conflict in the Middle East. A relatively quick resolution to the conflict and reopening of the Strait of Hormuz presents an upside risk to growth, while a more protracted conflict could weigh more heavily on the outlook. The economic impacts of the conflict could be significantly more severe if supply chain disruptions persist or if sourcing of key inputs becomes a challenge. Box 2.2 considers the potential economic implications for Australia of a more severe conflict scenario.

Table 2.2: Domestic economy – detailed forecasts[(a)]

	Outcomes[(b)]	Forecasts		
	2024-25	2025-26	2026-27	2027-28
Real gross domestic product	1.3	2 1/4	1 3/4	2 1/4
Household consumption	1.2	2 1/4	1 3/4	2 1/2
Dwelling investment	4.3	5	4	3 1/2
Total business investment[(c)]	-0.1	4	2 1/2	2
By industry				
Mining investment	-1.0	1/2	1	0
Non-mining investment	0.2	5	3	2 1/2
Private final demand[(c)]	1.3	3	2	2 1/2
Public final demand[(c)]	4.2	2 3/4	2 3/4	2 1/2
Change in inventories[(d)]	-0.1	0	0	0
Gross national expenditure	1.9	2 3/4	2 1/4	2 1/2
Exports of goods and services	0.7	3 1/2	1	2
Imports of goods and services	3.3	5	3 1/2	3
Net exports[(d)]	-0.6	- 1/4	- 1/2	- 1/4
Nominal gross domestic product	3.6	6 3/4	4 1/4	2 3/4
Prices and wages				
Consumer price index[(e)]	2.1	5	2 1/2	2 1/2
Wage price index[(f)]	3.4	3 1/4	3 1/2	3 1/2
GDP deflator	2.3	4 1/4	2 1/2	1/2
Labour market				
Participation rate (per cent)[(g)]	67.0	66 3/4	67	67 1/4
Employment[(f)]	2.1	1 1/2	1 1/2	1 3/4
Unemployment rate (per cent)[(g)]	4.2	4 1/4	4 1/2	4 1/2
Balance of payments				
Terms of trade[(h)]	-4.1	4 1/2	- 1/4	-7 1/4
Current account balance (per cent of GDP)	-2.5	-1 3/4	-2 3/4	-4
Net overseas migration[(i)]	305,000	295,000	245,000	225,000

a) Percentage change on preceding year unless otherwise indicated.
b) Calculated using original data unless otherwise indicated.
c) Excluding second-hand asset sales between the public and private sector.
d) Percentage point contribution to growth in GDP.
e) Through-the-year growth rate to the June quarter.
f) Seasonally adjusted, through-the-year growth rate to the June quarter.
g) Seasonally adjusted rate for the June quarter.
h) Key assumptions were set at the end of April 2026. Spot prices for key commodities are assumed to decline from elevated levels over four quarters to the end of the March quarter 2027 as follows: iron ore declines to US$60/tonne; metallurgical coal declines to US$140/tonne; thermal coal declines to US$70/tonne; and LNG declines to US$10/mmBtu. The gold price is assumed to decline over eight quarters to the end of the March quarter 2028 to US$3,325/troy ounce. All bulk commodity prices are in free on board (FOB) terms
i) Net overseas migration is forecast to be 225,000 in 2028–29 and 2029–30.

Note: The forecasts for the domestic economy are based on several technical assumptions. The exchange rate is assumed to remain around 70 US cents and a trade-weighted index of around 65. Interest rates are assumed to move in line with expectations derived from financial market pricing. The Tapis oil price is assumed to average around US$100/barrel in the June quarter 2026 before declining and largely stabilising from the middle of 2027, informed by market expectations. It averages around US$80/barrel in the June quarter 2027 and is assumed to follow the trajectory of the Brent oil futures curve thereafter. It averages around US$77/barrel at the end of the detailed forecast period.

Sources: ABS Australian National Accounts: National Income, Expenditure and Product; Balance of Payments and International Investment Position, Australia; National, state and territory population; Labour Force, Australia; Wage Price Index, Australia; Consumer Price Index, Australia; unpublished ABS data and Treasury.

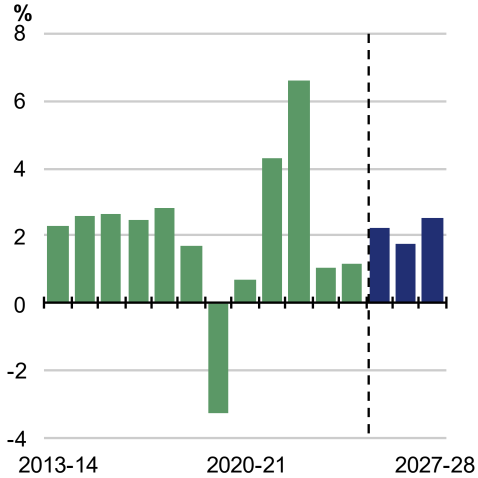
Household consumption

Growth in household consumption is forecast to be 2¼ per cent in 2025–26 before slowing to 1¾ per cent in 2026–27 as higher prices from the conflict in the Middle East weigh on real incomes and spending (Chart 2.8). The conflict has compounded cost of living pressures on households, including from higher interest rates. Household consumption is then forecast to recover and grow by 2½ per cent in 2027–28.

Despite heightened uncertainty, strong recent real income growth is expected to provide support to household consumption across 2025–26. Real household gross disposable income grew by 4.0 per cent in 2024–25, exceeding the 10-year pre-COVID average growth rate of 2.5 per cent per year. Real income growth has allowed many households to increase the share of income they save, increasing the net household saving rate and providing a partial buffer to the effects of higher prices on household budgets (Chart 2.9). Real household gross disposable income growth is forecast to be 3¼ per cent in 2025–26 before moderating to ½ per cent in 2026–27 due to the impacts of the conflict in the Middle East. Real household gross disposable income is forecast to grow by 2¼ per cent in 2027–28. Consistent with market expectations, the forecasts assume an additional increase in the cash rate in the September quarter 2026.

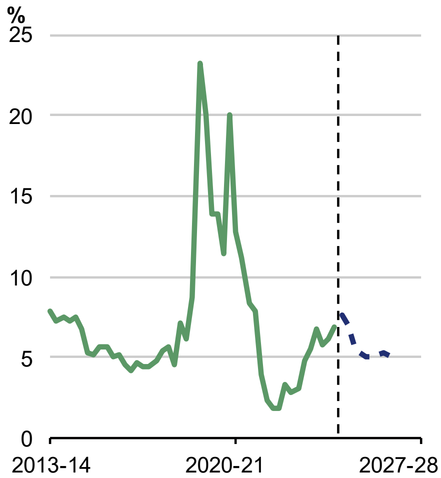
The conflict in the Middle East poses a downside risk if uncertainty weighs on household consumption by more than expected. Further, more sustained price increases would add to income pressures which could dampen spending, particularly on discretionary goods and services.

Chart 2.8: Household consumption growth



Source: ABS Australian National Accounts: National Income, Expenditure and Product and Treasury.

Chart 2.9: Net household saving ratio



Source: ABS Australian National Accounts: National Income, Expenditure and Product and Treasury.

Dwelling investment

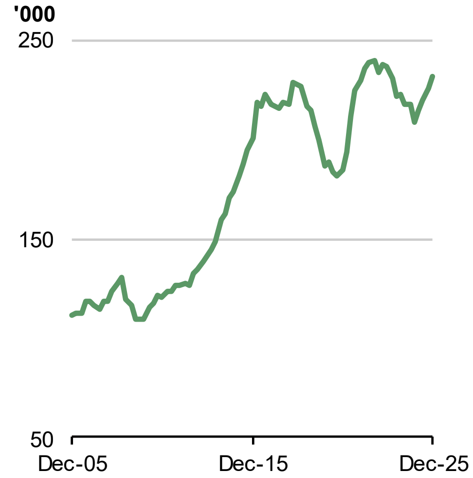
Dwelling investment is forecast to grow by 5 per cent in 2025–26 as strong commencements increase the pipeline of work under construction (Chart 2.10). Growth in dwelling investment is expected to continue, albeit at a more moderate pace. Dwelling investment is forecast to grow by 4 per cent in 2026–27 and 3½ per cent in 2027–28 (Chart 2.11). This moderation reflects the effects of higher interest rates and construction cost growth, including because of the conflict in the Middle East.

Dwelling investment indicators, including building approvals, dwelling commencements, and housing credit grew strongly over 2025. Solid demand for housing and growth in asset prices are expected to continue to support additional building approvals. However, higher interest rates and the conflict in the Middle East present downside risk to demand. A sharper-than-expected dampening in demand and building approvals would weigh on dwelling investment growth.

The conflict in the Middle East also poses significant supply-side risk to the pace of dwelling construction through higher cost growth and supply chain disruption. Polyvinyl chloride (PVC) prices increased significantly in March and resulted in an increase in some plumbing material prices by around 30 per cent in April. Sustained increases in fuel and other construction input costs across the housing supply chain will create challenges for project feasibility and cashflow management for businesses in the industry, particularly those with fixed-price contracts.

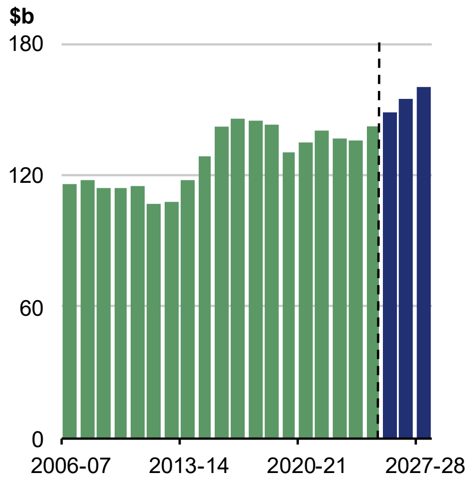
Government initiatives are supporting dwelling investment. The combination of Government's policies in this Budget will add to housing supply (see *Statement 4*).

Chart 2.10: Number of private sector dwellings under construction



Source: ABS Building Activity and Treasury.

Chart 2.11: Dwelling investment



Source: ABS Australian National Accounts: National Income, Expenditure and Product and Treasury.

Business investment

Business investment growth picked up substantially in the second half of 2025. Momentum is expected to continue, with business investment forecast to grow by 4 per cent in 2025–26, 2½ per cent in 2026-27 and 2 per cent in 2027–28. Recent capital expenditure expectations have been revised upwards, but these could be unwound as businesses factor in the impact of higher input prices as a result of the conflict in the Middle East. Higher borrowing costs could weigh on profitability.

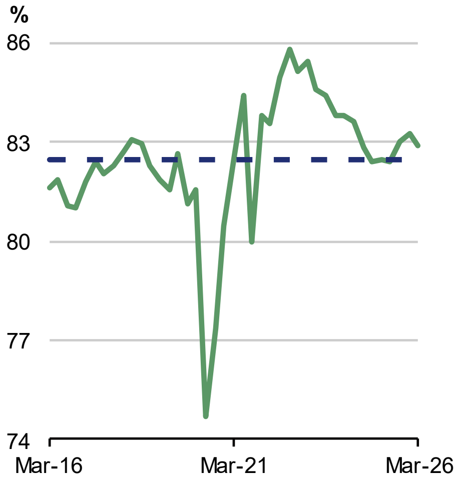
Business capacity utilisation remains above its long-run average (Chart 2.12). Combined with strong demand for goods and services, this is incentivising businesses to keep investing. Businesses are expected to continue to find ways to improve their business operations and systems through digitalisation, including greater adoption of technology and AI (Chart 2.13). Investment in information media and technology equipment has grown by over 50 per cent since the beginning of 2025.

A strong pipeline of data centre and renewables projects is expected to support underlying growth in non-mining investment. This momentum is expected to continue, with non-mining investment forecast to grow by 5 per cent in 2026–27, 3 per cent in 2026–27 and 2½ per cent in 2027–28.

Mining investment is forecast to grow by ½ per cent in 2025–26, before growing by 1 per cent in 2026–27, as elevated global commodity prices support a pick-up in mineral exploration activity, particularly in gold and critical minerals.

Supply chain disruptions caused by the conflict in the Middle East pose a downside risk to business investment. Over 80 per cent of all capital goods are imported from overseas. The Middle East produces around one-quarter of the world's sulphur and around one-third of the world's commercial helium, which are critical inputs to metal processing and high-tech production chains, including for data centres. Supply of these key inputs could be disrupted or delayed. Combined with higher fuel prices, this could delay investment plans. At the end of April, national average diesel prices had risen by more than 70 cents per litre since the outbreak of conflict. Diesel is used widely across the economy, particularly by the transport, mining, agriculture, construction and manufacturing industries.

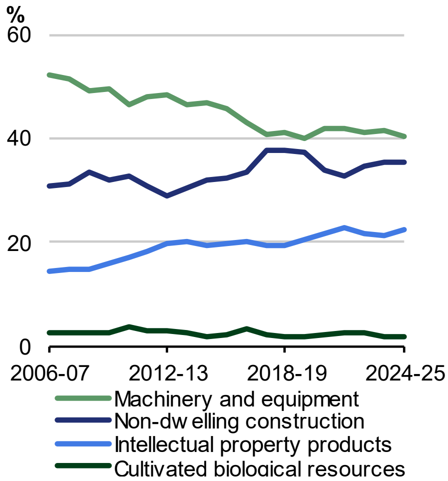
Chart 2.12: NAB capacity utilisation



Source: NAB and Treasury.

Note: Dashed line indicates ten year long-run average.

Chart 2.13: Share of nominal non-mining business investment by component



Source: ABS Australian National Accounts: National Income, Expenditure and Product and Treasury.

Box 2.2: Risks of a more severe Middle East conflict

The economic forecasts assume that global oil prices begin to decline from the middle of 2026 and largely stabilise from the middle of 2027. However, there is significant uncertainty around the duration and severity of the conflict in the Middle East and its disruption of global supply chains. If the conflict in the Middle East is more protracted or escalates, global prices for oil, LNG, fertiliser, petrochemicals and other derivative products will remain elevated for longer. This will result in more severe economic impacts for the global and Australian economies.

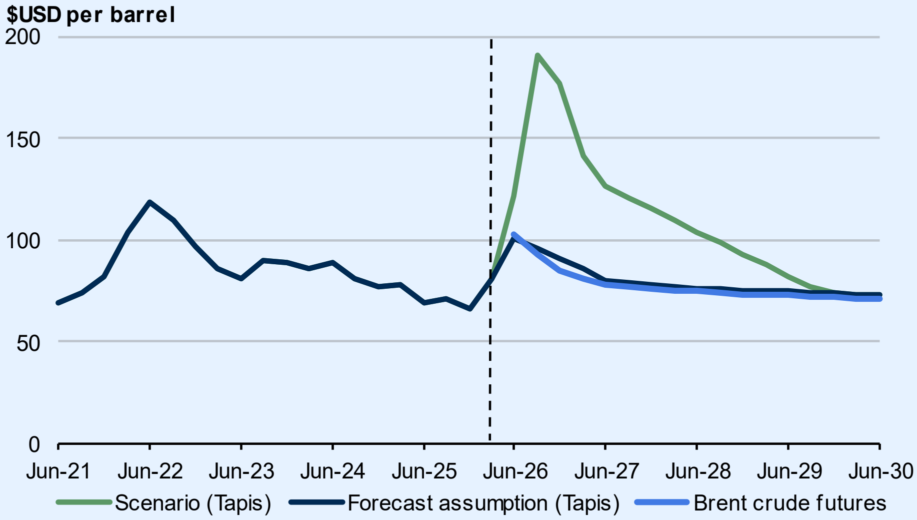
To illustrate the potential impacts of a more severe disruption, Treasury has modelled a scenario in which global oil prices peak as high as US$200 per barrel during the September quarter 2026 (Chart 2.14). This could occur if the conflict is protracted or if an escalation further damages energy and export infrastructure across the Middle East and shuts off oil supply from the region, including through the Red Sea trade route.

The scenario assumes that global oil prices decline from the US$200 per barrel peak as global demand for oil adjusts in response to the higher price and some higher-cost oil producers begin production. Prices then gradually normalise as time is needed to repair damaged infrastructure across the Middle East and for shipping to normalise. Global oil prices are assumed to reach around US$80 per barrel by the June quarter 2029. The scenario assumes there are corresponding price increases for related commodities, including LNG, fertiliser and petrochemicals. Global risk premia are also expected to be higher, and household and business confidence are expected to be lower.

Continued on next page

Box 2.2: Risks of a more severe Middle East conflict (continued)

Chart 2.14: Oil price assumptions and futures curve



Source: Bloomberg and Treasury.

Note: Brent futures data from the week of 20 April 2026. Quarterly data are an average of three monthly contracts. The most recent peak in the quarterly average Tapis price was US$118.8 per barrel in the June quarter 2022 following Russia's invasion of Ukraine. The highest daily Tapis price in 2022 occurred in the March quarter and was US$138.4 per barrel.

Continued on next page

Box 2.2: Risks of a more severe Middle East conflict (continued)

This scenario results in one quarter of negative real GDP growth in the September quarter 2026 and persistent weakness in the economy. The level of real GDP is ½ of a per cent lower across both 2026–27 and 2027–28 and remains lower by ¼ per cent across 2028–29, compared to the forecasts (Chart 2.15).

Inflation peaks at around 7¼ per cent through the year to the December quarter 2026, below the 2022 peak of 7.9 per cent (Chart 2.16), and takes two quarters longer to return to the RBA's target band compared to the forecasts. The unemployment rate peaks at around 5 per cent in 2027–28 before gradually declining to 4½ per cent by the first half of 2030 (Table 2.3).

This scenario shows a more severe conflict will have a significant impact on both households and businesses. For households, real incomes fall in the face of rising prices, exacerbating cost of living challenges. This places pressure on household budgets at a time when workers may also be facing weaker job prospects as the labour market deteriorates due to slowing economic activity. These impacts will likely vary across different regions of Australia.

For businesses, higher prices for diesel, fertiliser, and other petrochemical products increase input costs, placing pressure on margins and, potentially in some cases, on viability. This will exacerbate the impact on domestic inflation. However, higher global prices for commodities such as LNG and thermal coal will provide support to some sectors, reflecting Australia's status as a net energy exporter.

The impacts of a more severe conflict in the Middle East are highly uncertain and depend on global and domestic price dynamics, how demand is reduced globally to accommodate lower supply, and how households, businesses and financial markets respond globally and domestically. This uncertainty could prompt a more profound and protracted slowdown.

Additionally, the scenario assumes global oil prices initially decline rapidly from the US$200 peak as global demand and production respond. There is a risk that extremely high prices could be sustained for longer — for example, if higher-cost oil producers take longer than expected to come online. There is also a risk that a permanently higher geopolitical risk premium could be applied to global oil prices as a result of market disruption due to the conflict. This would result in even more severe economic impacts. It would also increase the risk of sustained or disorderly supply disruptions. Disruptions to the physical supply of products throughout supply chains would have significant adverse economic impacts.

Continued on next page

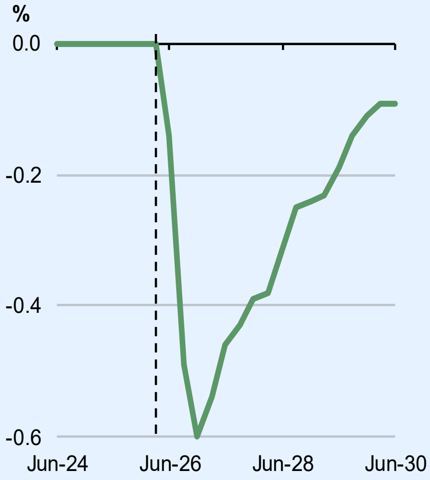
Box 2.2: Risks of a more severe Middle East conflict (continued)

Table 2.3: Modelled impacts of a more severe Middle East conflict

	2025-26	2026-27	2027-28	2028-29	2029-30
Impact on real GDP level[(a)]	0	- 1/2	- 1/2	- 1/4	0
Unemployment rate[(b)]	4 1/2	5	5	4 3/4	4 1/2
Consumer price index[(c)]	5 1/4	5	1 1/2	3/4	1 1/2

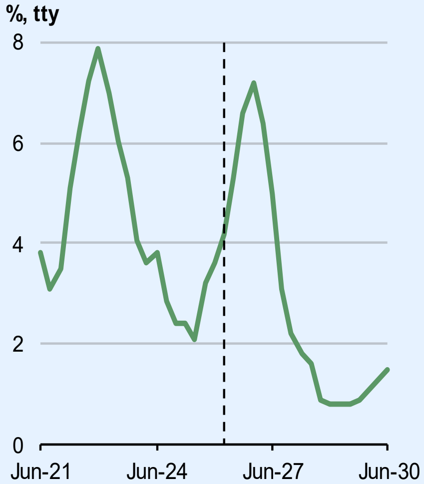
a) Per cent deviation to forecast level in the financial year.
b) Seasonally adjusted rate for the June quarter.
c) Through-the-year growth rate to the June quarter.

Chart 2.15: Scenario impact on real GDP level



Source: ABS Australian National Accounts: National Income, Expenditure and Product and Treasury.

Chart 2.16: Consumer price index growth in scenario



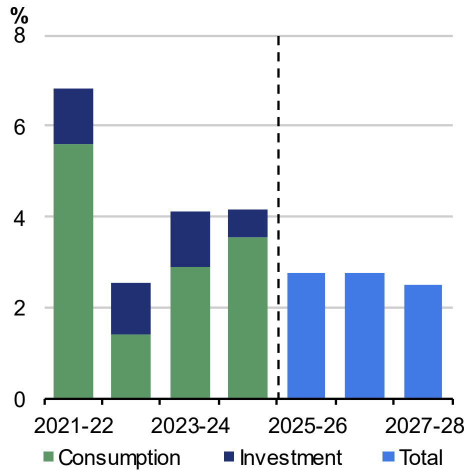
Source: ABS Consumer Price Index and Treasury.

Public final demand

Growth in public final demand is forecast to moderate from 2¾ per cent in 2025–26 and 2026–27 to 2½ per cent in 2027–28 (Chart 2.17). The moderation reflects softer growth in both public investment and public consumption. Public final demand is forecast to make a smaller contribution to growth than private final demand in each year of the forecast period (Chart 2.18).

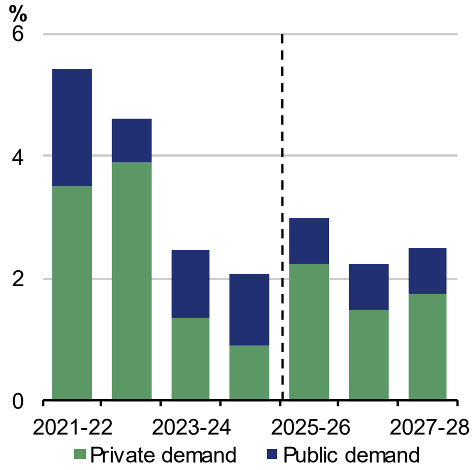
Public investment growth is projected to slow as the pipeline of new infrastructure projects declines. Public consumption growth is also forecast to slow from its pace in recent years. This reflects reforms to Commonwealth programs, particularly the National Disability Insurance Scheme (NDIS). Nominal growth in the NDIS is projected to decline from over 10 per cent in 2024–25 to an average of around 2 per cent between 2025–26 and 2029–30. As a share of GDP, NDIS expenditure is expected to decline from 1.7 per cent in 2025–26 to 1.6 per cent in 2028–29 and 1.5 per cent in 2029–30. Without the Government's recent changes, NDIS expenditure as a share of GDP would have been projected to exceed 2 per cent by 2029–30. Spending growth across other levels of government is also expected to moderate.

Chart 2.17: Public final demand growth



Source: ABS Australian National Accounts: National Income, Expenditure and Product and Treasury.

Chart 2.18: Contributions to domestic final demand growth



Source: ABS Australian National Accounts: National Income, Expenditure and Product and Treasury.

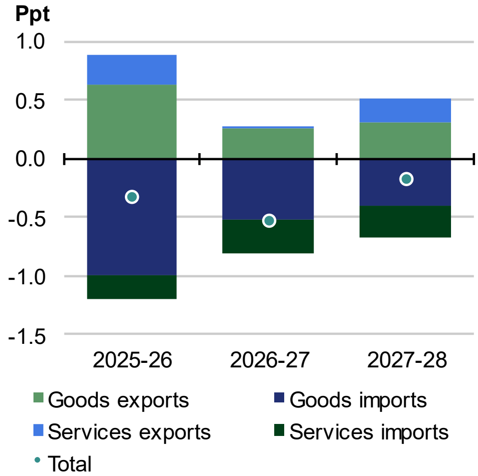
International trade

The conflict in the Middle East poses significant uncertainty for the external sector, with implications for both trade prices and volumes. Higher energy prices will have a positive impact on the terms of trade given Australia's position as a net energy exporter. Increased energy prices and sustained export demand are expected to drive up LNG and thermal coal export values. By contrast, higher input and transportation costs because of higher oil prices will place upward pressure on import prices. The conflict in the Middle East is expected to weigh on the outlook for both inbound and outbound tourism due to higher travel prices, tighter airline capacity and weaker traveller sentiment.

Exports are forecast to grow by 3½ per cent in 2025–26, underpinned by strong growth in commodities and services, particularly in late 2025. Export growth is forecast to moderate to 1 per cent in 2026–27, before rising to 2 per cent in 2027–28. Mining exports are expected to continue to underpin export growth (Chart 2.20). However, mining export growth is forecast to ease in line with slowing demand from China for key commodities, particularly iron ore, as China continues to transition towards less steel-intensive economic activity. Services exports are forecast to grow modestly, with global uncertainty dampening overseas travel demand, while growth in the student stock remains subdued.

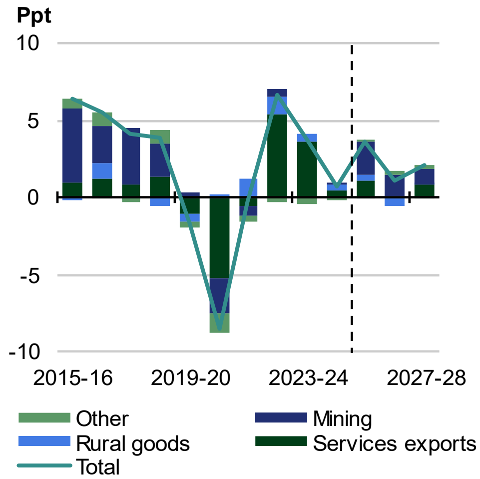
Imports are forecast to grow by 5 per cent in 2025–26, supported by robust growth in domestic demand and a stronger Australian dollar. Investment in software, automatic data processing equipment, defence capability and materials for large state and renewable infrastructure projects is expected to continue to underpin solid goods imports growth. Imports are forecast to continue to grow solidly at 3½ per cent in 2026–27 and 3 per cent in 2027–28, in line with investment and consumption.

Chart 2.19: Net exports contribution to GDP growth



Source: ABS Balance of Payments and International Investment Position, ABS Australian National Accounts: National Income, Expenditure and Product and Treasury.

Chart 2.20: Contribution to exports growth by component



Source: ABS Balance of Payments and International Investment Position, ABS Australian National Accounts: National Income, Expenditure and Product and Treasury.

Labour market and wages

The labour market is expected to remain resilient despite the impacts of the Middle East conflict. Employment is expected to continue to grow, and the participation rate is expected to remain close to its recent record high. The unemployment rate is forecast to remain low by historical standards, gradually increasing from 4¼ per cent in the June quarter 2026 to 4½ per cent in the June quarter 2027 and the June quarter 2028. The unemployment rate is expected to remain well below its average in the decade before the pandemic (Chart 2.21).

Employment is expected to continue growing over the forecast period. Employment is forecast to grow by 1½ per cent through the year to the June quarter 2026 and the June quarter 2027 and 1¾ per cent through the year to the June quarter 2028. Market sector employment growth continued to build momentum over 2025, but the impact of the Middle East conflict is expected to result in a moderation in growth. Employers facing reduced demand for their products are expected to respond initially by cutting hours for existing staff and delaying hiring of new staff.

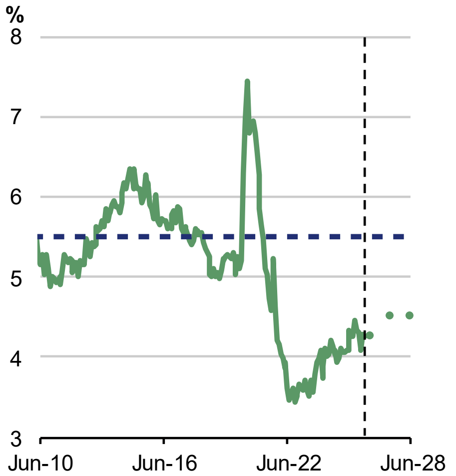
Structural factors will continue to support labour force participation. These include continued increases in female participation, a greater propensity for migrants to participate in the labour market, and a continued trend towards later retirements. The participation rate is forecast to remain around 67 per cent until 2027–28.

The Wage Price Index is forecast to grow by 3¼ per cent through the year to the June quarter 2026, before increasing to 3½ per cent through the year to the June quarter 2027 and the June quarter 2028. The Wage Price Index has grown at an annual rate above 3 per cent since the September quarter 2022. This is the longest period in more than a decade and a half that annual growth has been above 3 per cent, and this is expected to continue over the forecast period (Chart 2.22).

Wages set through enterprise agreements are expected to moderate over the forecast period. Award wage growth is expected to continue to be supported by several recent Fair Work Commission decisions, including the junior pay rates determination and the *Gender Undervaluation – priority awards* review.

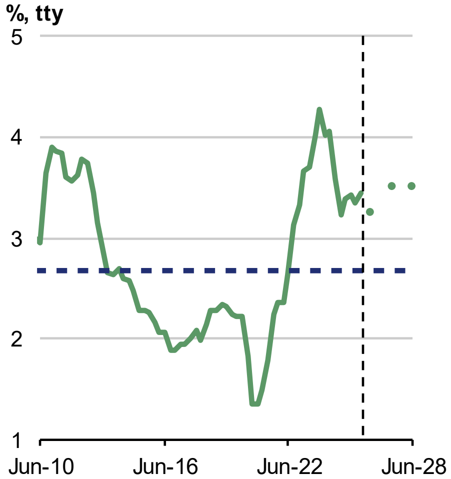
The recent increase in inflation is expected to result in a decline in real wages over 2025–26. Real wages, as measured by annual growth in the Wage Price Index relative to the annual growth in the headline Consumer Price Index, are forecast to grow again in 2026–27 and 2027–28 as inflationary pressures ease.

Chart 2.21: Unemployment rate



Source: ABS Labour Force Survey and Treasury.
Note: Dashed line indicates 2010–19 average.

Chart 2.22: Nominal wages growth



Source: ABS Wage Price Index and Treasury.
Note: Dashed line indicates 2010–19 average.

Inflation

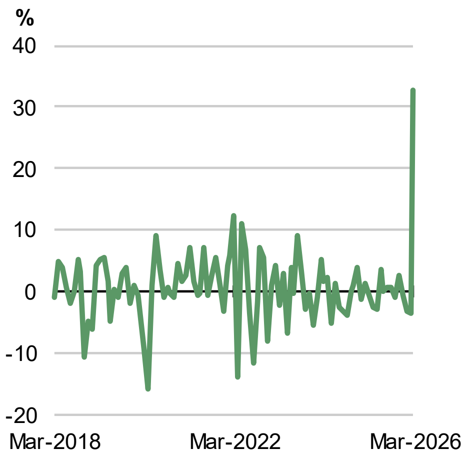
The conflict in the Middle East has substantially added to inflationary pressures in the Australian economy. Automotive fuel prices increased by 32.8 per cent in the month of March (Chart 2.23), driving an increase in headline inflation to 4.6 per cent through the year. Trimmed mean inflation was 3.3 per cent through the year to March 2026. The Government’s temporary cut to the fuel excise is limiting the impact of higher petrol and diesel prices on households and headline inflation.

Price pressures stemming from the conflict are expected to broaden in the coming months, as price increases for petroleum-dependent products are passed through supply chains. Food prices will be particularly affected, reflecting higher fuel and fertiliser prices. The prices of newly constructed dwellings are also likely to increase, as higher fuel and plastics costs increase the price of building materials. While there is significant uncertainty around the severity and duration of the conflict, the prices of oil-dependent products are unlikely to normalise quickly, contributing to price pressures over much of 2026–27.

Headline inflation is forecast to peak at 5 per cent through the year to the June quarter 2026. It is then expected to decline, in line with the assumption that global oil prices ease over 2026–27, to 2½ per cent through the year to the June quarter 2027 (Chart 2.24). Abstracting from the impact of fuel prices, inflation is forecast to sustainably return to the RBA's target band in the middle of 2027.

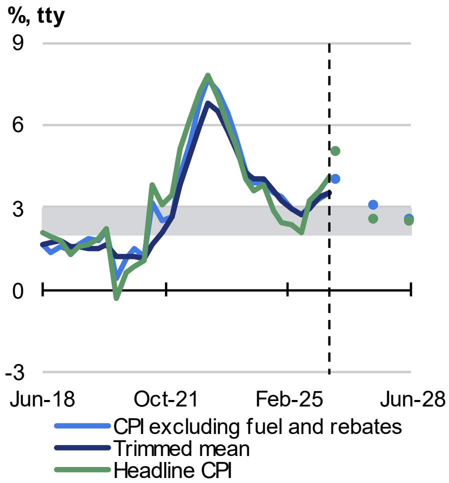
Australia was facing inflationary pressures immediately prior to the Middle East conflict. Headline and underlying inflation both returned to the RBA's target band briefly in 2025 but increased again to be above 3 per cent towards the end of the year. These developments reflected a mix of temporary and persistent factors (Box 2.3).

Chart 2.23: Monthly automotive fuel inflation



Source: ABS Consumer Price Index and Treasury.

Chart 2.24: Headline and underlying inflation



Source: ABS Consumer Price Index and Treasury.

Note: Grey shading denotes the RBA's target band.

Box 2.3: Drivers of the recent increase in inflation

The conflict in the Middle East is already having a significant impact on inflation, which increased to 4.6 per cent in the 12 months to March 2026, driven by a 32.8 per cent increase in automotive fuel prices in March. Abstracting from the impact from fuel prices, headline inflation decreased slightly in March.

The impact of the Middle East conflict on prices is expected to peak in the June quarter 2026, as price pressures stemming from the conflict broaden and price increases for petroleum-dependent products are passed through supply chains. At this point, the conflict is expected to add around one percentage point to headline inflation through the year to the June quarter 2026. The inflationary effects from the conflict are then expected to continue through the coming year.

Even before the developments in the Middle East, both headline and underlying inflation had risen to be above the RBA’s target band in 2025, reflecting a combination of temporary and more enduring factors.

Temporary factors included the end of government electricity rebates, which are estimated to add around ½ of a percentage point to annual headline inflation across 2026. Increases in some administered prices as a result of periodic reviews, combined with volatility in travel prices, have also added to inflation. Together, these factors temporarily contributed around 0.9 percentage points to the increase in annual inflation between the June quarter 2025 and the March quarter 2026 (Chart 2.25).

There have also been more persistent pressures. Underlying inflation has increased since mid-2025 and an increasing share of the CPI basket is exhibiting elevated inflation (Chart 2.26). Persistent services inflation and sector-specific supply constraints have contributed to this.

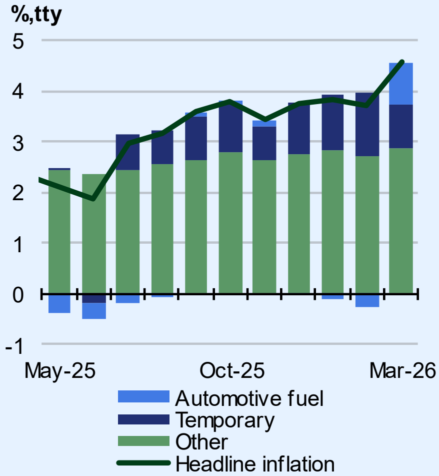
As has been the case in many overseas jurisdictions, services inflation has persistently remained above its long run average. Services prices are closely linked to domestic conditions, and can reflect the resilience in Australia’s labour market.

Continued on next page

Box 2.3: Drivers of the recent increase in inflation (continued)

Supply constraints have persisted in food and rental markets since the pandemic. In 2025, there were strong increases in the prices of cocoa, coffee and meat. While some pressures are easing, higher fuel and fertiliser costs linked to the disruption in the Middle East are expected to keep global food prices elevated in the coming months. In the rental market, record low vacancy rates and construction costs have both contributed to rental inflation. Over time, growth in dwelling investment will add to the dwelling stock and help ease these pressures.

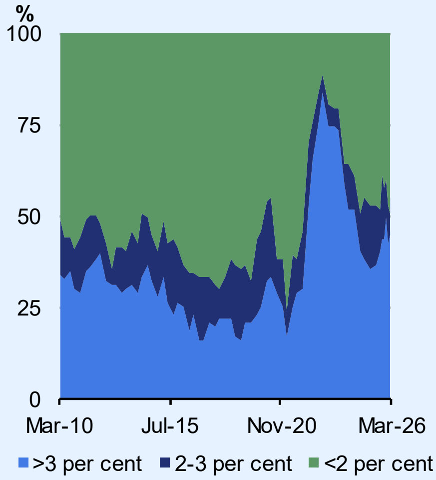
Chart 2.25: Contributions to annual headline inflation



Source: ABS Consumer Price Index and Treasury.

Note: Temporary includes the contribution of electricity, holiday travel, fruit and vegetables, water and sewerage and property rates and charges.

Chart 2.26: Annual price growth for CPI expenditure classes



Source: ABS Consumer Price Index and Treasury.

Note: Chart shows the share of CPI expenditure classes growing at different annual rates. Data are not weighted.

Net overseas migration

Net overseas migration (NOM) has declined by around 45 per cent from its peak in 2022–23 and is forecast to continue declining through to 2027–28. NOM is forecast to be moderately higher than previously expected in 2025–26 and 2026–27, which reflects that migrants on temporary visas are departing Australia at lower rates than in the past. Arrivals of New Zealand citizens are also expected to remain strong, reflecting Australia’s relatively favourable labour market conditions. Migration policy changes in this Budget will place downward pressure on NOM.

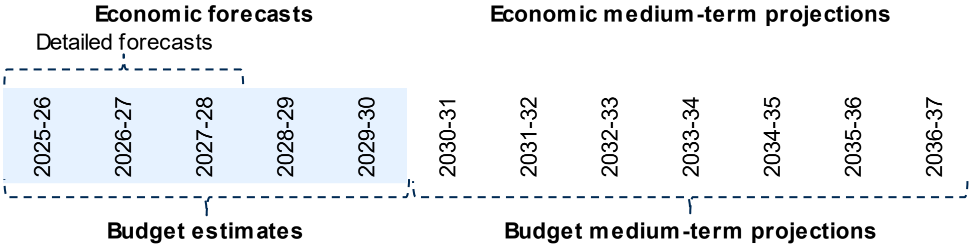
Nominal GDP and the medium-term outlook

Nominal GDP is forecast to grow by 6¾ per cent in 2025–26, reflecting the impact of higher commodity prices and inflationary pressures. Nominal GDP is then forecast to grow by 4¼ per cent in 2026–27, as economic growth and domestic inflation moderate and the terms of trade are assumed to fall.

The pathway for key commodity prices is based on a technical assumption that commodity markets return to relatively conservative anchor prices over time. This approach reduces the risk that near-term price fluctuations result in overstating medium-term nominal GDP.

The fiscal aggregates are underpinned by economic forecasts over the Budget estimates period and projections over the medium term (Chart 2.27).

Chart 2.27: Medium-term projections period



Source: Treasury.

Beyond the detailed forecast horizon of 2027–28, Treasury uses a macroeconometric model of the Australian economy for its forecasts and projections. The model informs how the economy returns to its trend level of output, known as potential output.

Potential output is the output that can be produced when an economy operates at maximum sustainable employment. It depends on the number of people in the economy, the number of people who are part of the labour force, how many hours they work, and labour productivity. The level of potential GDP is estimated using the 3Ps of population, participation and productivity.

In the long term, the labour force participation rate is expected to rise owing to increases in participation among females, migrants and older cohorts, while average hours worked per employee is expected to decline as more workers take up part-time work. Total hours worked per person remains around 20 hours per week, a level consistent with what has been seen over more than 40 years in Australia. The long-term Non-Accelerating Inflation Rate of Unemployment (NAIRU) is assumed to be 4¼ per cent.

The long-term underlying productivity assumption is 1.2 per cent per year. The transition to the long-term rate of underlying productivity growth is assumed to occur over a period of around five years (Box 2.4). Domestic inflation converges to the midpoint of the RBA's target band. The terms of trade are assumed to be broadly flat from the end of the detailed forecast period.

Box 2.4: Productivity transition

Productivity growth is influenced by innovation, diffusion, investment and policy settings, across both private businesses and government and reflects both domestic and global factors. This makes productivity growth difficult to predict. Accordingly, Treasury uses an assumption for long-term productivity growth that is informed by long-term domestic and global trends.

The long-term productivity growth assumption was revised from 1.5 per cent to 1.2 per cent per annum in the October 2022–23 Budget. This reflected the persistence of weaker global and domestic productivity outcomes.

Developments in recent years have added more uncertainty to the long-term assumption. For example, pandemic-related volatility in the first half of this decade has made underlying trends more difficult to interpret. Downside risks, including climate change and rising barriers to trade, have the potential to hamper long-term productivity growth. The upside potential of technological innovations, including artificial intelligence, is potentially very significant, but uncertain. Balancing these uncertainties, the long-term productivity growth assumption remains at 1.2 per cent in the 2026–27 Budget.

Internationally, long-term productivity growth assumptions vary from country to country. They tend to be informed by historical averages and are periodically reassessed with reference to productivity trends and prospects. Like Australia, others have revised down their assumptions over the past five years.

Continued on next page

Box 2.4: Productivity transition (continued)

Australia's long-term productivity assumption remains broadly consistent with the range used by other open market economies with similar institutional features. The United Kingdom's Office for Budget Responsibility uses a long-term assumption of 1.5 per cent, the United States' Congressional Budget Office uses a long-term assumption of 1.4 per cent, the New Zealand Treasury uses a long-term assumption of 0.9 per cent, and the Canadian Department of Finance uses a long-term assumption of 0.8 per cent.

Treasury's Budget forecasts are based on an assumption that underlying productivity growth transitions to its long-run growth rate over time. From the first year of the forward estimates, Treasury projects that underlying productivity growth transitions to its long-term growth assumption over around five years. Underlying productivity growth is assumed to be 1.2 per cent in 2031–32.

This is a more gradual transition than used in the 2025–26 Budget. Previously, underlying productivity growth was projected to transition to the long-term assumption after two years from the first year of the forward estimates. If the previous methodology was used in this Budget, this would have seen underlying productivity growth reach 1.2 per cent by the end of 2028–29.

Treasury considers a gradual transition to be appropriate, reflecting uncertainty around productivity trends and consistent with international practice. In advanced economies, including the United States and the United Kingdom, independent and government fiscal agencies tend to assume that convergence to long-term productivity growth assumptions takes place over five to ten years. The gradual transition adopted in this Budget is more in line with these other approaches to the long-run productivity assumption.

Statement 3:
Fiscal Strategy and Outlook

The Government has delivered a stronger and more sustainable budget, with lower deficits and less debt. The budget is $44.9 billion stronger over the forward estimates than at the mid-year update, and more than a quarter of a trillion dollars better over the eight years to 2029–30 than the Government inherited.

Since MYEFO, the underlying cash balance has improved in each year of the forward estimates and medium term. In 2026–27, the deficit is $31.5 billion, $2.8 billion lower than at MYEFO. In 2029–30, the deficit is $25.3 billion, less than half the projection at MYEFO. As a share of the economy, the deficit is expected to be 1.0 per cent in 2026–27 to 2028–29 and then improve to 0.7 per cent in 2029–30. The deficits over the forward estimates are half the average between the GFC and COVID-19 pandemic. The budget is projected to return to balance in 2034–35 and to a surplus of 0.8 per cent of GDP in 2036–37, supported by structural savings and reforms to the tax system.

The improvement in the budget position is underpinned by savings and reprioritisations, spending restraint, and banking revenue upgrades; putting the budget in a stronger position in every year compared to the mid-year update. This budget update helps to take the pressure off inflation, delivers substantial improvements in the fiscal position, and cuts taxes for workers and businesses.

The Government is delivering $63.8 billion of savings and reprioritisations. These savings help build fiscal buffers at a time of heightened global uncertainty and make more room to return bracket creep in future budgets.

The Government has made net policy decisions that improve the budget position for the second consecutive update. Over the five years to 2029–30, net policy decisions improve the budget by $26.1 billion, when accounting for previously made provisions. By saving more than spending, the Government is again returning every dollar of the tax receipts upgrade to the budget.

The Government's fiscal discipline means that real payments growth averages 1.1 per cent over the four years to 2029–30, and 1.5 per cent over the eight years to 2029–30, less than half the 30-year average. Payments as a share of the economy are forecast to decline from 26.8 per cent in 2026–27 to 26.2 per cent in the last year of the forward estimates. Payments–to–GDP are lower than at MYEFO in every year of the medium term and is 0.4 percentage points lower by 2035–36.

The Government continues to build fiscal buffers, which is even more important during times of heightened global economic uncertainty. At 30 June 2027, gross debt is forecast to be $1,051 billion, $18.0 billion below MYEFO and $173.0 billion below the 2022 PEFO. It is now forecast to peak within the forward estimates at 35.8 per cent of GDP in 2028–29, 1.2 percentage points lower and two years earlier than at MYEFO. Compared to at MYEFO, gross debt is lower in every year of the forward estimates and medium term.

This Budget introduces a range of tax reform measures designed to deliver tax reductions for working Australian taxpayers, help more Australians to realise the goal of home ownership, and strengthen incentives for investment and innovation. These reforms ensure that the Government can continue to fund essential services Australians rely on, while lowering the tax burden on working Australians and creating room for further tax relief over time.

The Budget is delivering a comprehensive productivity package that helps reduce regulatory costs and supports higher living standards for all Australians. Improving productivity is central to the Government's economic plan to grow Australia's economy.

The fiscal improvements in this Budget have been achieved while ensuring funding goes to those who need it most. This Budget includes $11.8 billion in increased social security payments to people with a disability, carers, pensioners, young people, families and those who are unemployed. This is in part driven by higher automatic payment indexation, which will help shield the most vulnerable from the impacts of the global oil shock.

The decisions in this Budget build on this Government's strong fiscal credentials. Compared to the 2022 PEFO, the budget is $263.8 billion better over the eight years to 2029–30, gross debt is $173.0 billion lower in 2026–27 and the peak in gross debt as a share of GDP is 9.1 percentage points lower. This will help avoid more than $70.0 billion in interest costs over the eleven years to 2032–33.

Australia remains one of only nine countries with a AAA sovereign credit rating from all three major ratings agencies. For 2027, the International Monetary Fund (IMF) expects Australia (including all levels of government) to have the third highest budget balance among G20 countries and for gross debt-to-GDP to be less than half the advanced economy average, more than 50 percentage points below the United Kingdom, and more than 75 percentage points below the United States (Box 3.3).

Statement 3 contents

Statement 3: Fiscal Strategy and Outlook

A deficit of 1.0 per cent of GDP ($28.3 billion) is expected in 2025–26 (Table 3.1), an improvement of 0.3 percentage points ($8.5 billion) since MYEFO. A deficit of 1.0 per cent of GDP ($31.5 billion) is forecast for 2026–27, an improvement of 0.1 percentage points ($2.8 billion) since MYEFO. Over the forward estimates period there has been a $44.9 billion improvement in the underlying cash balance since MYEFO.

Since MYEFO, expected payments–to–GDP have reduced by 0.3 percentage points in 2025–26, 0.1 percentage points in 2026–27 and 0.7 percentage points at the end of the forward estimates. Receipts–to–GDP are broadly unchanged in 2025–26 and 2026–27.

Since MYEFO, the Government has committed $14.0 billion in unavoidable spending, to strengthen essential services that Australians rely on, and address urgent and unforeseen issues.

Table 3.1: Australian Government general government sector budget aggregates

	Actual	Estimates						Projections
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Total(a)	2036-37
	$b	$b	$b	$b	$b	$b	$b	% of GDP
Underlying cash balance	**-10.0**	**-28.3**	**-31.5**	**-31.0**	**-34.4**	**-25.3**	**-150.5**	
Per cent of GDP	-0.4	-1.0	-1.0	-1.0	-1.0	-0.7		0.8
Receipts	**717.0**	**759.8**	**798.1**	**822.9**	**848.4**	**894.8**	**4,123.9**	
Per cent of GDP	25.8	25.6	25.8	25.9	25.4	25.5		27.0
Tax receipts	**657.8**	**699.5**	**737.1**	**757.0**	**782.9**	**826.2**	**3,802.7**	
Per cent of GDP	23.7	23.6	23.8	23.8	23.5	23.6		25.2
Non-tax receipts	**59.1**	**60.2**	**61.0**	**65.9**	**65.5**	**68.6**	**321.2**	
Per cent of GDP	2.1	2.0	2.0	2.1	2.0	2.0		1.8
Payments(b)	**726.9**	**788.1**	**829.6**	**853.9**	**882.8**	**920.1**	**4,274.4**	
Per cent of GDP	26.2	26.6	26.8	26.8	26.5	26.2		26.2
Gross debt(c)	**928.6**	**982.0**	**1,051.0**	**1,120.0**	**1,193.0**	**1,249.0**		
Per cent of GDP	33.4	33.1	34.0	35.2	35.8	35.6		27.2
Net debt(d)	**532.3**	**556.0**	**616.6**	**668.8**	**725.5**	**767.8**		
Per cent of GDP	19.2	18.8	19.9	21.0	21.8	21.9		15.1
Net interest payments(e)	**13.7**	**17.7**	**19.9**	**26.7**	**28.0**	**31.7**	**124.0**	
Per cent of GDP	0.5	0.6	0.6	0.8	0.8	0.9		1.0

a) Total is equal to the sum of amounts from 2025–26 to 2029–30.
b) Equivalent to cash payments for operating activities, purchases of non-financial assets and principal payments of lease liabilities.
c) Gross debt measures the face value of Australian Government Securities (AGS) on issue as at the end of the financial year.
d) Net debt is the sum of interest-bearing liabilities (which includes AGS on issue measured at market value) less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements) as at the end of the financial year.
e) Net interest payments are equal to the difference between interest payments and interest receipts.

Economic and Fiscal Strategy

The Government's Economic and Fiscal Strategy is consistent with the requirements of the *Charter of Budget Honesty Act 1998*, with progress reviewed each budget update.

An update to the Fiscal Strategy (Box 3.1) and the Government's savings package are important further steps by the Government to manage the economy responsibly and ensure fiscal sustainability in an environment of heightened uncertainty and elevated inflationary pressures.

The Government's responsible fiscal management is underpinned by savings and reprioritisations, spending restraint and banking revenue upgrades. These actions mean that the budget position is stronger and the fiscal position is more constrained compared to the MYEFO projections. This budget update is helping to take the pressure off inflation and deliver substantial improvements in the fiscal position over time.

Fiscal policy has a range of instruments that can be calibrated for a specific policy response. This makes fiscal policy better suited than monetary policy to respond to supply shocks, such as the global oil shock. Therefore, the Government has deployed targeted policies to support the economy's productive capacity and ease adjustment pressures (Box 1.1).

This has not come at the expense of the Government exercising fiscal restraint. This Budget builds fiscal buffers and retains the capacity to respond flexibly if needed.

Box 3.1: The Government's Economic and Fiscal Strategy

The Government's Economic and Fiscal Strategy will make our economy more resilient and deliver a stronger and more sustainable budget.

The Strategy is focused on the objectives of strong, inclusive and sustainable economic growth, full employment, growing real wages, ensuring women's economic participation and equality, and improving living standards for all Australians.

The Strategy provides necessary flexibility for the budget balance to vary in line with economic conditions. This approach enables fiscal policy to respond to changes in economic conditions to support macroeconomic stability, including in times of high inflation.

Putting the budget on a more sustainable footing will ensure the Government has the fiscal buffers to withstand economic shocks and better manage fiscal pressures.

The Fiscal Strategy

The overarching goal of the fiscal strategy is to reduce gross debt as a share of the economy over time. This will be underpinned by the following actions:

- Returning the budget to balance in a measured way, over time.
- Limiting growth in spending until gross debt as a share of GDP is on a downwards trajectory, while growth prospects are sound and unemployment is low.
- Working to put downward pressure on payments-to-GDP, including by taking action on structural fiscal pressures.
- Allowing tax receipts and income support to respond in line with changes in the economy and directing the majority of improvements in tax receipts to budget repair.
- Finding savings and reprioritisations to strengthen the budget over time and improve the quality of spending, focusing spending on investments and reforms to make the economy more productive and improve resilience, and helping fund government services in a sustainable way.
- Delivering a more efficient, fairer and simpler tax system, that lowers the tax burden on working Australians, and creates room for further tax relief over time.

Delivering on the Economic and Fiscal Strategy

This Budget delivers on the Government's Economic and Fiscal Strategy by:

- Reducing gross debt as a share of the economy over time.
  - Compared to projections at MYEFO, gross debt as a share of GDP is lower in every year of the forward estimates and medium term (Chart 3.9).
  - Gross debt at 30 June 2027 is forecast to be $18.0 billion lower than estimated at MYEFO and $173.0 billion lower than estimated at the 2022 PEFO.
  - Gross debt-to-GDP is expected to peak at 35.8 per cent at 30 June 2029 and then fall to 27.2 per cent at 30 June 2037. Gross debt is expected to peak two years earlier and 1.2 percentage points lower than at MYEFO, and 9.1 percentage points lower than the forecast peak at the 2022 PEFO.
  - The cumulative improvements to the budget position, compared to the 2022 PEFO, are expected to save more than $70.0 billion in interest costs over the eleven years to 2032–33.
- Returning the budget to balance in a measured way.
  - The underlying cash balance has improved by $8.5 billion in 2025–26 and by $2.8 billion in 2026–27 since MYEFO. The underlying cash balance has improved in every year of the forward estimates since MYEFO, resulting in a cumulative budget improvement of $44.9 billion.
  - The underlying cash balance improves over the medium term, returning to balance in 2034–35 and to a surplus of 0.8 per cent of GDP in 2036–37 (Chart 3.4).
  - Compared to projections at the 2022 PEFO, the underlying cash balance has improved by $14.7 billion in 2025–26 and by a cumulative $263.8 billion over the eight years to 2029–30.
- Limiting growth in spending and putting downward pressure on payments-to-GDP.
  - Payments as a share of GDP decline to 26.2 per cent in 2029–30, 0.4 percentage points lower than 2025–26.
  - Payments-to-GDP are lower than at MYEFO in every year of the medium term and are 0.4 percentage points lower in 2035–36.
  - Real payments growth over the eight years to 2029–30 averages 1.5 per cent per year, and 1.1 per cent per year over the four years to 2029–30. This compares to an annual average of 3.3 per cent over the past 30 years.

- Directing the majority of improvements in tax receipts to budget repair.
  - For the second consecutive update, 100 per cent of tax receipt upgrades have been returned to the budget.
  - Since the 2022 PEFO, the Government has returned to the budget 76 per cent of tax receipt upgrades over the eight years to 2029–30.
- Finding savings and reprioritisations to strengthen the budget over time (Box 3.2).
  - This Budget provides $63.8 billion in savings and reprioritisations and a total of $75.9 billion of budget improvements.
  - This brings total savings and spending reprioritisations since the 2022 PEFO to $177.9 billion and total budget improvements to $220.9 billion.
  - Net policy decisions improve the budget position. Including policies already provisioned in previous updates, policy decisions improve the budget by $26.1 billion (Table 3.2). Excluding provisions, net policy decisions improve the budget by $8.2 billion.
- Delivering a more efficient, fairer and simpler tax system that will help more Australians into the housing market, lower the tax burden on working Australians, and create room for further tax relief over time.
  - The Working Australians Tax Offset will deliver a tax cut for more than 13.0 million Australian workers.
  - The Government's reforms to negative gearing and capital gains taxation are expected to support an additional 75,000 Australians to become owner occupiers over the next decade.
  - The Government will support a more dynamic and resilient economy by introducing $3.5 billion of new measures that lower taxes for business.
  - The Government is also introducing simplification measures to reduce compliance costs for businesses and individuals by $540.0 million per year.

Box 3.2: Delivering structural improvements to the Budget

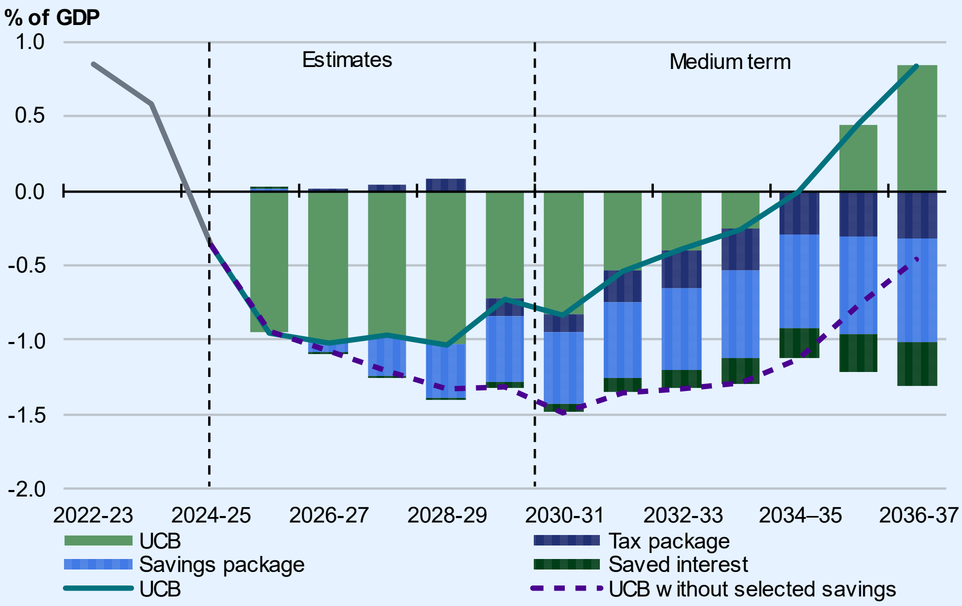
The Government is finding responsible long-term structural savings that are helping to build fiscal buffers. Importantly, the savings package is driven by long-term structural improvements to major spending programs, building on measures in previous Budgets to limit growth in the NDIS and aged care. In this Budget, savings from spending measures are almost three times savings from revenue measures. Structural improvements that directly improve the underlying cash balance and secure the future of important social programs include:

- Putting the NDIS on a sustainable growth trajectory. Scheme growth will average around 2 per cent over the forward estimates as design features are reset, before returning to 5 per cent from 2030–31 in line with National Cabinet's agreement and in line with other care and support programs like aged care, medical benefits and the child care subsidy. These changes are projected to lower Scheme payments by $184.9 billion from 2025–26 to 2036–37, with $32.5 billion of this accruing to states and territories as lower Scheme contributions.
- Removing age as a determinant of the private health insurance rebate, saving $11.0 billion from 2025–26 to 2036–37.
- Reducing funding from the Hydrogen Headstart, Solar Sunshot and Battery Breakthrough Initiative programs to achieve savings of $1.3 billion from 2025–26 to 2035–36.
- The tax package which, over time, improves the underlying cash balance by $77.2 billion from 2025–26 to 2036–37.

These direct improvements to the budget balance help to avoid interest payments of $55.6 billion from 2025–26 to 2036–37. By 2036–37, the underlying cash balance is 1.3 percentage points of GDP better than it would have been had these improvements not been made (Chart 3.1). Gross debt is 7.3 percentage points of GDP lower by 2036–37.

Box 3.2: Delivering structural improvements to the Budget (continued)

Chart 3.1: Structural improvements to the Budget



Source: Treasury.

Addressing unavoidable issues

The Government has provided $14.0 billion over five years to 2029–30 for unavoidable policy decisions in this budget update. Investments in these critical areas support the delivery of essential services and prevent cuts to services Australians rely on, and address urgent and unforeseen issues, including funding to:

- provide new and amended PBS listings and vaccinations
- respond to the antisemitic Bondi terrorist attack in December 2025
- support security and frontline service delivery in Services Australia centres, and improve cybersecurity in the agency's ICT systems
- extend and provide ongoing funding for Medicare Urgent Care Clinics
- maintain essential capability of CSIRO, the National Measurement Institute and the Australian Centre for Disease Preparedness

- sustain critical ICT investments such as My Health Record, stabilise and uplift Australia's business registers, and extend and provide ongoing funding for Digital ID
- extend and provide ongoing funding for public dental services and the National Medical Stockpile
- extend terminating programs in the Health, Disability and Ageing portfolio, including funding to eliminate HIV transmission and support aged care provider viability
- extend and provide ongoing funding for the Commonwealth Fraud Prevention Centre and the Fraud Fusion Taskforce to continue to detect and respond to fraud and non-compliant payments in the NDIS and across other government payments
- extend terminating funding for the National Disability Insurance Agency to ensure it is appropriately resourced to continue to support NDIS participants
- sustain essential government services, including critical safety and regulatory functions at the Civil Aviation Safety Authority, Australia's consular and overseas crisis management and response capability within the Department of Foreign Affairs and Trade, and Australia's agricultural export and trade functions at the Department of Agriculture, Fisheries and Forestry.

Since the 2022 PEFO, the Government has spent $71.8 billion in addressing unavoidable pressures and preventing cuts to services Australians rely on.

Box 3.3: International comparisons of the fiscal position

The IMF's projections show Australia's public finances are strong relative to our peers (Chart 3.2).

Australia's general government budget deficit as a share of GDP is expected to narrow to 2.1 per cent of GDP in 2027. This compares with a deficit of 2.5 per cent of GDP for Canada, 3.1 per cent for the United Kingdom, 3.4 per cent for the Euro Area, and 7.4 per cent for the United States. Australia is estimated to have the third highest budget balance among G20 countries in 2027, up from fourteenth in 2021.

A stronger budget position has helped to keep Australia's gross debt low by international standards. The IMF projects Australia's gross debt to be 50.7 per cent of GDP in 2027, which is less than half of the advanced economy average (Chart 3.3). The IMF projects Australia's gross debt-to-GDP to be about 38 percentage points below levels in the Euro Area, more than 50 percentage points below levels in the United Kingdom, and more than 75 percentage points below levels in the United States. Australia is estimated to have the fifth lowest gross debt-to-GDP ratio among G20 countries in 2027.

Chart 3.2: International fiscal balance-to-GDP

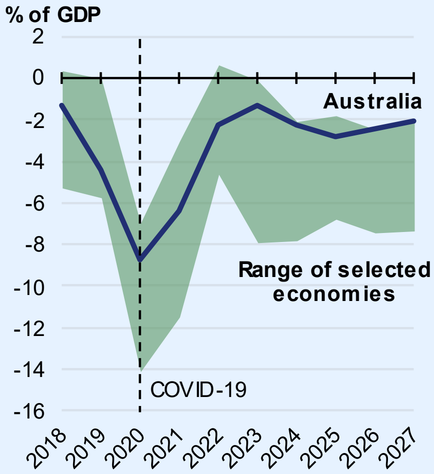
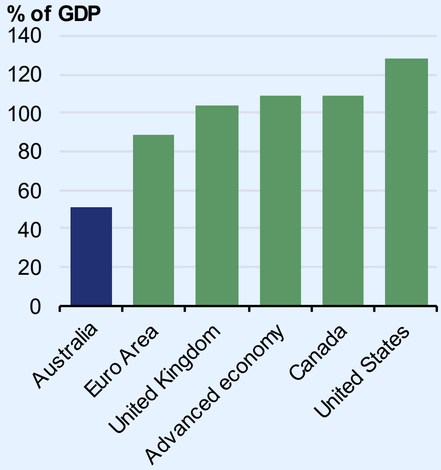


Chart 3.3: International gross debt-to-GDP in 2027



Note: IMF fiscal data are produced on a consistent basis across countries. They are produced for calendar years and on a general government basis, which includes state, territory and local governments. They are not directly comparable with fiscal aggregates reported elsewhere in the Budget. The range has been calculated using a subset of selected advanced economies: Canada, the Euro Area, United Kingdom and United States.

Source: Treasury, IMF.

Fiscal outlook

Underlying cash balance estimates

The underlying cash balance has improved since MYEFO by $2.8 billion in 2026–27 and a cumulative $44.9 billion over the five years to 2029–30.

The underlying cash balance is estimated to be a deficit of $28.3 billion (1.0 per cent of GDP) in 2025–26, which is an $8.5 billion improvement compared to the forecast at MYEFO (Table 3.3).

An underlying cash deficit of $31.5 billion (1.0 per cent of GDP) is forecast for 2026–27, a $2.8 billion improvement from the forecast at MYEFO. The underlying cash deficit is then expected to improve to $25.3 billion (0.7 per cent of GDP) in 2029–30, an improvement of $26.9 billion compared to the forecast at MYEFO.

In this Budget, $17.9 billion of policy decisions were funded by provisions made in previous updates, limiting their impacts on the underlying cash balance in this update. These provisions included $15.9 billion to fund the National Health Reform Agreement (NHRA) and $1.6 billion to fund Thriving Kids foundational supports. Taking provisions into account, the impact of policy decisions on the underlying cash balance at the 2026–27 Budget is $26.1 billion (Table 3.2).

Over the five years to 2029–30, net policy decisions excluding provisions improve the underlying cash balance by $8.2 billion and parameter and other variations since MYEFO improve it by another $36.6 billion.

Table 3.2: Net impact of policy decisions on the Underlying Cash Balance after accounting for provisions

	Estimates					
	2025-26	2026-27	2027-28	2028-29	2029-30	Total
	$m	$m	$m	$m	$m	$m
Effect of policy decisions including previously made provisions	**-5,264**	**-3,655**	**363**	**6,662**	**28,033**	**26,139**
Subtract: Provisions made for expenditure	34	2,866	2,690	3,574	8,734	17,896
Effect of policy decisions since 2025–26 MYEFO	**-5,298**	**-6,520**	**-2,327**	**3,088**	**19,299**	**8,242**

Table 3.3: Reconciliation of general government sector underlying cash balance estimates

	Estimates					
	2025-26	2026-27	2027-28	2028-29	2029-30	Total
	$m	$m	$m	$m	$m	$m
2025 PEFO underlying cash balance	**-42,165**	**-35,366**	**-37,087**	**-37,028**	*	*
Per cent of GDP	-1.5	-1.2	-1.2	-1.1	*	
Changes from 2025 PEFO to 2025-26 MYEFO						
Effect of policy decisions(a)	-1,909	-147	1,337	2,888	*	*
Effect of parameter and other variations	7,310	1,210	-439	-1,852	*	*
Total variations	**5,401**	**1,063**	**898**	**1,036**	*	*
2025-26 MYEFO underlying cash balance(b)	**-36,764**	**-34,303**	**-36,189**	**-35,993**	**-52,138**	**-195,386**
Per cent of GDP	-1.3	-1.1	-1.1	-1.1	-1.5	
Changes from 2025-26 MYEFO to 2026-27 Budget						
Effect of policy decisions(a)(c)						
Receipts	*-3,570*	*2,226*	*961*	*862*	*8,299*	*8,777*
Payments	*1,728*	*8,747*	*3,288*	*-2,226*	*-11,000*	*535*
Total policy decisions impact on underlying cash balance	-5,298	-6,520	-2,327	3,088	19,299	8,242
Effect of parameter and other variations(c)						
Receipts	*13,551*	*18,842*	*16,352*	*598*	*-8,228*	*41,116*
Payments	*-228*	*9,561*	*8,836*	*2,139*	*-15,808*	*4,501*
Total parameter and other variations impact on underlying cash balance	13,778	9,281	7,516	-1,541	7,580	36,615
2026-27 Budget underlying cash balance	**-28,284**	**-31,542**	**-31,000**	**-34,445**	**-25,259**	**-150,530**
Per cent of GDP	-1.0	-1.0	-1.0	-1.0	-0.7	

*Data are not available.

a) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

b) 2029–30 as published in the medium-term projections, page 57 of the *Mid-Year Economic and Fiscal Outlook 2025–26.*

c) A positive number for receipts improves the underlying cash balance, while a positive number for payments worsens the underlying cash balance.

Receipts estimates

Since MYEFO, forecast total receipts have increased by $10.0 billion in 2025–26, $21.1 billion in 2026–27 and by $49.9 billion over the five years to 2029–30.

Since MYEFO, forecast tax receipts have increased by $8.4 billion in 2025–26, $18.6 billion in 2026–27 and by $38.4 billion over the five years to 2029–30. Since MYEFO, forecast non-tax receipts have increased by $1.6 billion in 2025–26, $2.5 billion in 2026–27 and by $13.8 billion over the five years to 2029–30.

Receipts policy decisions over the forward estimates

As a result of policy decisions since MYEFO, total receipts decrease by $3.6 billion in 2025-26, increase by $2.2 billion in 2026–27 and increase by $8.8 billion over the five years to 2029–30. This reflects increases from non-tax receipts measures outweighing the decrease from tax receipts measures. As a result of policy decisions, tax receipts will increase by $583.9 million in 2026–27 and decrease by $1.8 billion over the five years from 2025–26 to 2029–30.

Key tax receipts measures include:

- introducing a Working Australians Tax Offset from 2027–28 to increase the effective tax-free threshold for income derived from work by nearly $1,800 to $19,985. This measure is estimated to decrease receipts by $6.4 billion over the five years from 2025–26.
- reforming negative gearing and capital gains tax from 1 July 2027. This measure is estimated to increase receipts by $3.6 billion over five years from 2025–26.
- introducing a minimum 30 per cent tax on discretionary trusts to improve the fairness of the tax system. This measure is estimated to increase receipts by $4.5 billion over the five years from 2025–26.

Since MYEFO, policy decisions are expected to increase non-tax receipts by $0.3 billion in 2025–26, $1.6 billion in 2026–27, and by $10.6 billion over the five years to 2029–30. This increase is largely driven by the standard non-tax receipts impacts of Pharmaceutical Benefits Scheme listings, amounts for which are not for publication, and which partially offset expenditure impacts of these listings; and receipts expected from the divestment of selected properties in the Defence estate, also not for publication due to commercial sensitivities.

Further details of Government policy decisions are provided in Budget Paper No. 2, *Budget Measures 2026–27.*

Receipts parameter and other variations over the forward estimates

Parameter and other variations have increased total receipts since MYEFO by $13.6 billion in 2025–26, $18.8 billion in 2026–27 and by $41.1 billion over five years to 2029–30 (Table 3.3).

The change in total receipts due to parameter and other variations since MYEFO primarily reflects tax receipts, which have been revised up by $18.0 billion in 2026–27 and by $40.2 billion over five years to 2029–30.

Excluding GST and policy decisions, tax receipts have been revised up by $11.5 billion in 2025–26, $16.2 billion in 2026–27 and $34.5 billion over the five years to 2029–30. Tax receipts have been revised up in the near-term driven by higher superannuation fund, personal income and company taxes. However, tax receipts excluding GST and policy decisions have been revised down by $7.6 billion in 2029–30 alongside the projected decline in the prices for key commodities as well as lower, but still positive, labour income growth.

Since MYEFO, parameter and other variations are expected to increase non-tax receipts by $1.3 billion in 2025–26, $0.8 billion in 2026–27 and by $3.2 billion over the five years to 2029–30. A forecast increase in earnings from the Future Fund and other Australian Government Investment Funds is partially offset by reduced funding contributions from states and territories to the NDIS as a result of lower NDIS growth rates from reforms included in the 2026–27 Budget measure *Securing the National Disability Insurance Scheme for future generations*.

Further information on expected receipts is provided in *Statement 5: Revenue*. Analysis of the sensitivity of the receipts estimates to changes in the economic outlook is provided in *Statement 8: Forecasting Performance and Sensitivity Analysis*.

Payments estimates

Since MYEFO, total projected payments have increased by $1.5 billion in 2025–26, $18.3 billion in 2026–27 and by $5.0 billion over five years to 2029–30 (Table 3.4). Real payments growth over the four years to 2029–30 is expected to average 1.1 per cent per year, compared to the 30–year average of 3.3 per cent.

Table 3.4: Reconciliation of general government sector payments estimates[(a)]

	Estimates					
	2025-26	2026-27	2027-28	2028-29	2029-30	Total
	$m	$m	$m	$m	$m	$m
2025 PEFO payments	**777,523**	**801,340**	**834,471**	**877,873**	*	*
Changes from 2025 PEFO to 2025-26 MYEFO						
Effect of policy decisions(b)	1,758	44	-2,156	-3,399	*	*
Effect of parameter and other variations	7,275	9,948	9,428	8,442	*	*
Total variations	**9,033**	**9,992**	**7,272**	**5,043**	*	*
2025-26 MYEFO payments(c)	**786,556**	**811,332**	**841,743**	**882,916**	**946,860**	**4,269,407**
Changes from 2025-26 MYEFO to 2026-27 Budget						
Effect of policy decisions(b)	1,728	8,747	3,288	-2,226	-11,000	535
Effect of parameter and other variations	-228	9,561	8,836	2,139	-15,808	4,501
Total economic parameter variations	270	4,067	4,947	4,137	*	*
Unemployment benefits	*7*	*776*	*861*	*788*	*	*
Prices and wages	*-37*	*2,536*	*4,020*	*3,740*	*	*
Interest and exchange rates	*-498*	*-1,047*	*-1,168*	*-1,307*	*	*
GST payments to the States	*798*	*1,802*	*1,234*	*916*	*	*
Interest payments on AGS	-267	17	-484	-483	*	*
Program specific parameter variations	1,365	5,016	5,424	5,131	*	*
Other variations(d)	-1,595	462	-1,051	-6,646	*	*
Total variations	**1,500**	**18,308**	**12,124**	**-87**	**-26,808**	**5,037**
2026-27 Budget payments	**788,056**	**829,640**	**853,867**	**882,829**	**920,052**	**4,274,444**

*Data are not available.

a) A positive number for payments worsens the underlying cash balance.

b) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

c) 2029–30 as published in the medium-term projections, page 57 of the *Mid-Year Economic and Fiscal Outlook 2025–26.*

d) Includes changes in the conservative bias allowance component in the Contingency Reserve and impacts of changes in program payments for a range of reasons including movement of funds and reprofiling.

Payment policy decisions over the forward estimates

New policy decisions since MYEFO have increased total payments by $1.7 billion in 2025–26, by $8.7 billion in 2026–27, and by $0.5 billion over five years from 2025–26 to 2029–30.

Major policy decisions since MYEFO that have had a net increase in payments include:

- funding to the states and territories for public hospital services and the implementation of the *2026–2031 Addendum to the National Health Reform Agreement*, which is expected to increase payments by $18.1 billion over the four years to 2029–30. The Government had already provisioned for the majority of this funding.
- funding to support the delivery of the 2026 National Defence Strategy and Integrated Investment Program to enhance Defence capability, preparedness and resilience, which is expected to increase payments by $6.8 billion over the five years to 2029–30 in addition to alternative financing opportunities in the Defence portfolio through public and private sector financing.
- funding for new and amended listings on the Pharmaceutical Benefits Scheme and Repatriation Pharmaceutical Benefits Scheme, which is expected to increase payments by $5.9 billion over the five years to 2029–30.
- funding to improve the way Services Australia delivers services to the Australian community, including by maintaining frontline and emergency response staff, enhancing safety and security at Services Australia centres, enhancements to myGov and cyber security uplift, which is expected to increase payments by $2.1 billion over the five years to 2029–30.
- funding to support increased housing supply and research, including through the Housing Support Program — Local Infrastructure Fund to support local governments and state utility providers to deliver housing enabling infrastructure, which is expected to increase payments by $2.1 billion over the four years to 2029–30.
- funding to ensure all Australians have affordable access to high quality primary health care services and increase access to bulk billing, including through funding Medicare Urgent Care Clinics ongoing, which is expected to increase payments by $1.9 billion over the five years to 2029–30.
- funding to deliver national services, contribute to state and territory services, and fund enabling supports for the Thriving Kids program, which is expected to increase payments by $1.6 billion over the four years to 2029–30. The Government had already provisioned for this funding.
- funding for the Support at Home program to improve affordability and access to home care supports, which is expected to increase payments by $1.4 billion over the four years to 2029–30.

- funding for priority road and rail infrastructure projects, partially offset by the application of a temporary fuel and other materials disruption slippage adjustment to recognise the uncertain impacts of the Middle East conflict on the availability of key materials for the delivery of projects, which is expected to increase payments by $966.8 million over the five years to 2029–30.
- funding to support economic growth and development across urban and regional Australia by delivering community infrastructure projects, which is expected to increase payments by $734.3 million over the five years to 2029–30.
- funding to continue the Australian Government's Digital ID System, to support productivity and security by reducing the sharing and storage of personal data, which is expected to increase payments by $654.3 million over the four years to 2029–30.

Major policy decisions since MYEFO that have had a net decrease in payments include:

- measures to restore the NDIS to its original intent and secure the sustainability of the scheme for future generations, which are expected to decrease payments by $37.8 billion over four years to 2029–30, partially offset by the Government's investment of $1.7 billion to support people with disability and to improve the quality of supports delivered through the NDIS.
- removing the age-based uplift of the Private Health Insurance Rebate from 1 April 2027 to simplify its distribution and make it more equitable, which is expected to decrease payments by $3.0 billion over the four years to 2029–30.
- further reducing spending on external labour and other non-wage expenses like travel, hospitality and property, which is expected to decrease payments by $2.7 billion in 2029–30.
- identifying savings from health, disability and ageing programs, which is expected to decrease payments by $2.7 billion over the five years to 2029–30, to be reinvested in new or expanded health, disability and ageing services.
- reforming the Research and Development Tax Incentive to simplify and better target Government support for business research and development, which is expected to decrease payments by $1.6 billion over the three years to 2029–30. This measure will also decrease receipts by $910.0 million over the same period.
- temporarily reducing fuel excise and the heavy vehicle road user charge, which is expected to decrease payments by $1.3 billion over the two years to 2026–27 through a reduction in Fuel Tax Credits. This measure is also expected to decrease receipts by $3.8 billion over the same period.
- reforming Australian science and research and development capabilities, including by returning uncommitted funding from the Australia's Economic Accelerator program, which is expected to decrease payments by $759.9 million over the five years to 2029–30.

- identifying savings from across the Climate Change, Energy, the Environment and Water portfolio, which is expected to decrease payments by $727.0 million over the five years to 2029–30, to be redirected to other Government policy priorities within the portfolio.

- better targeting of services for veterans and their families, which is expected to decrease payments to providers by $606.6 million over the five years to 2029–30.

Payment parameter and other variations over the forward estimates

Parameter and other variations since MYEFO have decreased payments by $0.2 billion in 2025–26, but increased payments by $9.6 billion in 2026–27 and by $4.5 billion over the five years to 2029–30.

This is primarily driven by higher estimated payments related to the NDIS and Financial Support for People with Disability program along with higher GST payments to the states and territories. These are partially offset by the drawdown of provisions for policy decisions announced in the 2026–27 Budget and lower estimated payments for road and rail transport projects under the Infrastructure Investment Program.

Major increases in payments from parameter and other variations since MYEFO include:

- payments related to the NDIS, which would have been expected to increase by $1.8 billion in 2026–27 and $13.9 billion over the five years to 2029–30, largely reflecting higher-than-expected participant numbers and payment rates than those modelled by the NDIS Actuary and delays to the commencement of the New Framework Planning from 1 July 2026 to 1 April 2027. This variation has been more than offset by the Government's reforms under the 2026–27 Budget measure *Securing the National Disability Insurance Scheme for future generations*, which are expected to reduce growth in NDIS payments by $37.8 billion relative to the NDIS Actuary's projections.

- payments related to the Financial Support for People with Disability program, which are expected to increase by $867.5 million in 2026–27 and $4.4 billion over the five years to 2029–30, largely reflecting higher-than-expected indexation rates, recipient numbers, and average payment rates.

- GST-related payments to the states and territories, which are expected to increase by $1.7 billion in 2026–27 and $4.2 billion over the five years to 2029–30, and are offset by an increase in GST receipts.

- payments related to the JobSeeker Income Support program, which are expected to increase by $941.4 million in 2026–27 and $3.2 billion over the five years to 2029–30, largely reflecting higher-than-expected indexation rates, recipient numbers, and average payment rates.

- payments related to the National Partnership Payments—Natural Disaster Relief program, which are expected to increase by $458.4 million in 2026–27 and $2.5 billion over the five years to 2029–30, largely reflecting updated estimates for future expenditure on past disaster events.

- payments related to non-government schools, which are expected to increase by $270.1 million in 2026–27 and $2.3 billion over the five years to 2029–30, largely reflecting an increase in non-government school enrolments, and an increase in the number of students with a disability eligible to attract a higher level of funding. The Government is increasing compliance activities to safeguard Australia's investment in schooling, including mechanisms protecting the integrity of the students with a disability loading to ensure funding is directed based on need, and introducing controls to reduce inaccurate claiming.

- payments related to the Financial Support for Carers program, which are expected to increase by $286.4 million in 2026–27 and $1.5 billion over five years to 2029–30, largely reflecting higher-than-expected indexation rates, average payment rates and recipient numbers.

- payments related to the Support for Seniors program, which are expected to increase by $388.5 million in 2026–27 and $1.5 billion over five years to 2029–30, largely reflecting higher-than-expected indexation rates, partially offset by future expected changes to social security deeming rates.

- payments related to the Military Rehabilitation Compensation Acts—Income Support and Compensation program, which are expected to increase by $47.9 million in 2026–27 and $813.2 million over the five years to 2029–30, largely reflecting increases in the number of eligible veterans and average payment sizes.

- payments related to the Child Care Subsidy program, which are expected to decrease by $300.8 million in 2026–27 and increase by $805.3 million over the five years to 2029–30, largely reflecting increases to the cost of care due to the Fair Work Commission's Gender-based undervaluation priority review decision and higher-than-expected indexation, and partially offset by lower-than-expected demand for early childhood education and care.

- payments related to the Support for Families program, which are expected to increase by $123.9 million in 2026–27 and $771.0 million over the five years to 2029–30, largely reflecting higher-than-expected indexation rates.

- payments related to the Pharmaceutical Benefits Scheme, which are expected to increase by $123.5 million in 2026–27 and $757.0 million over five years to 2029–30, largely reflecting updated pharmaceutical pricing assumptions and changes to predicted prescription volumes.

Major decreases in payments from parameter and other variations since MYEFO include:

- the drawdown of provisions for policy decisions announced in the 2026–27 Budget, including for the National Health Reform Agreement and Thriving Kids, which have decreased expected payments by $2.9 billion in 2026–27 and $17.9 billion over the five years to 2029–30.

- payments related to road and rail transport projects under the Infrastructure Investment Program, which are expected to increase by $97.4 million in 2026–27 and decrease by $5.8 billion over the five years to 2029–30, largely reflecting revised project delivery schedules and the application of a general slippage adjustment, with slippage a usual occurrence for large and complex capital infrastructure projects. The decrease is partially offset by the Government's additional funding for existing road and rail priority projects.

- payments related to the National Partnership Payments—Housing program, which are expected to increase by $137.9 million in 2026–27 and decrease by $2.3 billion over the five years to 2029–30, largely reflecting estimates of incentive payments to states who choose to sign up to and meet targets under the New Homes Bonus commitment.

- payments related to Department of Defence programs, which are expected to decrease by $883.8 million in 2026–27 and $2.2 billion over the five years to 2029–30, largely reflecting movements in foreign exchange rates, partially offset by bringing forward funding into 2025–26 from beyond the forward estimates. This variation has been more than offset by the Government's commitment to additional Defence funding of $6.8 billion over the five years to 2029–30 under the 2026–27 Budget measure *2026 National Defence Strategy and Integrated Investment Program*.

- payments related to the Hydrogen Production Tax Incentive, which are expected to decrease by $1.9 billion over the five years to 2029–30, largely reflecting lower-than-expected production forecasts from the renewable hydrogen industry.

- payments related to Commonwealth debt management, which are expected to increase by $17.5 million in 2026–27 and decrease by $1.7 billion over the five years to 2029–30, largely reflecting lower issuance of Australian Government Securities, partially offset by an increase in the expected yields on new issuance.

- payments related to the Research and Development Tax Incentive program, which are expected to decrease by $278.2 million in 2026–27 and $894.9 million over the five years to 2029–30, largely reflecting a lower-than-expected growth rate in claims compared to earlier years.

Consistent with past budgets, the underlying cash balance has been improved by regular drawdown of the conservative bias allowance. Details in *Statement 6: Expenses and Net Capital Investment.*

Headline cash balance

The headline cash balance adjusts the underlying cash balance to include net cash flows from investments in financial assets for policy purposes (IFAPPs). This includes Specialist Investment Vehicles which invest in projects that deliver public value and a financial return to taxpayers. For example, Clean Energy Finance Corporation (CEFC) loans and equity investments impact the headline cash balance but not the underlying cash balance. Table 3.5 details differences between the underlying and headline cash balance estimates.

A headline cash balance deficit of $47.9 billion (1.6 per cent of GDP) is estimated in 2025–26, $10.6 billion lower than the estimated deficit of $58.6 billion at MYEFO. The improvement predominantly reflects the improvement to the underlying cash balance.

The headline cash deficit increases to $64.1 billion (2.1 per cent of GDP) in 2026–27, $1.4 billion higher than the estimated deficit of $62.7 billion at MYEFO. This reflects higher net cash outflows for IFAPPs since MYEFO, partially offset by the improved underlying cash balance. The headline cash balance improves to a deficit of $41.0 billion (1.2 per cent of GDP) in 2029–30.

Net cash outflows for IFAPPs total $114.0 billion over the five years to 2029–30. Estimated net cash outflows for IFAPPs have increased by $4.5 billion over the four years to 2028–29 compared to the 2025–26 MYEFO.

Policy decisions impacting net cash outflows for IFAPPs include:

- The consolidation of the Inland Rail project at Parkes and preservation of the remaining rail corridor and intermodal sites for future investment, with $4.4 billion in equity to be returned to the budget. The ARTC equity profile is included in the 'net other' section of Table 3.5 due to commercial sensitivities. Further information can be found in the 2026–27 Budget measure *Building a Better Future through Considered Infrastructure Investment.*

- An increase of $600.0 million in 2026–27 from an equity investment in Airservices Australia to support continued provision of critical air navigation, air traffic control, and aviation fire and rescue services at major Australian airports. Further information can be found in the 2026–27 Budget measure *Supporting Aviation Priorities.*

- An equity injection over four years from 2026–27 for Australian Naval Infrastructure Pty Ltd (ANI), to support construction of the Nuclear-Powered Submarine Construction Yard in South Australia. The financial implications of this injection are not for publication because they would impair ANI's position in negotiating contracts for these services. Further information can be found in the 2026–27 Budget measure *Australian Naval Infrastructure Equity Injection*.

Parameter and other variations increasing net cash outflows for IFAPPs include:

- $1.4 billion over five years from 2025–26 for the line of credit provided to the Affordable Housing Bond Aggregator, reflecting the updated and reprofiled lending and repayment estimates due to the timing of certain large transactions by Housing Australia. Further details on the line of credit can be found in *Budget Statement 9: Statement of Risks*.

- $550.3 million over five years from 2025–26 for the National Reconstruction Fund Corporation, reflecting revised capital deployment for investing activities.

- $286.9 million over five years from 2025–26 for student loans, reflecting various updates for actuarial, program and parameter changes resulting in higher expected loan outflows alongside lower principal repayments.

Parameter and other variations decreasing net cash outflows for IFAPPs include:

- $685.4 million over five years from 2025–26 in lower investments through the Help to Buy scheme, reflecting reduced lending estimates in line with updated actuarial estimates of average loan values eligible under the scheme.

- $293.4 million over five years from 2025–26 in lower investments by the Northern Australia Infrastructure Facility, reflecting adjusted investing cash flows.

In this Budget, Table 3.5 separately identifies funding for three additional programs which were previously captured within the 'net other' line. These are:

- 100,000 Homes for First Home Buyers. Funding previously held in the Contingency Reserve as part of the 2025–26 MYEFO measure *Support for Homebuyers* has now been allocated to QLD, WA, SA, TAS and the ACT, with some reprofiling between years to reflect the outcome of negotiations.

- Finance Procurement Services. Funding for this program was announced as part of the 2023–24 MYEFO measure *More Efficient and Effective Vehicle Leasing and Fleet Management Arrangement* and was previously not separately identified due to commercial sensitivities.

- Marinus Link investment. The Australian Government funding contribution for this program is provided through the CEFC's Rewiring the Nation (RtN) program (included as part of the CEFC loans and investments program) and the RtN Special Account, administered by the Department of Climate Change, Energy, the Environment and Water, and was previously not separately identified due to commercial sensitivities.

Table 3.5: Reconciliation of general government sector underlying and headline cash balance estimates

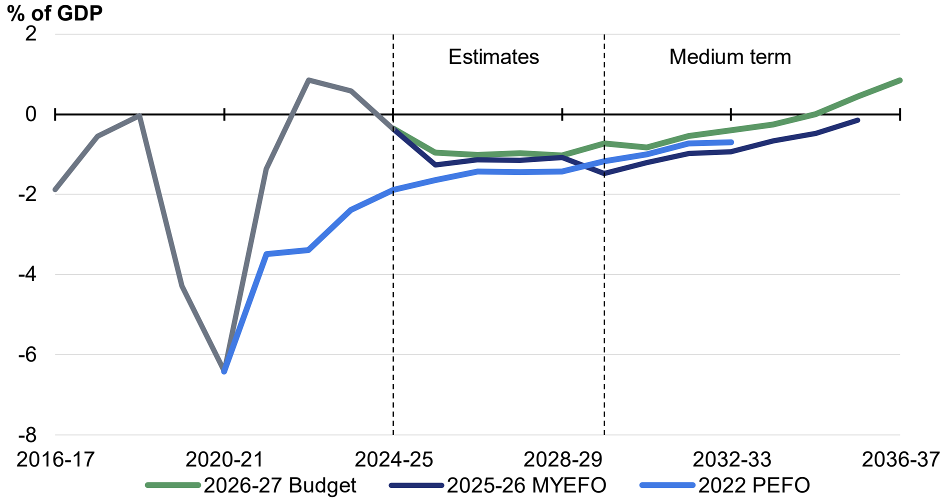
	Estimates					
	2025-26	2026-27	2027-28	2028-29	2029-30	Total
	$m	$m	$m	$m	$m	$m
2026-27 Budget underlying cash balance	**-28,284**	**-31,542**	**-31,000**	**-34,445**	**-25,259**	**-150,530**
***plus* Net cash flows from investments in financial assets for policy purposes(a)**						
Student loans	-4,745	-5,272	-5,850	-6,299	-6,673	-28,839
NBN investment	-621	-902	0	0	0	-1,523
Snowy Hydro Limited loan	-1,450	-2,900	0	0	150	-4,200
Snowy Hydro Limited investment	-975	0	0	0	0	-975
Australian apprenticeship support loans	-101	-100	-86	-78	-69	-435
CEFC loans and investments	-939	-4,143	-3,683	-5,712	-3,007	-17,483
Northern Australia Infrastructure Facility	-575	-350	-361	-338	-122	-1,746
NRFC loans and investments	-2,093	-3,129	-2,964	-4,172	-2,530	-14,888
Australian Business Securitisation Fund	-311	-343	-101	-101	-2	-857
Drought and rural assistance loans	-356	-101	-114	34	710	173
Official Development Assistance - Multilateral Replenishment	-202	-149	-184	-195	-188	-919
Finance Procurement Services	-12	-84	-114	-94	-65	-368
Historical state and territory loans	97	101	100	94	90	481
Home Equity Access Scheme	-232	-289	-335	-364	-381	-1,600
Housing Australia	-2,455	-6,330	-3,915	-2,114	-1,076	-15,890
100,000 Homes for First Home Buyers	-57	-768	-678	-670	-318	-2,491
Indigenous Business Australia home and business loans	-219	-95	-102	-106	-107	-629
Marinus Link investment	-212	-53	0	0	0	-265
National Interest Account loans and investments	-696	-906	-624	5	143	-2,079
COVID-19 Support for Indonesia — loan	100	100	100	100	100	500
Financial Assistance to Papua New Guinea — loan	169	169	169	169	169	846
Rex Airlines	-65	-30	4	9	10	-72
Net other(b)	-3,678	-6,972	-4,597	-2,955	-2,537	-20,739
Total net cash flows from investments in financial assets for policy purposes	**-19,629**	**-32,544**	**-23,334**	**-22,785**	**-15,704**	**-113,997**
2026-27 Budget headline cash balance	**-47,913**	**-64,086**	**-54,333**	**-57,230**	**-40,963**	**-264,526**

a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.
b) 'Net other' includes amounts that cannot be itemised, including commercial-in-confidence transactions and decisions taken but not yet announced.

Medium-term projections

The underlying cash balance is expected to return to balance in 2034–35 (Chart 3.4) and then improve to a surplus of 0.4 per cent of GDP in 2035–36 and 0.8 per cent of GDP in 2036–37. The change in the underlying cash balance over the medium term since MYEFO primarily reflects structural savings, such as the NDIS reforms.

Chart 3.4: Underlying cash balance



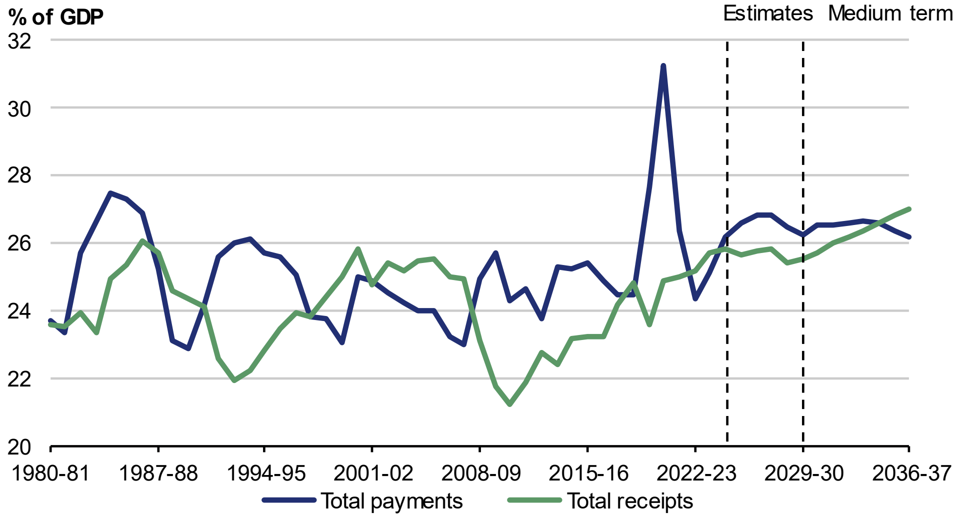
Source: Treasury.

Gross debt as a per cent of GDP is expected to peak in 2028–29 and then decline every year thereafter (Chart 3.9). By 30 June 2037, gross debt is expected to be 27.2 per cent of GDP. Compared to at MYEFO, gross debt is lower every year of the forward estimates and medium term.

Total receipts as a share of GDP are expected to increase from 25.5 per cent of GDP in 2029–30 to 27.0 per cent of GDP in 2036–37. Total receipts reflect an assumption of no policy change with regards to the personal income tax brackets until the end of the medium term. This modelling approach results in a projected increase in the ratio of tax-to-GDP over time. However, in practice, governments periodically make policy decisions to reduce taxation rates to return this bracket creep. For example, this Government's next round of tax cuts for every Australian taxpayer will take effect from 1 July 2026.

Total payments as a share of GDP are expected to remain broadly stable at around 26.6 per cent from 2030–31 to 2034–35, before falling to 26.2 per cent by 2036–37 (Chart 3.5).

Chart 3.5: Payments and receipts



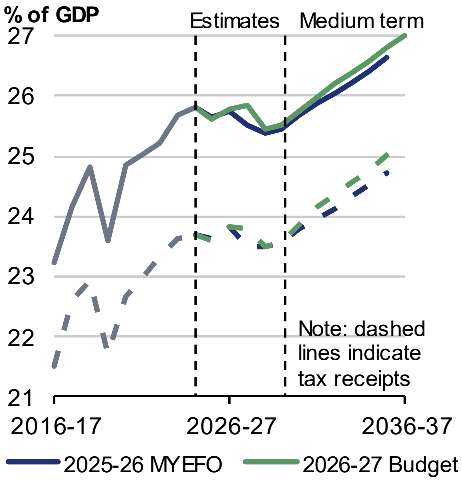
Source: Treasury.

Changes in the medium-term outlook since MYEFO

Receipts over the medium term

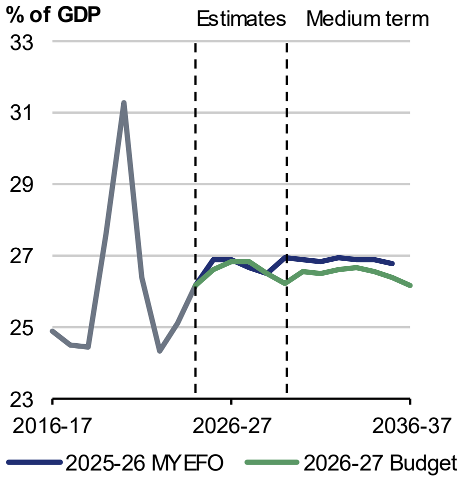
Receipts as a share of GDP are higher since MYEFO, including 0.2 percentage points higher in 2035–36 (Chart 3.6).

Chart 3.6: Total receipts



Source: Treasury.

Chart 3.7: Total payments



Source: Treasury.

Payments over the medium term

Payments are expected to be 0.4 percentage points of GDP lower than at MYEFO in 2035–36 (Chart 3.7). Nominal GDP is expected to be lower than was projected at MYEFO in the medium term, putting upwards pressure on payments relative to the size of the economy.

The fastest growing major payments over the medium term are public debt interest, hospitals payments, defence, Child Care Subsidy, aged care and medical benefits payments (Chart 3.8).

Growth in some major payments over the Budget projection period (2026–27 to 2036–37) has changed compared to at MYEFO (2025–26 to 2035–36).

- Australian Government NDIS participant costs are projected to grow at an average of 3.6 per cent over the projection period, compared to 7.6 per cent at MYEFO. This reflects a slower rate of growth over the forward estimates as the Government returns the scheme to its original intent, before it returns to growth of 5 per cent over the remainder of the medium term – around nominal GDP and similar to aged care, the Medicare Benefits Schedule and the Child Care Subsidy.

- Public debt interest growth is expected to average 8.8 per cent over the projection period compared to 10.7 per cent at MYEFO. Lower average growth reflects a lower financing task over the projection period and follows strong growth between 2025–26 and 2026–27. This is partially offset by the impact of higher yields.

- Commonwealth funded hospital payments growth is expected to average 7.3 per cent over the projection period compared to 5.9 per cent at MYEFO. This largely reflects the increased base funding and growth caps agreed in the *National Health Reform Agreement 2026–2031 Addendum.*

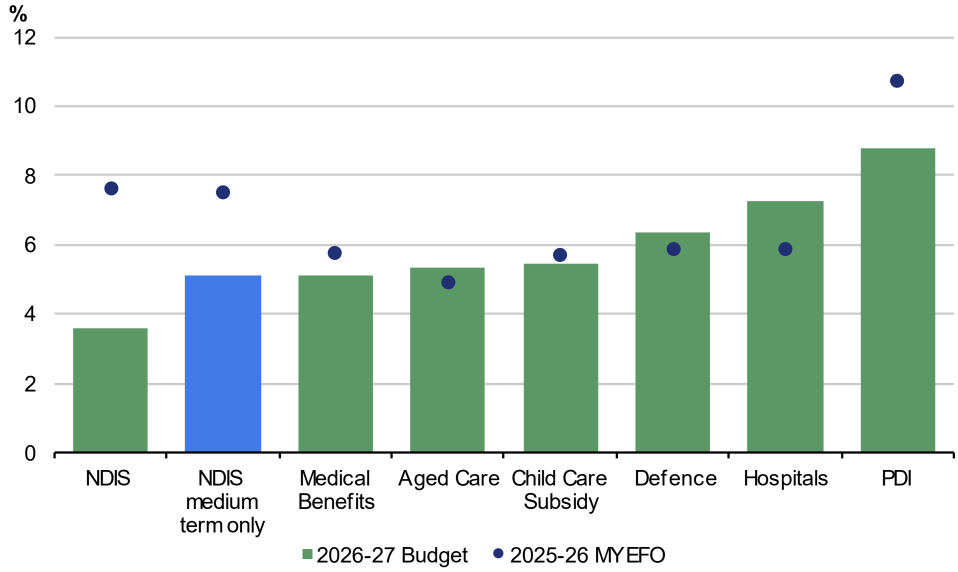
- Defence payments growth is expected to average 6.4 per cent over the projection period compared to 5.9 per cent at MYEFO, reflecting the funding from the National Defence Strategy.

- Child Care Subsidy payments growth is expected to average 5.4 per cent over the projection period compared to 5.7 per cent at MYEFO. Lower average growth reflects slower growth in usage toward the end of the projection period and follows strong growth between 2025–26 and 2026–27.

- Aged care payments growth is expected to average 5.4 per cent over the projection period compared to 4.9 per cent at MYEFO. This reflects additional funding to incentivise the construction of residential aged care beds and to make Support at Home more affordable.

- Medical benefits payments growth is expected to average 5.1 per cent over the projection period compared to 5.8 per cent at MYEFO. This reflects rebalanced interactions between the National Health Reform Agreement and the Medicare Benefits Schedule (MBS), as agreed under the latest NHRA Addendum, in addition to enhanced compliance and fraud prevention in the MBS.

Chart 3.8: Average annual growth in major payments over the medium term



Note: Shows major payments that are growing faster than nominal GDP over the projection period, and the NDIS for comparison. PDI refers to interest payments on AGS. NDIS refers to the Australian Government's contribution to payments for NDIS participant supports. Growth rate for MYEFO is from 2025–26 to 2035–36. Growth rate for the 2026–27 Budget is from 2026–27 to 2036–37. Growth rate for NDIS medium term only is from 2029–30 to 2036–37 in Budget and from 2028–29 to 2035–36 in MYEFO.

Source: Treasury.

The Government's balance sheet

The balance sheet measures the value of the Government's assets and liabilities. Changes in the balance sheet reflect movements in the underlying cash balance, additional balance sheet commitments, and market valuation effects, including from changes in yields.

Different balance sheet metrics measure different groupings of assets and liabilities.

- **Gross debt** measures the face value of Australian Government Securities on issue. This is the amount that the Government pays back to investors at maturity, independent of fluctuations in market prices.
- **Net debt** is measured at market value and incorporates specific financial assets and liabilities and provides a broader measure of the financial obligations of the Government than gross debt.
- **Net financial worth** is the sum of all financial assets less all liabilities. The assets of the Future Fund and the public sector superannuation liability that the Future Fund will finance are included in net financial worth.
- **Net worth** is the sum of all assets less all liabilities. It includes non-financial assets such as buildings and plant, equipment, and infrastructure.

Further information on definitions is available in *Statement 10: Australian Government Budget Financial Statements*.

Table 3.6: Australian Government general government sector balance sheet aggregates[(a)]

	Actual	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	$b	$b	$b	$b	$b	$b
Financial assets	**665.4**	**690.3**	**731.8**	**776.0**	**821.8**	**863.9**
Per cent of GDP	24.0	23.3	23.6	24.4	24.6	24.6
Non-financial assets	**227.4**	**237.6**	**248.7**	**259.9**	**269.0**	**279.8**
Per cent of GDP	8.2	8.0	8.0	8.2	8.1	8.0
Total assets	**892.8**	**927.9**	**980.5**	**1,035.9**	**1,090.8**	**1,143.8**
Per cent of GDP	32.1	31.3	31.7	32.5	32.7	32.6
Total liabilities	**1,507.4**	**1,542.8**	**1,627.4**	**1,722.3**	**1,821.5**	**1,905.9**
Per cent of GDP	54.3	52.0	52.6	54.1	54.6	54.4
Net worth	**-614.5**	**-614.9**	**-646.9**	**-686.4**	**-730.7**	**-762.1**
Per cent of GDP	-22.1	-20.7	-20.9	-21.6	-21.9	-21.7
Net financial worth(b)	**-841.9**	**-852.5**	**-895.6**	**-946.3**	**-999.7**	**-1,041.9**
Per cent of GDP	-30.3	-28.8	-28.9	-29.7	-30.0	-29.7
Gross debt(c)	**928.6**	**982.0**	**1,051.0**	**1,120.0**	**1,193.0**	**1,249.0**
Per cent of GDP	33.4	33.1	34.0	35.2	35.8	35.6
Net debt(d)	**532.3**	**556.0**	**616.6**	**668.8**	**725.5**	**767.8**
Per cent of GDP	19.2	18.8	19.9	21.0	21.8	21.9
Total interest payments	**24.3**	**27.1**	**29.6**	**36.4**	**38.0**	**42.3**
Per cent of GDP	0.9	0.9	1.0	1.1	1.1	1.2
Net interest payments(e)	**13.7**	**17.7**	**19.9**	**26.7**	**28.0**	**31.7**
Per cent of GDP	0.5	0.6	0.6	0.8	0.8	0.9

a) Assets, liabilities, net worth, net financial worth, gross debt and net debt are as at the end of each financial year.

b) Net financial worth equals total financial assets minus total liabilities.

c) Gross debt measures the face value of AGS on issue.

d) Net debt is the sum of interest-bearing liabilities (which includes AGS on issue measured at market value) less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).

e) Net interest payments are equal to the difference between interest payments and interest receipts.

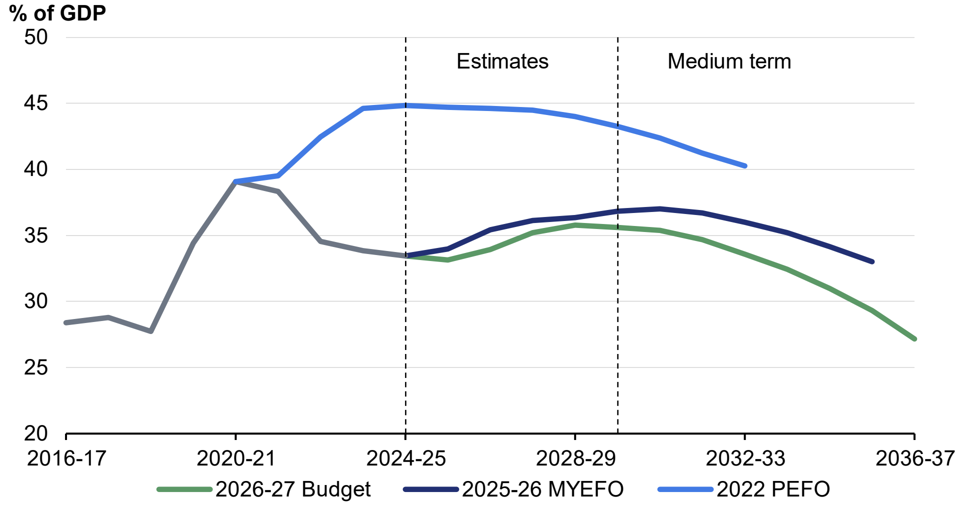
Gross debt estimates and projections

Gross debt is now expected to peak at 35.8 per cent of GDP in 2028–29, two years earlier and 1.2 percentage points lower than projected at MYEFO (Table 3.6). By 30 June 2037, gross debt is expected to be 27.2 per cent of GDP (Chart 3.9).

At 30 June 2027, gross debt is expected to be $1,051 billion (34.0 per cent of GDP), $18.0 billion (1.4 percentage points of GDP) lower than estimated at MYEFO.

By the end of the forward estimates, gross debt is lower than at MYEFO in both nominal terms and as a percentage of GDP, driven by the improved budget position and lower end-of-year cash holdings by the AOFM, partially offset by the impact of higher yields.

Chart 3.9: Gross debt



Source: Treasury.

Interest payments

Interest payments over the forward estimates have decreased slightly in nominal terms since MYEFO, largely driven by a reduction in interest payments on Australian Government Securities.

Total interest payments are estimated to be 1.0 per cent of GDP in 2026–27, unchanged from MYEFO. Interest payments are estimated to peak at 1.6 per cent of GDP in 2032–33. Interest payments in 2035–36 are 1.5 per cent of GDP, unchanged from MYEFO.

Over the forward estimates, bond yields are assumed to remain fixed at a recent average of daily spot rates at the time of the budget update. Since MYEFO, the assumed weighted average cost of borrowing for issuance of Treasury Bonds in the forward estimates has increased from 4.4 to 4.8 per cent, reflecting shifts in market expectations and broader economic uncertainty, compounded by the impacts of the conflict in the Middle East (Box 3.4).

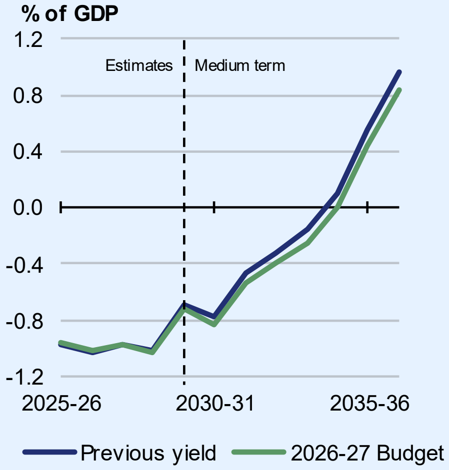
Statement 7: Debt Statement contains further information on yield assumptions and interest payments. *Statement 8: Forecasting Performance and Sensitivity Analysis* contains information on the impact on the underlying cash balance and gross debt if the future trajectory for yields is higher or lower than assumed.

Box 3.4: Impact of higher interest rates on the budget

Yields have a significant impact on the budget, primarily through changes in projected interest paid on Australian Government Securities. There are additional impacts, such as interest earnings on term deposits held at the Reserve Bank of Australia and interest earnings from the Future Fund and other Australian Government Investment Funds.

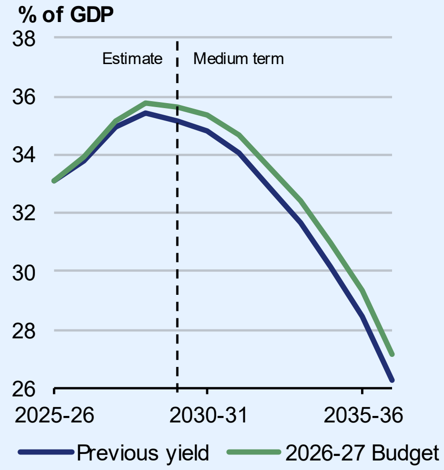
Due to the increase in yields since MYEFO, the assumed weighted average costs of borrowing have increased to 4.8 per cent over the forward estimates, compared with 4.4 per cent at MYEFO. Weighted average costs of borrowing are also higher over the medium term. If yields had remained at the same level as at the 2025–26 MYEFO, the underlying cash balance would be improved by 0.1 percentage points of GDP in 2036–37 and gross debt would be 0.9 percentage points of GDP lower at 30 June 2037 (Charts 3.10 and 3.11).

Chart 3.10: Underlying cash balance



Source: Treasury.

Chart 3.11: Gross debt

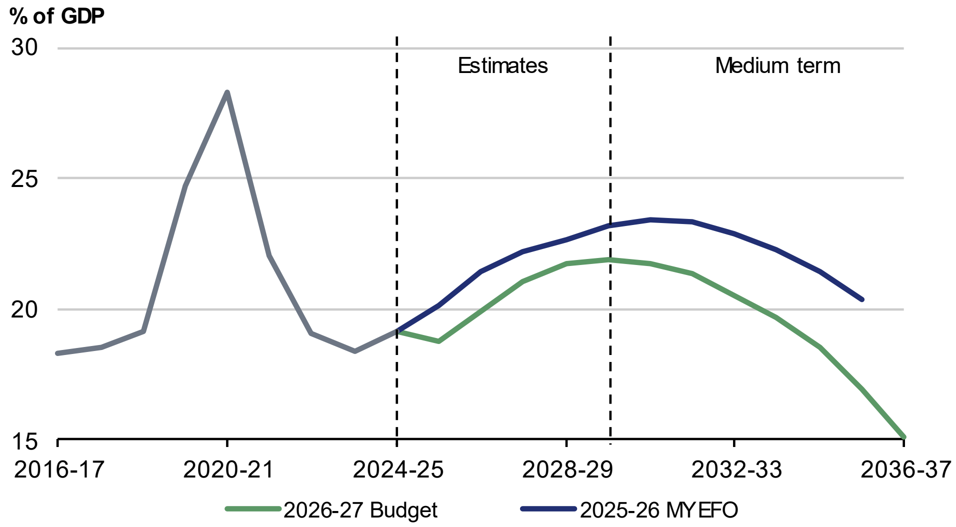


Source: Australian Office of Financial Management, Treasury.

Net debt estimates and projections

Net debt is estimated to be 19.9 per cent of GDP ($616.6 billion) at 30 June 2027 (Table 3.6), 1.5 percentage points lower than estimated at MYEFO. Net debt relative to GDP is expected to be lower in all years of the forward estimates compared to at MYEFO, largely reflecting a lower market value of Australian Government Securities on issue due to both lower issuance and higher yields.

Chart 3.12: Net debt



Source: Treasury.

Net debt is lower than estimated at MYEFO over the medium term. Net debt is projected to be 15.1 per cent of GDP at 30 June 2037 (Chart 3.12).

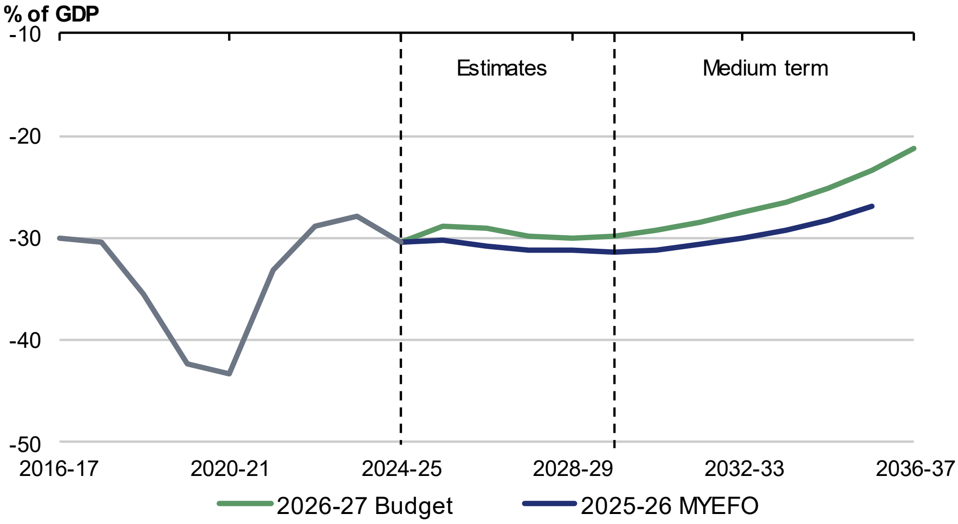
Further information on gross debt and net debt estimates across the forward estimates period is provided in *Statement 7: Debt Statement*.

Net financial worth and net worth estimates and projections

Net financial worth is estimated to be minus 28.9 per cent of GDP (minus $895.6 billion) at 30 June 2027 (Table 3.6), compared with the estimate of minus 30.8 per cent of GDP (minus $930.2 billion) at MYEFO.

Net financial worth is projected to deteriorate to a low of minus 30.0 per cent of GDP at 30 June 2029 before improving to minus 21.2 per cent of GDP by the end of the medium term (Chart 3.13).

Chart 3.13 Net financial worth



Source: Treasury.

Net worth is estimated to be minus 20.9 per cent of GDP (minus $646.9 billion) at 30 June 2027 (Table 3.6), compared with the estimate of minus 22.7 per cent of GDP (minus $683.4 billion) at MYEFO. Net worth is projected to deteriorate to a low of minus 21.9 per cent of GDP at 30 June 2029 before improving over the medium term.

The improvement in net worth and net financial worth over the forward estimates period relative to MYEFO largely reflects a lower market value of Australian Government Securities on issue due to both lower issuance and higher yields.

Net worth and net financial worth as a share of the economy improve over the medium term as debt-to-GDP is reduced.

Appendix A: Other fiscal aggregates

Accrual aggregates

Accrual accounting records income and costs at the time they are incurred. Cash accounting records income and costs at the time of the associated actual cash flow. Differences in estimates arise where there is a difference between the timing of an activity and the associated cash flow.

Net operating balance estimates

The net operating balance is an accrual measure, reflecting revenue minus expenses. It excludes the fiscal impact of the Australian Government's net new capital expenditure.

The net operating balance is expected to be a deficit of $39.0 billion (1.3 per cent of GDP) in 2025–26 (Table 3.7). It is expected to be a deficit of $17.9 billion (0.6 per cent of GDP) in 2026–27, compared to an expected deficit of $25.4 billion at MYEFO.

Fiscal balance

The fiscal balance is the accrual equivalent of the underlying cash balance and equals the net operating balance less net new capital investment.

The fiscal balance is expected to be a deficit of $50.1 billion (1.7 per cent of GDP) in 2025–26 (Table 3.7). It is expected to be a deficit of $29.9 billion (1.0 per cent of GDP) in 2026–27, compared to an expected deficit of $35.8 billion at MYEFO.

Table 3.7: Australian Government general government sector accrual aggregates

	Actual	Estimates					
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Total(a)
	$b	$b	$b	$b	$b	$b	$b
Revenue	**733.0**	**773.1**	**815.3**	**836.3**	**863.5**	**910.1**	**4,198.3**
Per cent of GDP	26.4	26.1	26.3	26.3	25.9	26.0	
Expenses	**770.1**	**812.1**	**833.3**	**863.7**	**896.1**	**933.7**	**4,338.8**
Per cent of GDP	27.7	27.4	26.9	27.1	26.9	26.6	
Net operating balance	**-37.1**	**-39.0**	**-17.9**	**-27.4**	**-32.6**	**-23.6**	**-140.5**
Per cent of GDP	-1.3	-1.3	-0.6	-0.9	-1.0	-0.7	
Net capital investment	**7.7**	**11.2**	**12.0**	**10.2**	**10.2**	**9.3**	**52.9**
Per cent of GDP	0.3	0.4	0.4	0.3	0.3	0.3	
Fiscal balance	**-44.8**	**-50.1**	**-29.9**	**-37.6**	**-42.8**	**-32.9**	**-193.3**
Per cent of GDP	-1.6	-1.7	-1.0	-1.2	-1.3	-0.9	

a) Total is equal to the sum of amounts from 2025–26 to 2029–30.

Table 3.8 provides a reconciliation of fiscal balance estimates, including the impact of policy decisions and parameter and other variations on revenue and expenses since MYEFO.

Table 3.8: Reconciliation of general government sector fiscal balance estimates

	Estimates					
	2025-26	2026-27	2027-28	2028-29	2029-30	Total
	$m	$m	$m	$m	$m	$m
2025 PEFO fiscal balance	**-44,221**	**-32,116**	**-39,385**	**-37,261**	*	*
Per cent of GDP	-1.5	-1.1	-1.3	-1.1	*	
Changes from 2025 PEFO to 2025-26 MYEFO						
Effect of policy decisions(a)	-2,165	-2,805	65	2,681	*	*
Effect of parameter and other variations	-8,426	-871	-3,893	-9,161	*	*
Total variations	**-10,590**	**-3,677**	**-3,828**	**-6,479**	*	*
2025-26 MYEFO fiscal balance	**-54,812**	**-35,792**	**-43,213**	**-43,741**	*	*
Per cent of GDP	-1.9	-1.2	-1.4	-1.3	*	
Changes from 2025-26 MYEFO to 2026-27 Budget						
Effect of policy decisions(a)(b)						
Revenue	*-3,918*	*2,537*	*692*	*-589*	*7,618*	*6,340*
Expenses	*2,278*	*6,358*	*1,157*	*-4,777*	*-12,169*	*-7,153*
Net capital investment	*3*	*1,667*	*1,616*	*-227*	*244*	*3,303*
Total policy decisions impact on fiscal balance	-6,199	-5,488	-2,081	4,415	19,543	10,190
Effect of parameter and other variations(b)						
Revenue	*11,407*	*19,186*	*14,833*	*-33*	*	*
Expenses	*553*	*7,934*	*8,506*	*3,391*	*	*
Net capital investment	*-18*	*-108*	*-1,414*	*39*	*	*
Total parameter and other variations impact on fiscal balance	10,872	11,360	7,741	-3,463	*	*
2026-27 Budget fiscal balance	**-50,139**	**-29,920**	**-37,552**	**-42,789**	**-32,927**	**-193,328**
Per cent of GDP	-1.7	-1.0	-1.2	-1.3	-0.9	

*Data are not available.

a) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

b) A positive number for revenue improves the fiscal balance, while a positive number for expenses and net capital investment worsens the fiscal balance.

Revenue estimates

Revenue is the accrual accounting equivalent of cash-based receipts. Changes in revenue are generally driven by the same factors as receipts. Revenue amounts can be higher or lower than the cash equivalents as they include amounts that a taxpayer is liable to pay but has not paid. The differences between the accrual and cash amounts generally reflect timing differences.

Total revenue since MYEFO has been revised up by $21.7 billion in 2026–27 and by $44.1 billion over the four years to 2028–29.

Expense estimates

Expenses are the accrual accounting equivalent of cash-based payments. The differences between the accrual and cash amounts generally reflect where there is a timing difference between the expense accruing and cash payments occurring. Common examples include employee-related liabilities such as superannuation benefits programs and long service leave, government insurance and guarantee schemes, concessional loans and purchases of non-financial assets.

Since MYEFO, total expenses have been revised up by $14.3 billion in 2026–27 and by $25.4 billion over the four years from 2025–26 to 2028–29. Movements in expenses over the forward estimates period are broadly consistent with movements in cash payments.

Structural budget balance

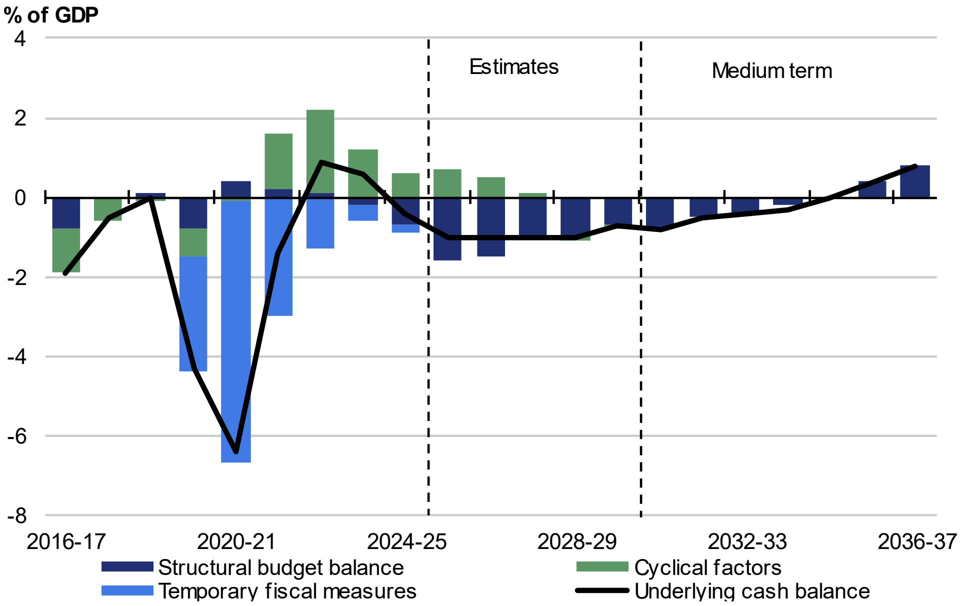
The structural budget balance estimate adjusts the underlying cash balance to remove the estimated effects of cyclical factors that have a temporary impact on receipts and payments. These include deviations in commodity prices and economic activity from their long-run levels. The structural budget balance can provide insight into the sustainability of fiscal settings.

The structural balance is estimated rather than observed, so it is sensitive to the assumptions and parameters that underpin it. Commodity price volatility stemming from the conflict in the Middle East has increased the uncertainty around the estimate.

The structural budget balance is expected to reach surplus by the end of the medium term. The structural position remains in deficit in the near term, peaking at 1.6 per cent of GDP in 2025–26, before improving gradually to reach surplus in the last two years of the projection period (Chart 3.14).

Cyclical factors are estimated to have a positive contribution to the underlying cash balance in 2025–26 and 2026–27, in large part due to elevated commodity prices. This recedes as commodity prices return to their assumed long-run levels.

Chart 3.14: Structural budget balance



Note: The approach separating the budgetary impact of cyclical factors from structural measures follows the methodology detailed in Treasury Working Paper 2013–01. Cyclical factors measure the estimated impact on the underlying cash balance from automatic stabilisers and cyclical movements in asset and commodity prices. Temporary fiscal measures comprise direct economic and health support measures initiated between the onset of the COVID-19 pandemic and the 2022–23 October Budget. Underspends in these direct economic and health support measures are not captured in the derivation of the structural budget balance.

Source: Treasury

Appendix B: Fiscal impacts of the net zero transformation

Climate change and global climate action will have profound impacts on the economy. Australia is contributing to international climate action through global cooperation, backed by a domestic energy transition that reduces emissions and bolsters energy resilience. The Net Zero Plan and 2035 Target, which guide Australia's domestic climate mitigation efforts, were released in September 2025. The transition presents new opportunities for Australia's industries, regions and communities and bolsters energy security. Australia's clear climate and energy policies, backed by significant public investment, enables the private sector to drive the investment needed to meet Australia's emissions reduction commitments, enhance energy resilience, and realise the opportunities arising from the transition.

The Government is committed to improving the transparency of public money committed to climate action. It recognises the importance of identifying, disclosing, and tracking net zero spending in improving Australia's response to climate change and aligning with international efforts. Accounting for net zero spending comprehensively is challenging as it cuts across many portfolios, ranging from energy to health. Existing budget systems do not readily facilitate reporting net zero spending on established programs. For this reason, reporting of net zero spending focuses on new measures.

Australia's classification approach

The 2026–27 Budget continues the practice introduced in the October 2022–23 Budget of transparently reporting new climate-related spending. It adopts the five-part classification outlined in detail in the 2024–25 Budget:

- reducing emissions in Australia's energy system and broader economy
- strengthening net zero industries and skills
- adapting to climate change and improving climate and disaster resilience
- international climate leadership
- building Australian Government climate capability.

In the 2026–27 Budget, new measures from the 2025–26 MYEFO are also reported to provide a comprehensive update on net zero spending since the 2025–26 Budget.

Where policies contribute to multiple net zero objectives, spending is classified into the most appropriate category based on its primary purpose. Policies that contribute indirectly to net zero objectives are not included in this classification approach.

This reporting framework maintains alignment with international best practice and recent budgets. It will continue to evolve over time as the Government works with and learns from reporting entities and partners around the world. Australian Government green bonds have contributed to financing programs that support climate mitigation, climate adaptation and improved environmental outcomes.

The role of electrification and decarbonisation in improving resilience

The 2026–27 Budget leverages established delivery vehicles, such as the Capacity Investment Scheme and the Cheaper Home Batteries program, to support the energy transition, especially the expansion of renewable electricity, supported by consumer energy resources. Additional investments in these programs since the 2025–26 Budget are reported as new net zero spending in this Budget, including further support for the network infrastructure underpinning the renewables rollout and promoting a low carbon liquid fuels industry in Australia. These will take pressure off more volatile international energy sources while decarbonising Australia's energy mix. The Government has also made considerable investments in Australia's liquid fuel security and energy resilience in response to the energy supply shock resulting from the conflict in the Middle East.

Box 3.5: Building resilience to future energy shocks

Australia's transition to net zero is improving the resilience of our energy system, while reducing energy supply risks associated with recent conflicts in Ukraine and the Middle East. Australia's net zero transition and the ongoing rollout of renewable technologies has provided Australians with more alternative energy sources compared to previous energy crises, building economic resilience to energy shocks.

The Government is currently supporting the diversification and modernisation of Australia's energy system through the Capacity Investment Scheme, Rewiring the Nation and the Cheaper Home Batteries policy. Since the last energy shock following Russia's invasion of Ukraine, low-cost renewables, batteries and hydroelectric power are setting the wholesale market price more often. In the June quarter 2022, black coal and gas set the price in the National Electricity Market 44 per cent of the time, whereas in the March quarter 2026, they set the price 25 per cent of the time.

Households and businesses that have installed rooftop solar, batteries, heat pumps and energy efficient appliances have better insulated themselves from recent energy shocks. ACCC analysis found that Australian households with rooftop solar and a home battery have electricity bills that are on average 40 per cent less than customers whose electricity comes entirely from the grid. Overall, the rollout of renewable generation and storage in Australia's electricity system is reducing volatility in electricity prices, with an 82 per cent year-on-year drop in high-price events in the September quarter 2025.

continued on next page

Box 3.5: Building resilience to future energy shocks (continued)

A well-functioning energy market is essential for incentivising continued investment in cleaner, cheaper energy. In November 2024, the Australian Government commissioned an independent review of the NEM wholesale market settings. In December 2025, the Government welcomed the expert panel's recommended range of reforms, which are focused on strengthening market incentives and preserving competition to support an orderly and efficient transition to renewable energy.

The Australian Government is working collaboratively with states and territories to progress the reform directions identified in the NEM Review. A strong majority of the Energy and Climate Change Ministerial Council (ECMC) have agreed to develop a legislative package to implement measures recommended by the NEM review panel and continue the preparatory work related to the establishment of the Electricity Services Entry Mechanism (ESEM) and Market Making Obligation (MMO).

The Government is also releasing $40.0 million of funding to accelerate the rollout of kerbside and fast electric vehicle (EV) charging infrastructure to support a growing electrified transport fleet. Australians are benefitting from an increasing variety of EVs in the Australian market which is helping moderate demand for fuel. As noted in the Electric Car Discount Review, the total lifetime savings of fuel costs were estimated to be around $2.0 billion from EV purchases attributable to the Electric Car Discount in its first three years. The Government's policies are providing the certainty and backing needed for industry, capital markets and households to invest in onshore energy infrastructure necessary to stabilise our electricity grids and build our resilience to future energy shocks.

New net zero spending measures

Table 3.9 sets out $12.3 billion in new net zero spending commitments over the forward estimates period and $18.2 billion over the medium term, across the 2025–26 MYEFO and this Budget. This follows net zero spending commitments of $6.9 billion (over the medium term) reported in the 2025–26 Budget, $24.3 billion (over the medium term) in the 2024–25 Budget, climate-related spending of $4.6 billion (to 2030) committed in the 2023–24 Budget and $24.9 billion (to 2030) committed in the October 2022–23 Budget.

Classification of spending is informed by the net zero spending framework. The total commitment includes spending, balance sheet and tax expenditure measures and therefore presents a broader view than the impact on the underlying cash balance.

Reporting new net zero spending measures supports transparency around the fiscal impacts of climate change and the net zero transformation. However, it does not provide a complete summary of climate action. Only new measures that entail funding commitments or forgone revenue (such as tax concessions) are captured.

There are significant savings reported in this Budget, with resources reprioritised to support priority areas of Government action that includes important measures to support Australia through the net zero transition. Given reporting on net zero measures reflects new spending commitments, it does not account for these savings, which are detailed elsewhere in the Budget.

Table 3.9: New measures

Total*	Forward Estimates ($m)	Medium Term ($m)
Reducing emissions in Australia's energy system and broader economy	**8,281.5**	**10,296.0**
Support for the Net Zero Plan - CEFC, Game On, EV Charging, Mainstreaming Energy Performance and Unlocking Household Retrofits[(a)(b)]	174.6	2,174.6
Finalising Fixed Delivery Carbon Contract Exit Arrangements[(a)(c)]	nfp	nfp
Boosting Consumer Energy Resources and Delivering Bill Savings[(d)]	127.8	128.5
A Rapidly Transforming Energy System[(a)]	487.5	501.3
Sustaining the Cheaper Home Batteries Program[(a)(e)]	7,237.0	7,237.0
Building a Future Made in Australia – Boyer Mill Transition to Renewables[(a)]	24.0	24.0
Expanding the Capacity Investment Scheme[(a)(c)]	nfp	nfp
Boosting Productivity – Accelerating Approvals[(f)]	157.9	157.9
Energy Sovereignty – Fuel Security and Resilience[(g)]	44.5	44.5
National Solar Panel Recycling Pilot[(h)]	24.7	24.7
Supporting Transport Priorities[(i)]	3.6	3.6
Strengthening net zero industries and skills	**3,701.2**	**7,528.0**
Support for the Net Zero Plan – National Reconstruction Fund and Low Carbon Liquid Fuels[(a)(j)]	3,239.2	6,116.0
Supporting Australian Industry – Closing the energy price gap for green aluminium at Boyne Smelter and Whyalla Steelworks Further Funding[(k)]	436.0	1,386.0
Building Australia's Future - delivering priority housing and energy sector training[(a)(l)]	20.0	20.0
Building a Future Made in Australia – Master Plan for Hunter Mines and Locally Made Steel[(a)(m)]	6.0	6.0
Adapting to climate change and improving climate and disaster resilience	**117.2**	**117.2**
Disaster Support[(n)]	36.6	36.6
South Australian Marine Algal Bloom Response[(a)(o)]	68.5	68.5
Weather Radar for Regional Queensland[(a)(p)]	12.1	12.1
International climate leadership	**178.5**	**178.5**
Extending Australia's International Climate Change Engagement (COP31)[(a)]	19.9	19.9
Standing with our partners in the Pacific[(q)]	147.8	147.8
Supporting Trade and Tourism – Australia-Singapore Green Economy Agreement[(r)]	10.8	10.8
Building Australian Government climate capability	**37.7**	**37.7**
Strengthening Australia's Carbon Crediting and Emissions Reporting	23.3	23.3
Finance Portfolio - continue supporting entities with acting on climate change in government operations[(a)]	5.0	5.0

Table 3.9: New measures (continued)

Total*	Forward Estimates ($m)	Medium Term ($m)
Finance Portfolio – Additional Resourcing – continue supporting entities with acting on climate change in government operations[s]	5.0	5.0
Productivity – Additional Measures – climate sustainability reporting[t]	4.4	4.4
Total Net Zero Spending	**12,316.0**	**18,157.4**

* This table summarises the Government's key climate-related spending commitments in the 2025 PEFO, 2025–26 MYEFO and 2026–27 Budget to 30 June 2037 and presents a broader view than the impact on the underlying cash balance. Some measures extend beyond the end of the medium term or include both initial and ongoing funding to the end of the medium term. Figures align with the forward estimates and medium term for the 2026–27 Budget unless otherwise noted. Spending outlined in these measures for the purposes of this table may differ in some instances from figures reported in the 2025–26 MYEFO and 2026–27 Budget Paper No. 2 due to the exclusions described in the footnotes.

a) The spending outlined in this measure was committed at 2025–26 MYEFO.

b) The spending outlined in this measure for the purposes of this table includes Clean Energy Finance Corporation Recapitalisation, Accelerating Rollout of Electric Vehicle Charging, Game On: Teaming Up for Climate Action, Mainstreaming Energy Performance and Unlocking Household Retrofits with Home Energy Ratings. This measure contains $2.0 billion in funding for concessional finance.

c) The funding profile for this measure is not for publication due to commercial sensitivities.

d) The spending outlined in this measure for the purposes of this table excludes funding to support reprofiling funding for the Driving the Nation – Dealership and Repairer Initiative for Vehicle Electrification Nationally Program.

e) The spending outlined in this measure for the purposes of this table includes funding committed in 2025–26 PEFO and the revised profile as published in the 2025–26 MYEFO save measure.

f) The spending outlined in this measure for the purpose of this table includes funding the Department of Climate Change, Energy, the Environment and Water and the National Environmental Protection Agency to accelerate environmental approvals.

g) The spending outlined in this measure for the purposes of this table includes only Accelerating Electrification of Australia Post's Delivery Fleet and Maritime Fuel Resilience and Decarbonisation. The cost of this measure has been partially met through the existing resources of the Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts.

h) The cost of this measure has been met from a reprioritisation of funding from the Recycling Modernisation Fund – Plastics Technology stream and from the 2025–26 MYEFO measure titled Climate Change, Energy, the Environment and Water – reprioritisation.

i) The spending outlined in this measure for the purposes of this table includes only the Real-World Testing program.

j) Spending for the National Reconstruction Fund Corporation Net Zero Fund reflects deployment of the Net Zero Fund not UCB impacts. The medium-term total for the low carbon liquid fuel measure is to 2039–40.

k) The spending outlined in this measure for the purposes of this table includes Closing the Energy Price Gap for Green Aluminium at Boyne Smelter and Further Funding for the Whyalla Steelworks, which is intended to help transition the steelworks to renewable energy. The medium-term total for this measure is to 2039–40.

l) The spending outlined in this measure for the purposes of this table includes establishing a National Training Centre in New Energy Skills to train workers for priority new energy occupations. The cost of this measure will be partially offset by funding reprioritised from the Clean Energy Capital Investment Fund.

m) The spending outlined in this measure for the purposes of this table includes funding for a master plan for re-zoned mine sites in the Hunter region to aid the net zero transition and the development of a roadmap to boost Australian content in renewable energy infrastructure.

n) Profile reflects total committed funding in 2025–26 MYEFO and 2026–27 Budget. The cost of this measure will be partially met through existing resources in the National Emergency Management Agency.

o) The cost of this measure will be partially met through existing resources in the Department of Climate Change Energy, the Environment and Water.
p) The cost of this measure will be partially met through existing resources in Bureau of Meteorology.
q) The cost of this measure will be fully met from a reprioritisation of funding from the Strategic International Partnerships Investment Stream program and from the existing resources of the Department of Foreign Affairs and Trade. The measure includes funding committed in the Portfolio Additional Estimates Statements 2025–26.
r) The spending outlined in this measure for the purposes of this table includes funding for the implementation of the Australia-Singapore Green Economy Agreement. The cost of this measure is partially met from within the Department of Foreign Affairs and Trade's existing resources.
s) The spending outlined in this measure for the purposes of this table includes only funding to support entities with acting on climate change in government operations and is further to the funding provided at 2025–26 MYEFO outlined in the table above.
t) The spending outlined in this measure for the purposes of this table includes the component which includes support for climate sustainability reporting.

Statement 4: Tax reform for workers, businesses and future generations

The Government's tax reform package represents the most significant transformation of Australia's tax system in more than a quarter of a century.

The reform package includes measures that will reduce the tax burden on 13 million workers, support an additional 75,000 owner occupiers to enter the housing market, deliver over $3.5 billion of new measures that lower taxes for businesses to support jobs and economic growth, and includes simplification measures that reduce compliance costs for businesses and individuals by $540 million per year.

The tax changes form part of a package of housing reforms in the Budget that will support supply overall, and part of a package of productivity reforms in the Budget that will help lift the speed limit on Australia's economy over the long term.

The tax package is built around the three principles for tax reform agreed at the Economic Reform Roundtable in August 2025, and responds to the urgent need for more reform to address intergenerational equity, productivity and the sustainability of the tax system.

These reforms rebalance the tax system by reducing the burden on workers and ensuring a fairer, more consistent treatment of income from assets.

The package delivers the first broad-based tax cuts in Australia's history that directly target income earned from work. From 1 July 2027, the Government will introduce a $250 Working Australians Tax Offset (WATO), delivering a new tax cut for more than 13 million Australian workers for the 2027–28 income year. This is complemented by the introduction of a $1,000 instant tax deduction, making tax time easier and further reducing taxes for 6.2 million Australians for the 2026–27 income year.

The Government will also reform the taxation of income earned on assets through changes to negative gearing, capital gains tax (CGT) and discretionary trusts. Reforming negative gearing and CGT will help more Australians get into the housing market and reduce distortions that favour highly leveraged investment in existing housing over other assets. A minimum tax on discretionary trusts will better align the tax rates on trust income with the tax rates paid by workers. These reforms will also fund more tax relief for workers.

In addition, the package delivers significant reforms to the taxation of businesses that support investment, innovation and resilience across the economic cycle. Improvements to the treatment of tax losses, expansion of venture capital incentives, a permanent small business instant asset write-off (IAWO) and a more targeted Research and Development Tax Incentive will encourage sensible risk-taking and enhance firms' ability to grow and withstand shocks. These reforms will support productivity, jobs and economic growth and help lift the speed limit on Australia's economy.

The package also makes the tax system simpler for workers and businesses, including by removing more nuisance tariffs and modernising tax administration, and puts in place sustainable long-term tax settings to support the take-up of electric cars.

Taken together, the tax reform package is broadly revenue-neutral over the forward estimates and strengthens budget sustainability over the medium term. These reforms ensure that the Government can continue to fund essential services Australians rely on while lowering the tax burden on working Australians and creating room for further tax relief over time.

These reforms will mean more Australians have the opportunity to buy a home, help millions of Australian workers earn more and keep more of what they earn, and ensure our tax system is simpler and more sustainable for the long term.

Statement 4 contents

Statement 4: Tax reform for workers, businesses and future generations

The Government's tax reform agenda

The Government's tax reform package represents the most significant transformation of Australia's tax system in more than a quarter of a century. Together with the tax reforms already implemented by the Government including three rounds of tax cuts for every taxpayer, this package builds a better tax system for workers, businesses and future generations.

In August 2025, the Government convened the Economic Reform Roundtable to build consensus around future reforms to improve productivity, enhance economic resilience and strengthen budget sustainability. The Roundtable brought together key leaders from business, unions, civil society, government and policy experts. The Roundtable process included over 40 consultations and forums and received nearly 900 submissions from across the community.

The urgent need for tax reform was a clear area of consensus at the Roundtable. Participants agreed that future reforms should be guided by three principles: a fairer system for workers and intergenerational equity; responsible, affordable ways to support business investment; and making the system simpler and more sustainable.

The tax reform package in this Budget delivers on these principles and builds on the Government's achievements to date.

These reforms deliver tax cuts for working Australians, enable more Australians to realise the goal of home ownership, and strengthen incentives for investment and innovation to support jobs and economic growth. They create a more modern tax system that is simpler for workers and businesses while ensuring governments can sustainably fund the services Australians rely on.

The Government's reforms in this Budget will:

- Make it easier for people to own their own home by reforming taxation of capital gains and negative gearing, with an additional 75,000 owner-occupiers expected to enter the housing market over the next decade.

- More closely align tax rates on income from discretionary trusts with rates paid by workers and families who earn a living from wages. The additional revenue gained from this reform will help fund tax cuts for workers and make the Budget more sustainable.

- Reduce the tax burden on workers by introducing a $250 WATO and a $1,000 instant tax deduction. After three rounds of tax cuts, the WATO and the instant tax deduction, an Australian worker on average earnings would receive a combined benefit of up to $2,816 from the 2027–28 income year, relative to 2023–24 tax settings.

- Support a more dynamic and resilient economy by encouraging sensible risk-taking, helping firms manage temporary shocks and supporting investment and innovation. The package includes over $3.5 billion of new measures that lower taxes for businesses to support jobs and economic growth.

- Support small businesses to invest and grow by making the $20,000 IAWO permanent, with sole traders also benefiting from the WATO.

- Reduce compliance costs for businesses and individuals by $540 million per year by introducing a $1,000 instant tax deduction, making the $20,000 IAWO permanent, removing more nuisance tariffs and simplifying pay as you go (PAYG) instalment calculations.

The uncertain global environment highlights the importance of acting now to build resilience to future economic shocks and to address longer-term economic and social challenges. Without action, structural pressures and the impact of future shocks are more likely to have permanent effects on the living standards of future generations. Well-calibrated tax changes will better align the system with long-term economic and demographic trends, support a more sustainable revenue base and improve resilience to respond to future shocks.

These reforms build on the Government's agenda to create a fairer, simpler and more sustainable tax system (Box 4.1).

Box 4.1: The Government's tax reform achievements

- Delivering two more tax cuts to every Australian taxpayer in 2026 and 2027, adding to the first round delivered in July 2024, which will provide meaningful cost-of-living relief, return bracket creep and boost labour supply.
- Making the superannuation system more equitable and sustainable by reducing tax concessions available to individuals whose total superannuation balances exceed $3 million and increasing the Low Income Superannuation Tax Offset for 1.3 million Australians.
- Supporting the construction of homes, including affordable homes, through new tax breaks for the Build to Rent sector.
- Ensuring the Australian community receives a fair return from natural resources through reforms to the Petroleum Resource Rent Tax (PRRT).
- Ensuring large companies and multinationals pay their fair share through multinational tax reform, including the global minimum tax, and investment in tax compliance programs.

The need for a better tax system

Australia's public finances are among the strongest in the developed world, with gross debt lower than every major advanced economy. For 2027, the International Monetary Fund (IMF) expects Australia's gross debt-to-GDP (including all levels of government) to be less than half the advanced economy average, more than 50 percentage points below the United Kingdom, and more than 75 percentage points below the United States. Further, Australia is estimated by the IMF to have the third highest budget balance among G20 countries in 2027, up from fourteenth in 2021.

However, Australia's tax system is under growing pressure from demographic and economic change. As the population ages and some indirect tax bases erode, under current tax settings the Commonwealth will become more reliant on personal income tax, particularly taxes on salaries and wages – increasing the tax burden on a declining share of working-age Australians.

At the same time, many young Australians have less opportunity than their parents to build wealth and own their own home. Supply of housing is an important factor in affordability, but other settings including tax can play a significant role, including by influencing the balance of demand between investors and owner occupiers and the incentives to borrow and invest in different kinds of assets.

Current settings, such as negative gearing and the capital gains tax discount, favour highly leveraged investment in existing housing, putting upward pressure on prices. The concessional treatment of some income earned from assets can also distort decisions, directing capital away from potentially more productive uses and, alongside structures like discretionary trusts, enable higher-income earners or high-wealth individuals to achieve lower tax rates than ordinary workers. Some negatively geared properties receive an effective subsidy over the life of the investment. The use of trusts has also grown significantly, becoming increasingly unsustainable.

Tax settings also play an important role in influencing productivity and an economy's potential output through their impact on decisions to work, save and invest. Since the mid-2000s, productivity growth has slowed. Sustained productivity growth is the foundation for Australia's long-term economic prosperity, driving rising real incomes and increasing living standards from one generation to the next. A business environment that supports investment, including in emerging and innovative firms, is central to capital deepening, innovation, technology adoption and knowledge spillovers.

Together, these challenges raise important questions for budget sustainability, productivity and intergenerational equity, and underpin the need for significant further tax reform.

Home ownership is out of reach for many young Australians

Each generation of Australians should have at least the same opportunity to build wealth and a prosperous future as the generations that came before them.

However, today's younger Australians face weaker prospects of building wealth than earlier generations, and wealth gaps between age groups are growing. While wealth is growing faster for older households, rising house prices have made home ownership harder for young Australians.

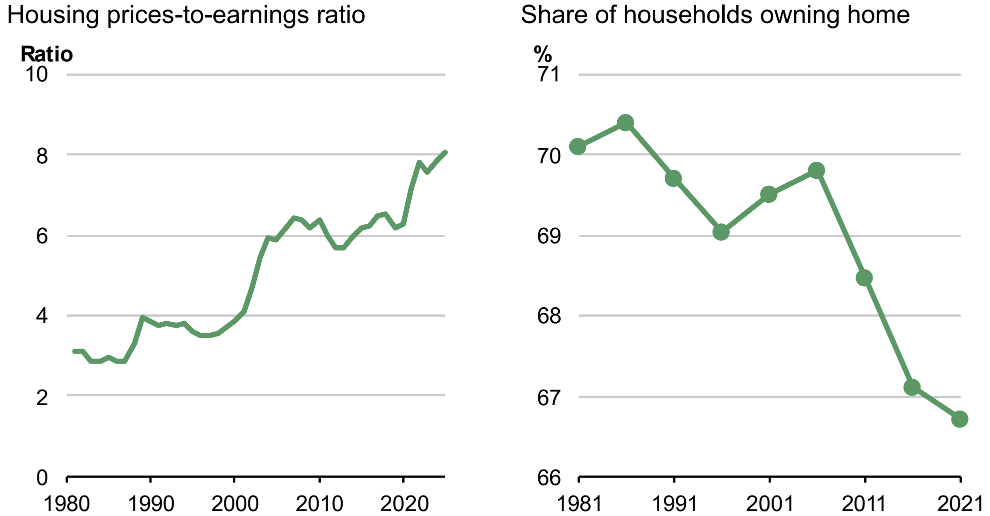
Slower productivity growth since the 2000s has coincided with slower income growth for young adults. The proportion of children who grow up to earn more than their parents has fallen from around 80 per cent for Baby Boomers, to a little under 70 per cent for Millennials.[1] Those born in the 1990s earn only marginally more than those born the decade before – around 2 per cent more, rather than the double digit gain typically experienced by earlier birth cohorts.[2]

At the same time, housing prices have diverged from incomes, rising 407 per cent between April 1999 and April 2026 – more than twice as fast as average incomes. As a result, median housing prices have risen from four times the average full-time earnings in 1999 to eight times (Chart 4.1).

As housing prices rise faster than income, access to home ownership increasingly depends on the wealth of the previous generation – 'the bank of mum and dad'.[3] This entrenches higher levels of wealth inequality across generations. Home ownership has declined, with 3 per cent fewer Australians owning a home than in 1981 (Chart 4.1).

1 Kennedy, T., Siminski, P., 'Are We Richer than Our Parents Were? Absolute Income Mobility in Australia', *Economic Record*, 2021.
2 Productivity Commission, 'Fairly equal? Economic mobility in Australia', p34, Canberra, 2024.
3 Ellis, L. 'Opening Remarks to Plenary Panel at the Australasian Housing researchers Conference', Australasian Housing Researchers Conference, 2017.

Chart 4.1: Earnings, housing prices and home ownership since 1981



Note: Housing prices are median sales AVM value (Cotality Data) and earnings are average adult full-time ordinary time earnings (ABS).
Source: ABS Average Weekly Earnings, Australia, Cotality Data and Treasury.[4]

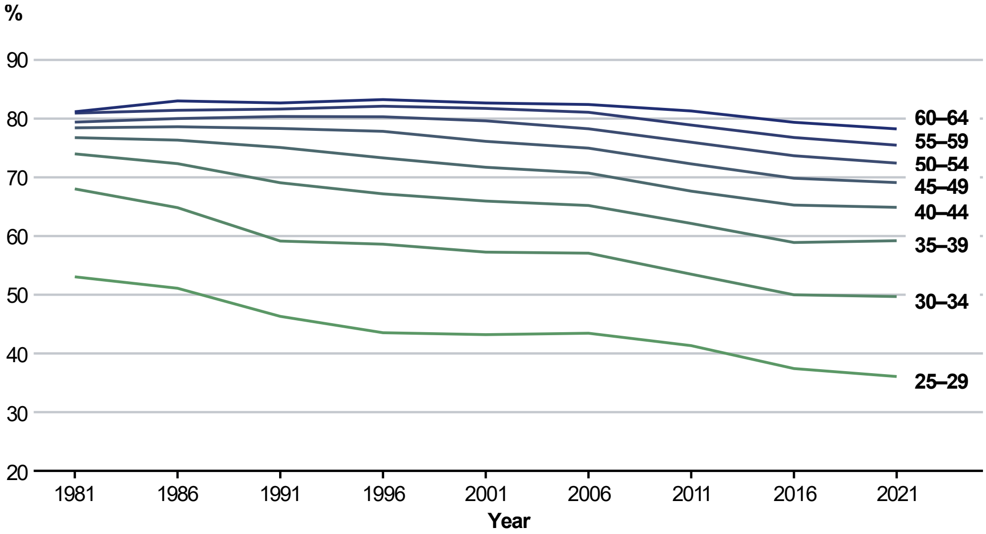
Source: ABS Census and Treasury.

Declines in home ownership have been most significant for younger Australians. Home ownership for people aged 25–34 fell by 7 percentage points in the two decades from 2001 to 2021 and 17 percentage points since 1981. In 2021, only half of people aged 30–34 and about one-third of those aged 25–29 owned their own home (Chart 4.2).

4 See Cotality Data disclaimer at the end of this Statement.

Chart 4.2: Home ownership rates are declining, particularly for younger Australians

Home ownership rates, by age group



Source: ABS Census (various).

The key reason housing has become less affordable is that housing supply has not kept pace with rising demand from both homeowners and investors, pushing up prices.[5]

However, tax settings have also exacerbated affordability issues. The combination of the 50 per cent capital gains tax discount and negative gearing reduces effective tax rates on investment properties, making housing assets particularly attractive investments. These tax advantages have increased the share of housing owned by investors, at the expense of Australians looking to buy a home.

The tax system is under pressure from demographic and economic shifts

Australia's largest single source of Commonwealth revenue is personal income tax, mostly composed of taxes on salaries and wages. As wages grow, bracket creep tends to raise tax rates on this income over time.

To combat rising tax rates, governments have periodically returned bracket creep to workers through personal income tax cuts. The Government's cost-of-living tax cuts returned bracket creep to workers hit hardest by cost-of-living pressures, and the tax cuts announced in the 2025–26 Budget will provide additional support for Australians.

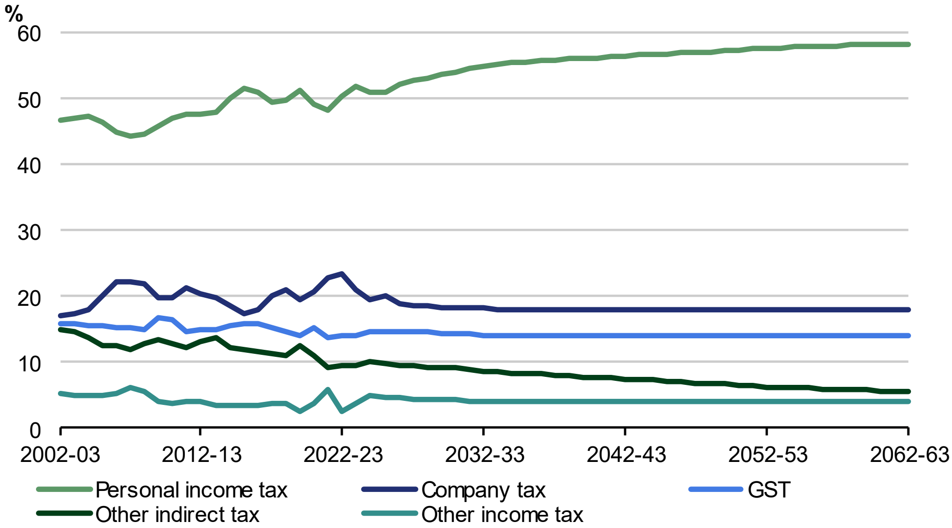
5 These structural shifts were the focus of a previous *Statement 4* in 2024–25.

However, as the population ages, the share of working-age Australians is expected to fall, and the tax burden will become more concentrated on a smaller cohort of workers. In 1982–83, there were 6.6 working-age Australians for each Australian over the age of 65. Over the 40 years to 2022–23, this ratio has fallen to 3.8 and it is projected to fall further to 2.6 by 2062–63.[6] This impact is exacerbated because fewer older Australians pay income tax today compared to the past. As of 2022–23, around 15 per cent of Australians aged 70 and over paid income tax, compared with around 30 per cent in the 1990s.[7] Structural spending needs are increasing, particularly on care and support services linked to population ageing, at the same time the tax base of workers is shrinking.[8]

Over the Intergenerational Report period, personal income tax receipts are projected to grow from 50.5 per cent of total tax receipts in 2022–23 to 58.4 per cent in 2062–63 (Chart 4.3). A greater tax burden on salaries and wages limits the ability of younger Australians to save and accrue wealth. High tax rates on wages also reduce incentives for people to work and invest in developing their skills. This is particularly a risk for low-income and secondary earners with children, mostly women, who are most likely to reduce their hours worked, or leave the labour force in response to high tax rates.

Chart 4.3: Personal income tax is expected to rise as a share of revenue

Composition of tax receipts, actual and projected



Note: Data beyond 2023–24 are projections.
Source: Treasury.

6 Treasury, 'Economic Reform Roundtable: Budget sustainability and tax reform', Australian Government, Canberra, 2025.
7 Treasury, 'Economic Reform Roundtable: Budget sustainability and tax reform', Australian Government, Canberra, 2025.
8 These structural shifts were the focus of a previous *Statement 4* in 2023–24.

Current tax concessions on assets reduce equity

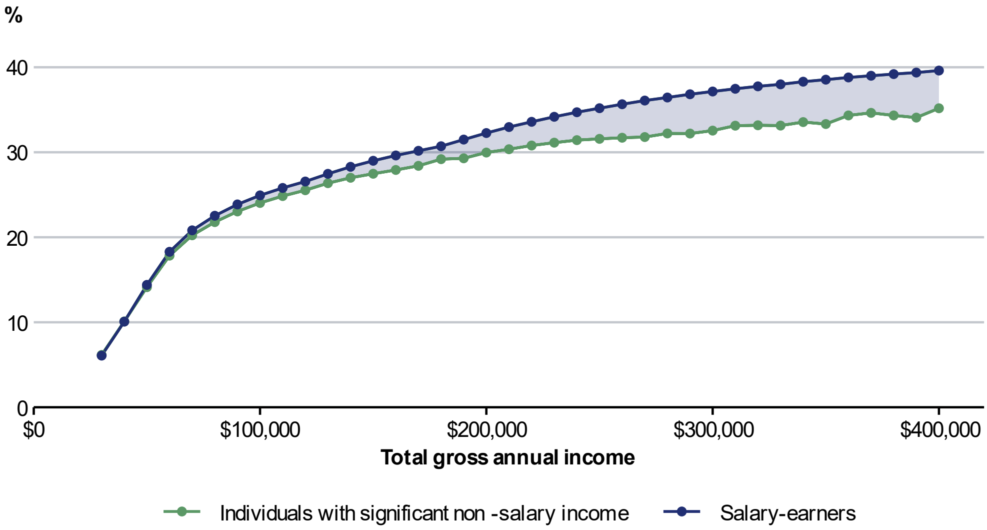
At the same time that younger workers are facing a less affordable housing market and the prospect of shouldering an increasing share of the tax burden, the tax arrangements for income earned from other sources – such as income earned on assets – are inconsistent and often result in lower tax rates than the taxes paid by workers.

Inconsistent taxation of asset income distorts how and where people save and can create opportunities to reduce tax paid. These settings disproportionately benefit higher income earners and give these earners more opportunity to reduce their taxes. These concessions can be particularly inefficient when linked to real assets that are restricted in supply, such as housing.

Not all Australians have the same opportunity to access asset-based tax concessions. While some taxpayers can structure their affairs to reduce the taxes they pay, many taxpayers cannot. Compared to people who earn most of their incomes from salary and wages, people who earn a larger share of their income from non-wage sources (excluding benefits) generally pay significantly lower tax rates for the same level of gross income (Chart 4.4).

Chart 4.4: Salary and wage earners face higher tax

Average tax rate, by gross annual income and whether individual is predominantly salary earner or not, 2022–23 (people under 65)



Note: Individuals who earn more than 90 per cent of their income (excluding benefits) as salary or wages are considered 'salary-earners'. Individuals who mostly earn income from benefits are excluded. Gross annual income includes undiscounted capital gains, apportioned income from discretionary trust distributions and all other taxable income. Income from trust distributions and the tax paid on that income is apportioned between adult members of each family, based on their lifetime share of the family's non-trust income.

Source: ATO and Treasury.

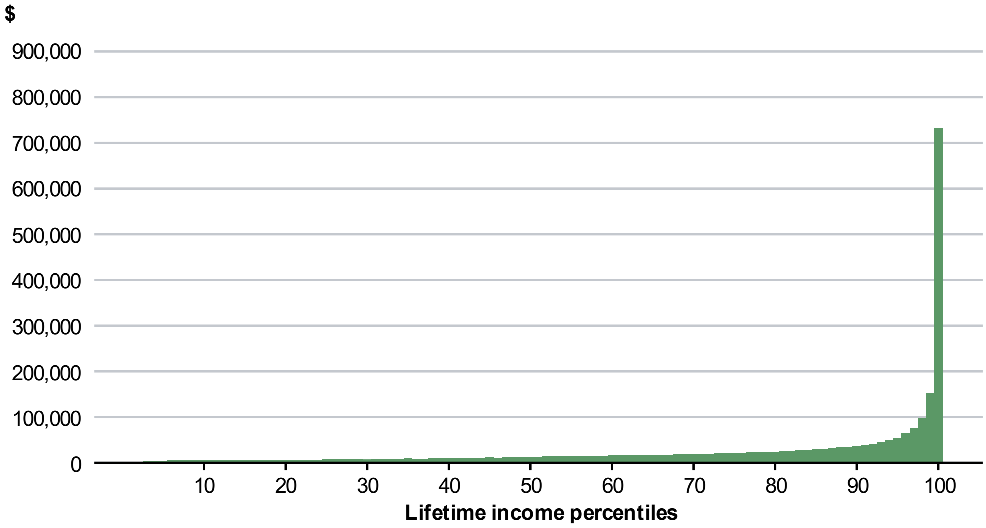
This inequity is driven by features of the tax system including the capital gains tax discount, negative gearing and discretionary trusts that are primarily available to people who own or have access to substantial assets.

The cumulative tax benefits of these arrangements have overwhelmingly flowed to those with very high lifetime incomes. Chart 4.5 shows that, since 2000, the top 1 per cent by lifetime income – with average real incomes of about $800,000 per year during their peak earning years – benefitted from tax concessions worth more than $700,000 over their working life from a combination of the capital gains tax (CGT) discount, negative gearing and discretionary trusts.

In many cases, these concessions mean that higher earning Australians can pay less tax than those with lower means, substantially undermining the progressivity of the tax system. Without reform, the forgone revenue will continue to grow as the population ages, increasing pressure on the Budget to fund services Australians rely on and limiting the Government's ability to sustainably return bracket creep to Australian workers.

Chart 4.5: The combined savings tax benefits are heavily concentrated among the highest earners

Average cumulative tax benefit from the capital gains tax discount, negative gearing and discretionary trusts, between 1999–00 and 2022–23



Note: This analysis follows people aged 35–45 in 1999–00 through to 2022–23. Lifetime income (from which the percentile is derived) is the sum of each individual's total income or loss relative to contemporaneous AWOTE over this period. This chart shows how much tax would have been due over that period if the full nominal value of capital gains were included in taxable income, if rental losses were excluded from the calculation of taxable income, and if each discretionary trust concentrated its annual distributions solely to the person who had the highest lifetime income among its observed beneficiaries. As such, it does not indicate a magnitude of revenue that could be raised from reforms (see *Budget Paper 2: Budget Measures* for expected revenue impacts of these reforms).

Source: ATO and Treasury.

Impacts of the tax system on productivity and dynamism

Tax settings are not only a key factor in the fairness and sustainability of the system – they also shape the incentives for investment and innovation that drive productivity and economic growth.

Sustained productivity growth is the foundation for Australia's long-term economic prosperity and is the main driver of real wage growth and living standards in the long term. Since the mid-2000s, productivity growth has slowed in Australia. This slowdown has occurred in most advanced economies, which suggests there are some common structural factors.

Labour productivity grew by 1.0 per cent through the year to the December quarter 2025, above the 20-year average. The market sector drove the growth. Market sector productivity has grown for five consecutive quarters and rose 1.5 per cent through the year to the December quarter 2025. While these recent trends are encouraging, productivity growth is volatile on a quarterly basis, and more needs to be done to sustain this momentum.

Business investment and adoption of new technologies are two key drivers of productivity growth, and both are closely connected to business 'dynamism'. Dynamism describes the extent to which labour and capital are reallocated to their most productive uses.

Alongside the slowdown in productivity growth, indicators of business dynamism have also slowed across the OECD[9] and in Australia (Chart 4.6). For instance, there have been fewer firms entering and exiting the market, lower rates of new job creation and slower movement of labour and capital toward more productive firms. Lower business dynamism reduces incentives for investment, slows innovation and hampers the efficient allocation of resources, ultimately reducing productivity.

9 Calvino, F., Criscuolo, C. & Verlhac, R. 'Changing business dynamism: structural and policy determinants', OECD Policy Paper, 2020; OECD, 'OECD Economic Outlook, Volume 2025 Issue 1: Tackling Uncertainty, Reviving Growth', p. 80, OECD Publishing, 2025.

Chart 4.6: Dynamism has declined over the last two decades

Note: Entry and exit rates are for employing firms.
Source: Treasury analysis of ABS Counts of Australian Businesses data, ABS Labour Force microdata and ABS System of National Accounts.

Productivity growth is predominantly driven by the private sector, but governments can influence productivity by fostering a business environment and policy settings that support investment, innovation, competition and business dynamism. This includes maintaining macroeconomic stability to support investor confidence and expected returns, regulatory and institutional settings that strengthen competition and business dynamism, and tax settings that reduce frictions for new investment, including for emerging and innovative firms.

Changes to the corporate tax system can encourage a more dynamic and resilient economy by lowering barriers to productive investment, minimising distortions that advantage large and incumbent firms, encouraging sensible risk taking, promoting the diffusion of innovation through the economy and better supporting firms' resilience during economic shocks.

Reforming the tax system will support a more resilient economy

Recent years have underscored how exposed economies are to global disruption. Geopolitical fragmentation, supply chain shocks and more recent cost-of-living pressures are not isolated events, but part of a broader shift towards a world characterised by greater volatility and uncertainty. These forces are increasingly becoming the norm rather than the exception, placing sustained pressure on households and businesses.

Against this backdrop, reforms that support a more resilient, productive and equitable economy are more important than ever to make sure Australia is well placed to manage these challenges, seize opportunities and share the benefits of gains from changing economic conditions.

This means that tax reform is a critical component of the Government's response to the current economic context. Reforms that improve the efficiency, sustainability and equity of the tax system can strengthen Australia's capacity to navigate current and future disruptions, while supporting productivity and better living standards over time. This requires taking a system-wide view of the tax system, ensuring settings remain fit for purpose in a rapidly changing global and domestic environment.

A fairer system for workers, homebuyers and future generations

Younger Australians are finding it harder than earlier generations to build wealth and buy a home, as house prices have risen much faster than incomes. At the same time, tax concessions on asset income are adding to housing demand and can encourage speculation in existing dwellings, while also weakening the fairness and resilience of the tax system.

To address these issues, the Government is implementing significant reforms ensuring income from assets is taxed more fairly and consistently, while reducing taxes on income earned from work through the Working Australians Tax Offset.

These reforms include replacing the CGT discount with indexation and limiting negative gearing for residential property to new builds so tax support is better targeted to housing supply rather than existing homes. These changes are prospective, will support more first homebuyers to enter the housing market over time, exempt new builds, and form part of a package of reforms that will support supply overall.

The Government is also implementing a 30 per cent minimum tax on real capital gains and on the taxable income of discretionary trusts to make the tax system fairer and more sustainable.

Reforming negative gearing and the capital gains tax

The 50 per cent capital gains tax discount

Capital gains are the income earned from an increase in asset values over time – such as for shares or investment properties. Under current rules, capital gains income earned by individuals, partnerships and trusts is taxed when an asset is sold and generally attracts the 50 per cent CGT discount.[10]

Taxing capital gains with some level of concession from the headline rate on other income sources is generally considered appropriate.[11] A portion of any capital gain is attributable to inflation. Taxing nominal gains at full rates leads to high effective rate of tax on real economic returns. This can distort how investment decisions are made, particularly for assets held over long time periods. In addition, capital gains are taxed upon realisation, and high rates of tax can encourage owners to delay asset sales. This 'lock-in' effect can discourage investors switching assets where it is efficient to do so and impact revenue collections.

Before the 50 per cent CGT discount was introduced in 1999, capital gains were adjusted for inflation so that only the real component of gains were taxed. The 50 per cent discount was introduced following the Review of Business Taxation, which argued that among other things, the introduction of a generally more generous tax treatment of capital gains

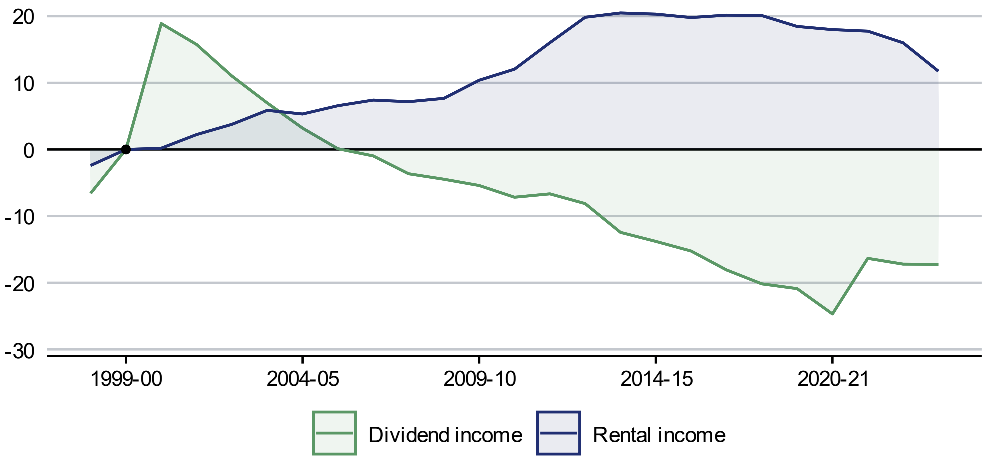
10 The 50 per cent discount applies for assets that have been held for longer than 12 months. Discounted gains are taxed at individuals marginal tax rates. In addition to selling an asset, capital gains income may be taxed when assets are exchanged or traded, or when an asset is lost or destroyed. Pre-1985 assets will be subject to CGT on gains after the start date.

11 For example, as outlined in: Australian Government, 'Australia's Future Tax System Review', 2010; and Hourani, D. and Perret, S. 'Taxing capital gains: Country experiences and challenges', OECD Taxation Working Paper, OECD, 2025.

would encourage investment in the Australian share market, spur investors to buy and sell assets more frequently, and increase tax revenues.[12]

Over 25 years since its introduction, the share of Australians receiving dividend income has fallen, while the share with investments in property has grown considerably (Chart 4.7).

Chart 4.7: Australians receiving dividend income has declined since 2001
Share of tax filers with dividend or rental income, change from 1999–2000
%



Note: A tax return is classified as having dividend income if the return has franked or unfranked dividend income, or if the return has distributions from non-primary production trust types associated with exchange traded funds, or if the return has franked distributions from non-primary production related trusts. Analysis of HILDA also shows the proportion of households owning shares has fallen since 2001, and the ASX Australian Investor Study shows a decline in ASX exchange investors between 1998 and 2023: ASX (2023).

Source: ATO and Treasury.

Further, the flat discount is arbitrary and does not accurately compensate for inflation. Compared to cost base indexation, the flat discount overcompensates some investors while undercompensating others (Box 4.2).

Over the past 20 years, property has typically been overcompensated for inflation, with the inflation share of capital appreciation averaging 38 per cent for properties held for ten years. At the same time, parts of the property market, such as investments in units especially in regional areas, have been undercompensated for inflation. Australian shares have typically seen inflation account for close to 50 per cent of nominal gains over this period (Box 4.2).

This means the current CGT discount has the potential to significantly distort investment decisions, incentivising investment in existing houses.

12 Review of Business Taxation, 'A Tax System Redesigned', Canberra, 1999.

Box 4.2: A fixed CGT discount cannot appropriately compensate investors for inflation

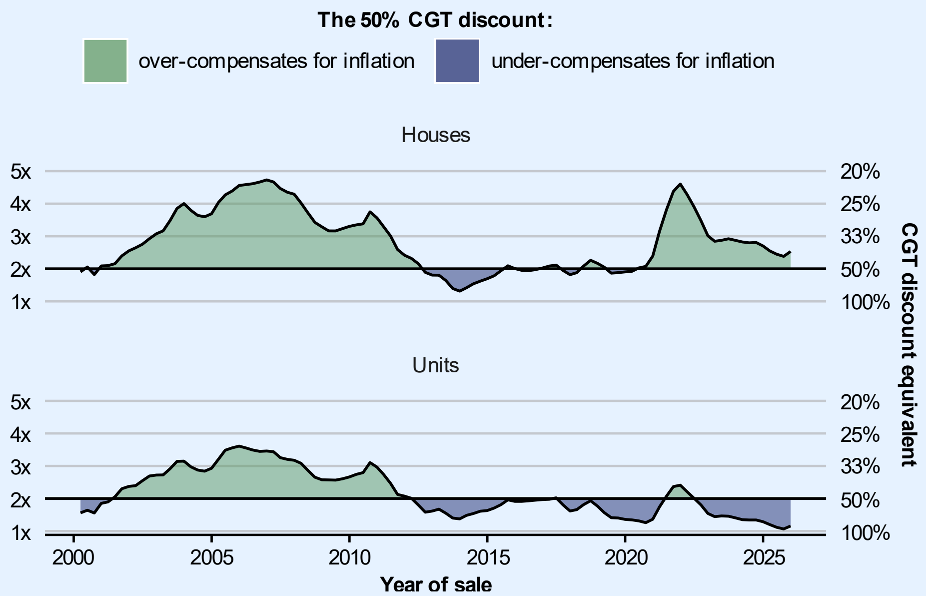
Although a key justification of the discount is to compensate investors for the impact of inflation, a fixed-rate discount cannot deliver an accurate inflation adjustment across a varied population of investors and assets.

The capital gain returns to assets vary significantly across different assets and holding periods. Recent analysis of 1.5 million Australian investment property transactions between 2008 and 2025 finds that real annualised returns ranged from a loss of 1.6 per cent at the 25th percentile to a gain of 5 per cent at the 75th percentile (Brennan, Dwyer, Garvin & Nolan, 2026). The difference in returns by asset value is apparent in the property market. Since its introduction, the 50 per cent discount has generally overcompensated investments in detached housing, often by a considerable amount (Chart 4.8, Table 4.1). Investors in units and medium density housing – which play an important role in increasing housing supply – have generally been undercompensated over the past decade.

Indexation of the cost base addresses the inflation component of a capital gain return directly, ensuring that only the real gain enters a person's taxable income.

Chart 4.8: The CGT discount does not appropriately compensate property investors

10-year house price growth relative to inflation



Source: Cotality Data, ABS and Treasury.

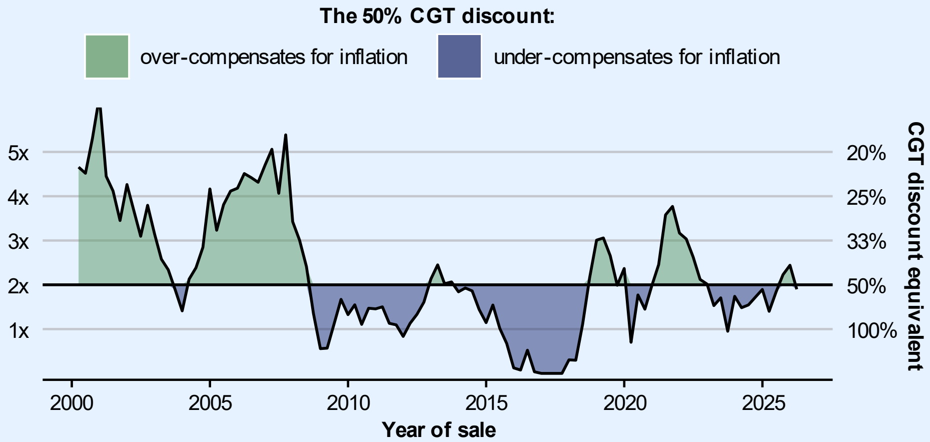
continued on next page

Box 4.2: A fixed CGT discount cannot appropriately compensate investors for inflation (continued)

On average, the flat 50 per cent CGT discount has been more neutral relative to inflation for investors in the share market (Table 4.1). However, variation in returns means outcomes depend on the period when they held the asset (Chart 4.9). Over the past 15 years, more often than not, share investors holding for ten years would have been undercompensated for inflation on average.

Chart 4.9: The CGT discount does not appropriately compensate investors in the share market

10-year Australian share price growth relative to inflation



Source: Treasury, ASX and ABS.

Table 4.1: The appropriate CGT discount differs by asset

Inflation share of asset price growth, average over past 20 years (%)

	2y hold	5y hold	10y hold	20y hold
All property	**45**	**45**	**38**	**33**
House	43	42	36	31
Unit	63	59	50	42
Capital cities	**43**	**43**	**37**	**31**
House	40	40	34	29
Unit	59	56	48	38
Regional property	**56**	**48**	**45**	**42**
House	53	45	43	38
Unit	77	67	63	59
Shares				
All Ordinaries	53	50	53	43
S&P/ASX 200	56	53	56	50

Note: Figures represent inflation over the holding period as a share of nominal capital appreciation over that period for each month between January 2006 and March 2026.

Source: Cotality Data, ASX and Treasury.

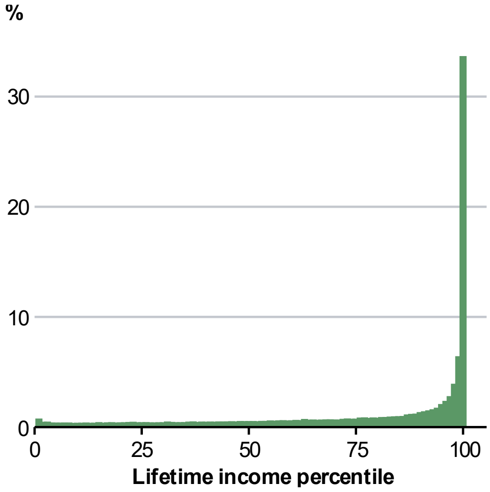
The benefits of the capital gains tax discount predominantly flow to Australians who earn among the highest incomes over the course of their lives. One-third of all capital gains are realised by individuals who earn incomes in the highest 1 per cent during their working lives, and more than half of all gains are realised by the highest 10 per cent (Chart 4.10).

The current treatment of capital gains also creates opportunities for taxpayers to time the sale of assets for tax reasons. Unlike most income, capital gains are taxed on realisation, when the asset is sold, not when the gains accrue. As realised capital gains are taxed at an individual's marginal tax rate, there are strong incentives for investors to hold onto assets and sell them in years when their marginal tax rates are lower than usual, such as after retirement. Choosing to sell assets when marginal rates are low can provide a large tax benefit, compounding the benefits of the CGT discount.

Between 2009–10 and 2022–23, the average marginal tax rate investors faced on net capital gains income was roughly 25 per cent. On average, this was about 7 percentage points lower than in the ten years leading up to asset sale (Chart 4.11). A marginal rate of 25 per cent is lower than that faced by a full-time minimum wage earner.

Chart 4.10: Capital gains typically flow to those with high lifetime income

Share of net capital gains income

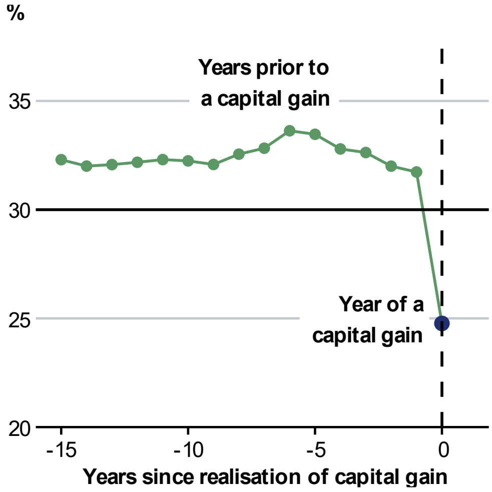


Note: Capital gains are pooled over 2016–17 to 2022–23. Includes individuals aged 34–82 at the time of their capital gain.

Source: ATO and Treasury.

Chart 4.11: Marginal tax rates tend to be lower in years with capital gains

Average marginal tax rate



Note: Average marginal rates are calculated before any capital gains income and are weighted by the size of the capital gain in the final year. Includes people with capital gains between 2009–10 and 2022–23.

Source: ATO and Treasury.

Negative gearing compounds the effects of the CGT discount on housing

An investment is negatively geared when it runs at a current net loss and these losses are used to reduce the investor's annual taxable income from unrelated sources, such as wages and salaries. Property investments account for over 98 per cent of the net losses from negatively geared investments, largely reflecting the ready availability of finance for property. Interest costs from financing loans used to buy the property typically drive these losses.

This practice reflects the general principle of taxing net increases in income after deducting related expenses. However, international practice is that net rental losses are often not deductible from unrelated income, such as salary and wages. Australia is in a minority of OECD countries that allow unlimited deduction of rental losses against other income. Further, there are broader international trends toward separating how wages and asset income are taxed.[13] There are strong equity and efficiency arguments for drawing a stronger link between rental losses and the earnings which they can be deducted against.

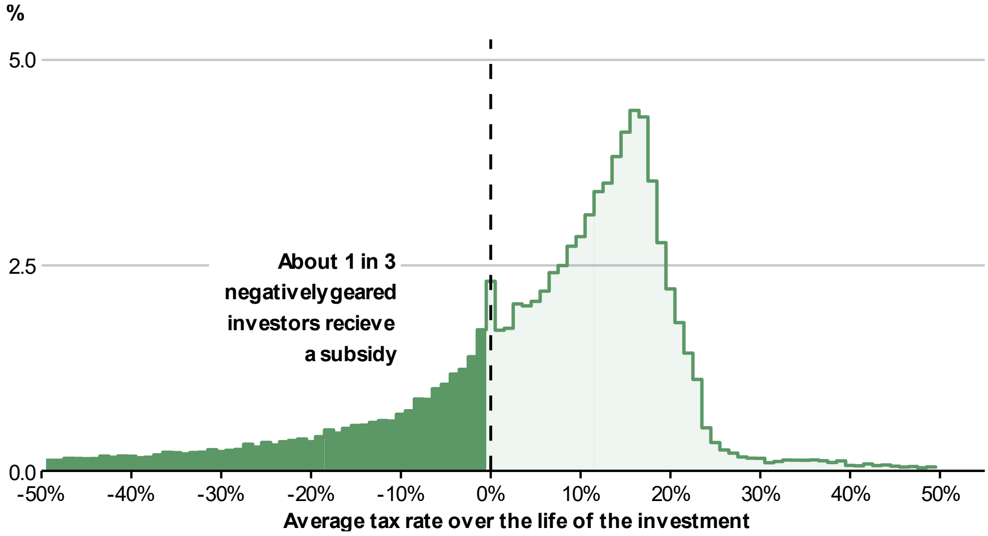
Negative gearing, in combination with the capital gains discount, contributes to low effective tax rates on property investments. When the capital gains on an investment are taxed differently to losses – as they are in Australia – full deduction of losses against other income creates asymmetry in the tax system. Losses are deducted in full today, often at higher marginal tax rates, while capital gains are taxed at a 50 per cent discount at some point in the future, often when the taxpayer has a lower tax rate.

This asymmetric combination means the income tax rate investors pay on these assets is often very low, or negative, when calculated over the life of the investment. For almost one in three investment properties sold in 2022–23 which were net negatively geared on average throughout the course of the investment, investors paid less income tax than they would have if they had not purchased the property at all – despite also turning a nominal profit (Chart 4.12). This occurs because the tax benefit from rental loss deductions exceeds the capital gains tax investors eventually pay on sale. In these cases, the Government provides an effective subsidy to investors. While the CGT discount contributes to this outcome, an effective subsidy is only possible due to negative gearing and the reduction in income tax it enables. Where investors receive a subsidy, this outcome is more generous than that available to owner occupiers and means that negatively geared properties can be one of the most concessionally taxed assets alongside concessional superannuation.

13 OECD, Taxation of Household Savings, OECD Tax Policy Studies, No. 25, OECD Publishing, Paris, 2018.

Chart 4.12: Many negatively geared rental property investors receive a net tax subsidy

Share of negatively geared property investors, by nominal effective lifecycle tax rate



Note: Includes individuals who made a net profit from property income and reported over $25,000 in gross rent over the 15-year period before sale. Tax rates over the lifetime of the investment are estimated by dividing the net real property income tax by net real property income profit over a 15-year period, for individuals who sold an investment property in 2022–23. This includes income taxes only, and does not include stamp duty, land tax, or council rates. This analysis is consistent with the finding that highly leveraged property investors can face negative tax rates (for example, see the Australia's Future Tax System (AFTS) Review, chart A1-20). The AFTS work used stylised assumptions to estimate prospective real marginal effective tax rate a given investor may face, whereas this chart depicts effective tax rates that are observed in historical data.

Source: ATO and Treasury.

Low effective tax rates on property investments caused by the interaction between the 50 per cent CGT discount and negative gearing create strong incentives for investors to take on highly leveraged housing investments. This leads to higher house prices – as investors bid up the price on a scarce resource to receive the concession. It also distorts investment away from higher income-generating assets with lower capital returns, such as higher density housing, and investments in shares that are less easily funded with leverage (Table 4.1).

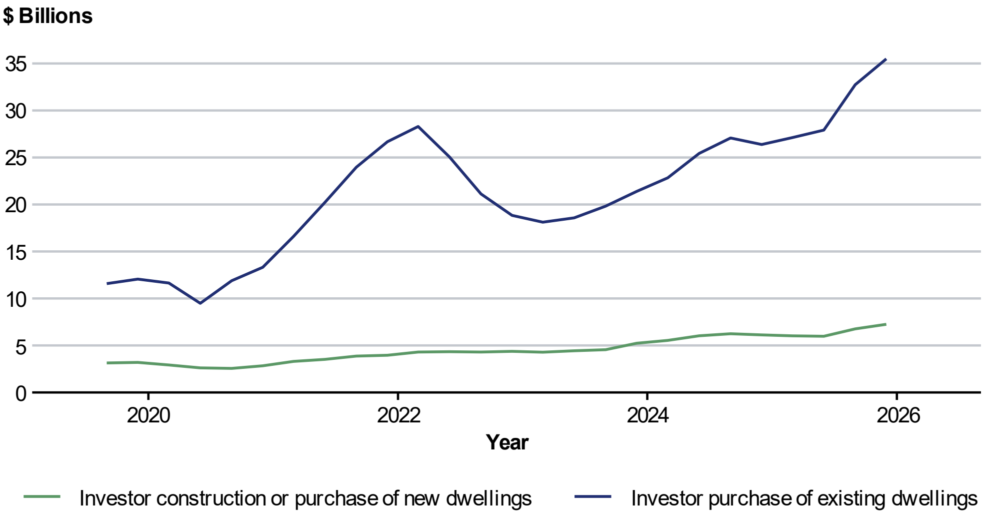
Property investments are typically in existing housing, with the share of investor housing lending used for existing dwellings ranging from approximately 80 per cent to 90 per cent since 2019 (Chart 4.13).[14]

14 ABS, *Lending Indicators* – December Quarter 2025, 2026.

Encouraging high leverage can also reduce the economic resilience of households. Around 40 per cent of new investor lending is interest only, compared to less than 10 per cent for owner-occupiers.[15] Investors have loans that exceed six times their income at more than double the proportion of owner-occupiers.[16]

Where Australian households respond to these incentives, they may also hold riskier and less diversified investment portfolios than otherwise, reducing the resilience of households and asset markets to economic and financial shocks.

Chart 4.13: Most investor credit goes to existing housing
Annual credit for property, by investors and property characteristics



Source: ABS Lending Indicators, 2025.

How the incentives provided by negative gearing affect different taxpayers depends on their means. The ability to borrow correlates with income, and rental losses are most valuable for people facing high marginal tax rates. As such, the tax benefits from negative gearing are concentrated among higher income earners. Around half of tax benefits from negative gearing accrue to the top earning 10 per cent of Australians over their lifetime, while 12 per cent of the benefits accrue to the top percentile (Chart 4.14). Higher income individuals are more likely to invest in property, report larger rental losses, and have more negatively geared property interests.

Over time, rental property investments are also becoming more concentrated among older Australians as property prices continue to rise faster than wages (Chart 4.15). Meanwhile, younger Australians are finding it more challenging to enter the market to buy their first home.

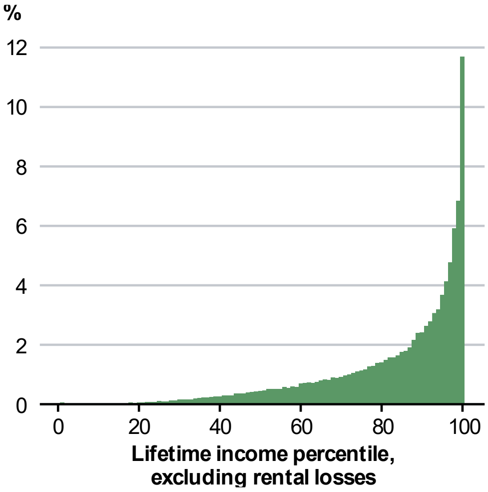
15 APRA, *Quarterly Authorised Deposit-taking Institutions Property Exposure Statistics – December 2025*, 2026.

16 APRA, Media release: *APRA releases quarterly authorised deposit-taking institution statistics for December 2025*, 2026.

Reflecting these issues the OECD have recommended cutting or eliminating the capital gains tax discount and phasing out negative gearing.[17]

Chart 4.14: Negative gearing tax benefits typically flow those with higher incomes

Share of total tax benefit from rental losses

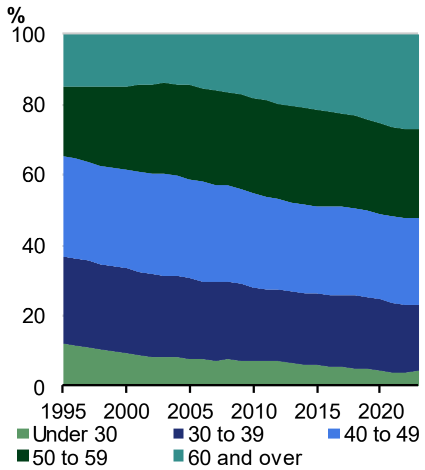


Note: Tax benefits are defined as the reduction in tax paid because of rental losses. Income tax includes the Medicare levy and the low income tax offset.

Source: ATO and Treasury.

Chart 4.15: Older Australians area growing share of property investors

Share of property investors by age



Note: Property investors are defined as tax filers with gross rental income.

Source: ATO and Treasury.

The Government's reforms to the capital gains tax discount and negative gearing

Younger and future generations of Australians face greater economic barriers than many generations preceding them. While not the only driver of these challenges, Australia's current tax settings are making it harder for younger Australians to get ahead.

That is why, from 1 July 2027, the Government is:

- Returning to inflation indexation of capital gains for assets held by individuals, trusts and partnerships
- Introducing a 30 per cent minimum tax on real capital gains for assets held by individuals, trusts and partnerships; and
- Restricting negative gearing of residential properties to new builds.

17 OECD, *OECD Economic Surveys: Australia 2026*, OECD Publishing, Paris, 2026

Together, these reforms will help to level the playing field for first homebuyers, while maintaining support for investment in new housing supply. Investors who buy new builds will be able to choose either the 50 per cent CGT discount or indexation and the minimum tax when they sell the property and will be unaffected by the changes to negative gearing.

The reforms are expected to raise $3.6 billion in receipts over the forward estimates period. The additional revenue gained from these reforms will help fund tax cuts for workers, make the Budget more sustainable and create room for further tax relief over time.

Returning to indexation of capital gains

The Government is replacing the 50 per cent capital gains tax discount with cost base indexation for CGT assets, from 1 July 2027. This returns the CGT regime to its original intent of taxing real capital gains, appropriately compensating taxpayers for inflation. To maintain support for new supply, investors who buy new builds will be able to choose either the 50 per cent CGT discount or indexation and the minimum tax when they sell the property.

The reintroduction of cost base indexation achieves a more neutral and fairer treatment of capital gains compared with the fixed 50 per cent CGT discount which applied to nominal capital gains. This change is expected to reduce the overall level of concession provided to capital gains which currently flows overwhelmingly to wealthy households, improving the equity of the tax system.

The 50 per cent CGT discount will continue to apply to gains that accrued prior to commencement. For assets held prior to 1 July 2027, but sold thereafter, the 50 per cent CGT discount will apply to the difference between the asset's value at 1 July 2027 and its cost base, while indexation and the minimum tax will be used to calculate the CGT on gains accruing from 1 July 2027 (the asset's value at that date will form its cost base). To determine the asset's value at this date, taxpayers can either seek a valuation or use a specified apportionment formula that estimates the asset's value based on its average return over the holding period (supported by ATO tools). These transitional arrangements are prospective, applying only to gains that accrue after the start date. Applying the new arrangements to future gains also minimises the disruption to asset markets. If assets held before the start date were indefinitely excluded this would create strong incentives for investors to avoid selling these assets.

The same approach will apply to assets acquired before the beginning of CGT in 1985. Bringing assets held before 1985 into the CGT regime will improve horizontal equity and enhance the intergenerational equity objectives of the package. At the same time, this approach preserves existing treatment of gains on pre-1985 assets earned before 1 July 2027. Gains on pre-1985 assets earned from 1 July 2027 will be taxed under the new arrangements upon realisation. The current small business CGT concessions will continue unchanged.

Under these arrangements, the effective tax rate on capital gains would vary depending on an individual's marginal rate, their nominal returns and the inflation rate over the period the asset had been held. Any comparison with alternative tax arrangements needs to take these factors into account. Further detail on returns compared to inflation for different asset types is contained in Box 4.2.

Introducing a 30 per cent minimum tax on real capital gains

The Government is also introducing a 30 per cent minimum tax on real capital gains income earned from 1 July 2027. The minimum tax will reduce incentives to defer the sale of assets to periods when other income and marginal tax rates are low. This will support a more consistent taxation of lifetime income by aligning the tax rate on real capital gains with the marginal tax rate faced by the average worker on incomes from $45,000 to $135,000.

Income support recipients, including pensioners, will be exempt from the minimum tax, ensuring people with low income and low wealth are not disadvantaged. The capital gains of people who are already subject to at least the 30 per cent marginal rate on their non-capital gains income will not be affected by the minimum tax. The 30 per cent minimum is aligned with the minimum tax being introduced on discretionary trusts.

The minimum tax rate reduces the benefits of timing the realisation of capital gains to minimise tax paid. This ensures that affected taxpayers are subject to a tax rate that is closer to the marginal rate they faced during their working life. If applied in 2022–23, over 95 per cent of net capital gains income would have been earned by people who are either not affected by the minimum tax or who had a marginal tax rate of more than 30 per cent during their working lives. In 2022–23, about 70 per cent of salary and wage earners faced a marginal rate of 30 per cent or higher.

The minimum tax on real capital gains also mitigates against potential lock-in effects that can result in prolonged holding of assets to reduce tax. The minimum tax reduces incentives for investors to delay selling assets to when they have lower marginal tax rates, for example at retirement, improving the allocation of resources across the economy and supporting productivity growth.

Restricting negative gearing of residential properties to new builds

The Government is limiting negative gearing for residential property to new builds, from 1 July 2027. Net rental losses from established residential properties will only be deductible against rent or the capital gains from residential properties.

Excess losses can be carried forward and offset against residential property income in future years (Box 4.3). This avoids disincentivising investments in maintenance and capital improvement of investment properties which might otherwise be avoided if they would generate rental losses that could not be claimed as a deduction.

In combination with the return to CGT indexation, limiting deductions for rental losses will reduce the tax advantages of leveraged investment in established residential properties. Limiting rental deductions to rental income leads to a more neutral tax treatment, reducing biases to make investments based on tax settings. These changes will also improve fairness in the tax system since the benefits of negative gearing disproportionately flow to higher-income taxpayers.

The limitation on negative gearing will apply only to net rental losses from residential property as the housing sector is where the arrangement predominates and generates the greatest distortions to investment. Commercial property and other asset classes, such as shares, will remain subject to existing arrangements.

Box 4.3: Quarantining the carry forward of rental losses

Jason invests in an existing residential property after 1 July 2027. Since the property was purchased after Budget night, 12 May 2026, it will be subject to the changes to negative gearing. This means deductions from rental losses will be limited to rental income or capital gains from residential property. Any excess losses will be carried forward to future years.

In 2027–28, Jason incurs a net rental loss of $10,000 from his property. Under the quarantining arrangements, the $10,000 cannot offset Jason's other taxable income in 2027–28 but can offset residential property rental income and/or residential property capital gains, including in future years.

In 2028–29, Jason earns $6,000 in net rental income from his property. As the $10,000 carry forward loss from the previous financial year is applied against this income, Jason would pay no tax on the rental income in this year. Jason now has a $4,000 quarantined loss that can continue to be carried forward.

These changes will help address housing affordability pressures facing first homebuyers, allowing more younger Australians and future generations to own their own home (Box 4.4). These reforms are expected to reduce investor demand for existing properties, while eligible new builds will be exempt from the changes, ensuring the benefits of negative gearing are directed to investment that support growth in Australia's housing stock.

Transitional arrangements will ensure the arrangements for taxpayers who made investment decisions under current settings do not change. Properties purchased or held prior to announcement will be exempt from the changes until disposed of. This includes properties where a contract has been entered into but not yet settled. Properties purchased after 7:30pm (AEST) on 12 May 2026 and before 30 June 2027 may be able to be negatively geared during this period, but not in subsequent years. In practice, the benefits to existing investors from these transitional arrangements are not expected to continue indefinitely. Over half of negatively geared properties are typically sold or become positively geared within four to five years, and over 75 per cent within ten years.[18]

18 Treasury analysis; ATO.

Box 4.4: Housing measures in this Budget

The measures in this Budget are expected to improve home ownership and increase the overall supply of housing. The reforms to negative gearing and capital gains tax are expected to enable an additional 75,000 Australians to buy their own home over the next decade. Driven by reforms and investment that reduce barriers to housing supply, this Budget will also support up to 30,000 new homes over the next decade, and more as the benefit of productivity-enhancing reform flows through into the housing market.

To achieve lasting improvements in housing affordability, housing supply needs to better respond to demand. This Budget adds a new $2 billion initiative to the Government's now over $47 billion Homes for Australia plan that fast tracks housing-enabling infrastructure projects. This will support up to 65,000 new homes over the next decade. As part of this initiative, further planning, zoning and productivity reforms will be required of states and territories. Further structural reforms to address barriers will enhance the effectiveness of the supply side of the housing market. This ambitious set of reforms has the potential to support tens of thousands of additional homes.

The tax reform package is expected to reduce investor demand, particularly by highly leveraged investors. This reduced demand will likely lead to a modest and temporary slowing in housing price growth that improves affordability. Treasury modelling suggests housing prices will temporarily grow by around 2 per cent less over a couple of years relative to no tax policy change. For comparison, on average housing prices have grown at 6 per cent per year since 2000. This means that a buyer purchasing a home at the current national median price would save around $19,000.

This improvement in affordability and lower investor demand is expected to shift the ownership mix towards more owner-occupiers. Treasury modelling suggests that the reforms will increase the owner-occupier share of the housing market, resulting in around 75,000 additional owner-occupiers over the next decade. This is equivalent to reversing around ten years of declines in the home ownership rate.

Lower house price growth will have a modest impact on housing supply, with the increase in supply over the next decade expected to be only around 35,000 dwellings fewer compared to no tax policy change, equivalent to around a quarter of a per cent of the current dwelling stock. This modest impact is more than offset by up to 65,000 new homes supported under the new Local Infrastructure Fund, as well as significant other housing supply measures in this Budget and since the Government was elected. Exempting new builds from the tax changes also limits the supply impacts and is expected to encourage investors to rebalance their portfolios towards new builds, while other design features are expected to encourage investment in higher density dwellings.

continued on next page

Box 4.4: Housing measures in this Budget (continued)

The reforms are likely to have a small impact on rents, with an expected increase of less than $2 per week for a household paying the current median rent. For comparison, a single person receiving the maximum rate of Commonwealth Rent Assistance (CRA) received an increased benefit of more than $20 per week due to the 2023 and 2024 increases in CRA.

The combination of the Government's policies in this Budget will add to housing supply, which will exert downward pressure on rents over time.

Introducing a minimum tax on discretionary trusts

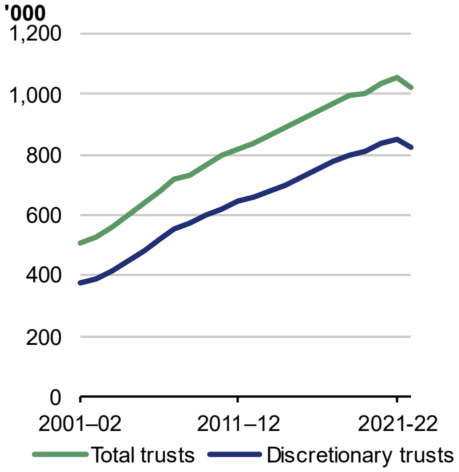
A trust is a legal arrangement where a person (a trustee) holds and manages assets for the benefit of others (the beneficiaries). Trusts are not usually taxed on the income they earn. Instead, beneficiaries are made entitled to income of the trust through distributions and, based on this, pay tax on their share of the trust's taxable net income at their marginal tax rate.

Trusts can take many different forms, including discretionary trusts – the most common type of trust in Australia. While trusts may be used to support legitimate family and commercial arrangements, including as a collective investment vehicle, for asset protection and for succession planning, the current taxation of discretionary trusts allows some taxpayers to reduce their taxes, weakening progressivity, equity and the sustainability of the tax system. Other types of trusts, such as fixed trusts, do not have the same flexibility and tax advantages as discretionary trusts.

The number of discretionary trust structures has more than doubled over the past 20 years, and Australia now has over 1 million trusts, most of which are discretionary trusts (Chart 4.16). These are largely used by high-income and high-wealth Australians; the wealthiest 10 per cent of Australian households hold over 90 per cent of the value of private trusts (Chart 4.17). Over 95 per cent of Australians do not receive income from a discretionary trust.

Chart 4.16: Australia now has over 1 million trusts

Count of trusts in Australia

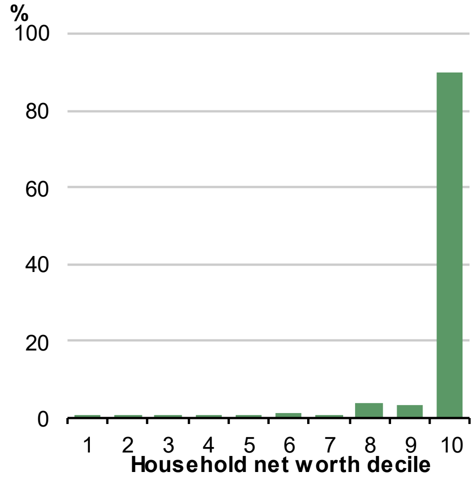


Note: Counts for 2022–23 income year may be revised upwards reflecting late lodgements.

Source: ATO Taxation Statistics and Treasury.

Chart 4.17: The wealthiest households hold most private trust wealth

Distribution of total private trust wealth, 2019–20

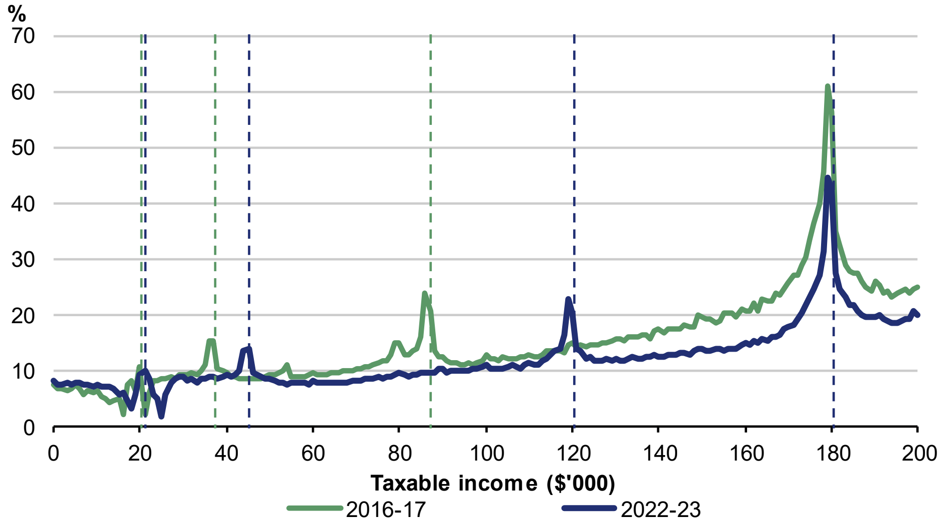


Source: ABS Survey of Income and Housing and Treasury.

Discretionary trusts create tax advantages for some taxpayers, but not others

Discretionary trusts are used for many of the same reasons as other types of trusts but differ in that they allow trustees to distribute income to different beneficiaries each year, rather than those distributions being set by the trust deed. This gives rise to fairness concerns as distributions are often made between family members and other beneficiaries to take advantage of lower tax rates. Bunching of income around tax thresholds suggests that trusts are used to distribute income to individuals such as family members with lower tax rates (Chart 4.18). Some trustees also make payments to corporate beneficiaries to take advantage of the corporate tax rate.

Chart 4.18: Discretionary trust distributions target lower income tax rates
Share of tax filers with income from discretionary trusts



Note: Share of tax filers in each $1,000 income band.
Source: ATO and Treasury.

Some businesses use trust structures rather than operating as a company. In some cases, this involves very complex business structures involving multiple trusts and companies. While discretionary trusts can provide tax benefits, businesses operating through trust structures often miss out on the benefits of corporate structures. Businesses that operate through corporate structures can more easily retain profits for working capital, and business interests can be sold through the sale of company shares. They also have better access to debt and equity financing. Additionally, businesses using corporate structures can access imputation and, in the case of small businesses, the lower 25 per cent corporate tax rate. More complex business structures also significantly increase compliance costs.

Past reviews of the tax system have highlighted concerns with the tax issues posed by trusts including the Asprey Report (1975), A New Tax System (1998), Review of Business Taxation (1999), Australia's Future Tax System (2009) and Re:think (2015).

Several integrity measures aimed at addressing these concerns regarding trusts have been introduced by successive governments. These include dealing with unpaid trust distributions, imposing the highest marginal tax rate on trustees that do not provide beneficiary details, ensuring concessional treatment for minors is restricted to income derived from deceased estate assets and digitalisation of tax reporting systems as part of the Modernisation of Tax Administration Systems project.

However, more fundamental reform is needed to address the fairness and sustainability concerns raised by discretionary trusts. As of 2022–23, Australia has around 840,000 discretionary trusts, more than doubling from 370,000 in 2001–02 (Chart 4.16). This far exceeds the growth in the number of companies, which has only increased by 70 per cent in the same period. In 2022–23, discretionary trusts distributed $142.4 billion in income, with average annual growth in income of 7.8 per cent since 2011–12.

A minimum tax on discretionary trusts

Building on these past reforms and to further address the issues identified in past reviews, the Government is introducing a 30 per cent minimum tax on the taxable income of discretionary trusts, from 1 July 2028. The tax will be paid by the trustee as it is the trustee that controls distributions. Beneficiaries will still need to declare the income in their tax returns, but beneficiaries, other than corporate beneficiaries, will receive non-refundable credits for the tax payable by the trustee, which can be used to offset current year income tax liabilities.

The minimum tax will mean a fairer rate of tax is paid on income from discretionary trusts, more closely aligning the tax rates for trusts with the rates paid by workers and families who earn a living from wages. This reform supports a fairer and more sustainable tax system.

The introduction of a minimum tax on discretionary trusts will reduce incentives for complex tax structuring and protect the integrity of the tax base. To support adjustment, expanded rollover relief will apply for three years from 1 July 2027 to assist small businesses and other taxpayers to restructure out of discretionary trusts into companies or fixed trusts. This will provide relief from income tax consequences, including capital gains tax, for those who choose to restructure.

From 1 January 2027, the Australian Small Business and Family Enterprise Ombudsman will be available to assist small business understand the options available to them and where they can get further advice. Specific arrangements will be put in place by the Australian Securities and Investments Commission (ASIC) to support small businesses that wish to incorporate and access benefits such as the 25 per cent small business tax rate.

The measure is expected to raise $4.5 billion in receipts over the forward estimates period. The additional revenue gained from these reforms will help fund tax cuts for workers, make the Budget more sustainable and create room for further tax relief over time.

The minimum tax will not apply to primary production income of farms, certain income relating to vulnerable minors, amounts to which non-resident withholding tax applies and income from assets of testamentary trusts existing at announcement.

Other types of trusts, such as fixed and widely held trusts, complying superannuation funds, special disability trusts, deceased estates, and charitable trusts will be excluded from the minimum tax.

Delivering a new round of tax cuts for every working Australian taxpayer

The additional revenue gained from the Government's reforms to negative gearing, CGT and discretionary trusts provides scope for further rebalancing of the tax system to reduce the tax burden on workers.

The Government will deliver a new round of tax cuts through a $250 Working Australians Tax Offset (WATO), lowering the tax burden for every working Australian taxpayer (Chart 4.19). The WATO will increase the effective tax-free threshold by $1,785 to $19,985 for workers (or to $24,985 for workers receiving the Low Income Tax Offset) from 1 July 2027 for income derived from work. This represents the largest permanent increase to the effective tax-free threshold since 2012–13. This measure is expected to reduce receipts by $6.4 billion over the forward estimates period.

The introduction of the WATO supplements the personal income tax cuts delivered in the 2024–25 Budget and the additional tax cuts for every Australian taxpayer coming over the next two income years, which lower the bottom tax rate from 16 per cent to 14 per cent. An Australian worker on average earnings ($81,245) will receive a combined tax cut of $1,978 in 2026–27 and $2,496 per year from 2027–28, compared to 2023–24 tax settings.

After three rounds of tax cuts, the WATO and the instant tax deduction, an Australian worker on average earnings could receive a combined benefit of up to $2,816 from the 2027–28 income year relative to 2023–24 tax settings. These changes will provide additional, meaningful cost-of-living help for families by ensuring workers can keep more of what they earn. A worker on average earnings is expected to pay up to $38,977 less tax from 2024–25 to 2036–37, relative to 2023–24 settings.

Chart 4.19: Average tax rate for a worker on average earnings

Note: Prior to 2026–27, the worker on average earnings is assumed to have taxable income equal to annualised estimates of average weekly earnings (AWE) after incorporating an annual deduction for work-related expenses of $359. From 2026–27 onwards, the worker's taxable income is further reduced by the instant tax deduction (providing a tax benefit of $205). From 2027–28 the worker is assumed to benefit from the full Working Australians Tax Offset. Forecasts for AWE are as at the 2026–27 Budget. Average tax rate is defined as the ratio of tax payable to taxable income. Tax payable is calculated accounting for basic tax rates and thresholds and the Medicare levy.

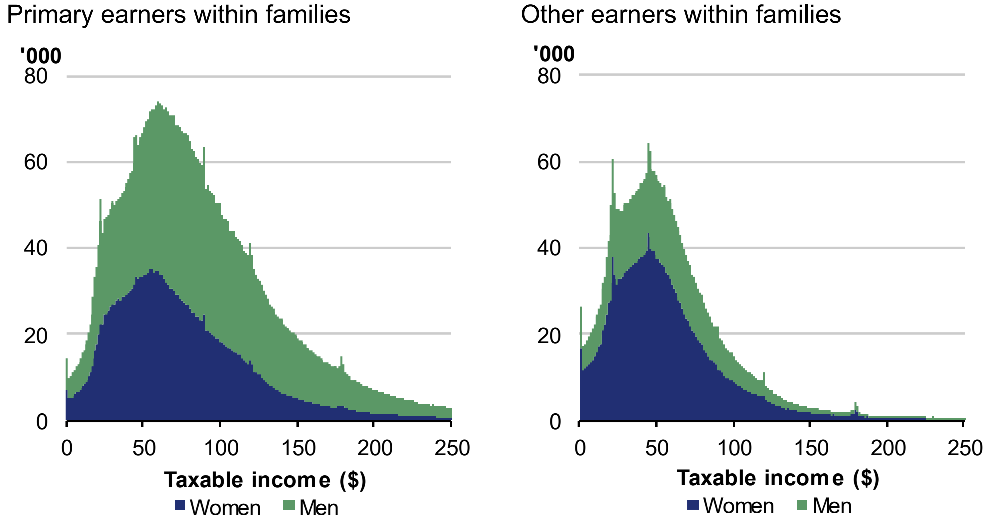
Source: Treasury.

Building on the instant tax deduction for work-related expenses (*A simpler, more sustainable tax system* section), the WATO will direct relief only to taxpayers for their income earned from work and not their asset income. Further lowering the tax burden on working income can incentivise participation gains among workers and those marginally attached to the labour force.

In 2022–23, women were overrepresented among low labour income earners and secondary labour income earners within families (Chart 4.20). This reflects a range of social and economic factors which influence labour force participation decisions.

When faced with the same percentage change to after-tax wages, women – particularly women with children – are more responsive in the amount they work compared to men. In addition, people with less formal education and those with lower wage potential are more responsive to changes in after-tax income than other individuals. Targeting additional support to these groups of labour income earners is expected to modestly encourage their participation.

Chart 4.20: Labour income earners across the taxable income distribution, 2022–23



Note: Counts are for $1,000 income bands.
Source: ATO and Treasury.

Increasing Medicare levy low-income thresholds

The Government will also increase the Medicare levy low-income thresholds by 2.9 per cent for singles, families, and seniors and pensioners from 1 July 2025. This means over 1 million Australians on lower incomes will continue to be exempt from paying the Medicare levy or pay a reduced levy rate.

Tax reform will benefit workers and improve housing affordability

The Government's tax reforms continue efforts to ensure income from assets is taxed more consistently, while taxes on labour income maintain incentives to work. The reforms improve intergenerational equity by boosting home ownership, reducing the tax burden on workers and reducing tax concessions that disproportionately accrue to those on the highest incomes.

The reforms are estimated to increase the home ownership share by around 1 percentage point over the medium term. Over the next decade, the number of owner-occupiers is projected to increase by around 75,000 (Box 4.4). This reallocation of housing stock is a result of reduced investor demand in the existing housing market which increases the share of homes available to owner-occupiers.

Further, tax reform will support fiscal sustainability over the medium term, building Australia's economic and fiscal resilience, and better positioning Australia to navigate future economic shocks. Ultimately, improved fiscal sustainability and resilience will take the pressure off future generations of working Australians.

Supporting investment, innovation and dynamism

A business environment that supports investment and dynamism can be a significant source of productivity growth and help drive improvements in wages and living standards (Box 4.5).

The Government's reforms to the business tax system include reintroducing and expanding loss refundability for businesses, expanding venture capital incentives and better targeting the Research and Development Tax Incentive to deliver the greatest economic impact. The Government will also make the $20,000 IAWO permanent for small business.

These reforms provide a more consistent tax treatment for investment, helping facilitate a more dynamic and resilient economy and supporting economic growth and jobs. They lower barriers to productive investment, minimise distortions that advantage large and incumbent firms, encourage sensible risk taking, better support firms' resilience during economic shocks and promote the diffusion of innovation through the economy.

These reforms will help create a better tax system for business, complementing the Government's wider productivity reform agenda. The Government has also asked the Productivity Commission to undertake an inquiry into business dynamism in Australia, with a focus on the regulatory barriers faced by firms to innovate and grow, particularly young firms. The inquiry is due to provide a final report to the Government by May 2027.

Box 4.5: The productivity cost of slower dynamism

A dynamic economy is one that innovates, adapts, and efficiently allocates labour and capital towards productive firms and activities, supporting the adoption of new technologies and the diffusion of best-practice methods across the economy.

RBA analysis explored the impact on the Australian economy and living standards from slowing dynamism.[19]

- Specifically, it examined the slowdown in the reallocation of capital from less to more productive firms within industries since the mid-2000s.
- The RBA found that, had the flow of labour and capital towards more productive firms not slowed since the mid-2000s, more productive firms would have been larger.
- By 2017, this would have led to the economy being $13 billion (or ¾ per cent of GDP) larger, equating to around $550 per person or $1,000 per worker.

The tax reforms in this Budget form part of a comprehensive productivity package, which will make it easier to build, invest and do business. Our productivity package will reduce the regulatory burden by $10.2 billion per year, boost long-run GDP by around $13 billion per year through work underway with states and territories, and lift investment in R&D by young firms by $400 million a year.

This package builds on the significant progress made on the Government's five pillar productivity agenda during our first term, including landmark reforms to Australia's merger laws, revitalising National Competition Policy, establishing the Capacity Investment Scheme and making meaningful investments in skills and training.

19 Hambur, J. and Andrews, D., *Doing Less, with Less: Capital Misallocation, Investment and the Productivity Slowdown in Australia*, 2023.

Reforming loss refundability for businesses

The current tax treatment of losses discourages risk taking and entrenches advantages for large and incumbent firms. Firms are taxed on their profits immediately, but do not receive a tax benefit from losses unless (and until) they are profitable (when the real value of the tax loss will have declined). This asymmetry can discourage riskier investments and slow economic dynamism.[20]

The current tax treatment of losses can disproportionately affect start-ups and firms seeking to expand or pivot to new opportunities. Large, established firms are more likely to have profits available to offset losses from risk-taking, which gives them a competitive advantage. This can make it harder for new and innovative firms to compete, reduces their resilience to economic shocks, and increases the risk of premature exit following a downturn with impacts on employment as well as businesses themselves.

The tax system's bias against risky investments may divert capital to less risky but lower value investments, creating a drag on productivity. Reducing the tax system's bias against risky investments could increase both the quantity and quality of investment, with positive flow-on effects for productivity, real wages and employment.[21]

For new and growing firms — which often have limited access to finance — the inability to realise the value of losses when they are incurred can exacerbate cash flow pressures at a time when these firms are investing most heavily, hiring staff, and experimenting.

To support improved cash flow for businesses facing temporary losses, the Government will reintroduce permanent 2-year loss carry back for all companies with up to $1 billion in turnover. This will generate a refund of tax paid in those earlier years, providing timely support when losses occur. The measure will take effect for income years after 1 July 2026, providing support to businesses as they manage uncertainty and volatility from the conflict in the Middle East. The measure is estimated to cost $2.3 billion over the five years from 2025–26.

OECD research shows that loss carry back is an effective policy to improve the neutrality of corporate taxation across investment projects with different risk profiles and increase the resilience of companies to adverse revenue shocks.[22]

The reintroduction of loss carry back is expected to directly benefit up to 85,000 companies each year. It will be particularly valuable for established businesses that have been profitable in recent years but experience a temporary downturn. It will also support otherwise profitable small companies that incur a tax loss because they have invested in new assets that are eligible for the IAWO. By allowing losses to be used sooner, the measure improves cash flow and helps firms remain resilient through periods of adjustment or broader economic shocks (Box 4.6).

20 See, for example, Langenmayr, D. and Lester, R., *Taxation and corporate risk-taking,*2014.
21 Business Tax Working Group, *Final report on the tax treatment of losses*, 2012.
22 Hanappi, T., *Loss carryover provisions: Measuring effects on tax symmetry and automatic stabilisation*, 2018.

Box 4.6: Companies that previously benefited from loss carry back

Loss carry back was available in 2012–13 and allowed corporate tax entities, regardless of turnover, to carry back up to $1 million of losses for a cash benefit of $300,000. Around 3,800 companies accessed the measure, with around 95 per cent recording aggregated turnover below $10 million.

Loss carry back was reintroduced temporarily during the pandemic and applied from 2020–21 to 2022–23. The measure supported over 70,000 companies, over 95 per cent of which had aggregated turnover below $10 million. These companies accounted for around 40 per cent of total losses carried back.

Treasury analysis indicates that temporary loss carry back provided a timely cash flow boost, averaging around $50,000 per business. The measure delivered around $300 million per year to construction companies, $150 million per year to professional, scientific and technical services companies and $135 million per year to manufacturing companies.

From 1 July 2028, the Government will also introduce loss refundability for small start-up companies, to help new businesses invest and grow in their first two years. Refundability will be capped at the amount of employment-related taxes paid (that is, withholding tax on employee wages and FBT). This is estimated to cost $410 million over the five years from 2025–26.

Young firms are central to generating jobs and driving economic dynamism. Analysis of ABS firm-level microdata in 2025 by the e61 Institute finds that firms aged five years or less have created 59 per cent of all new jobs in Australia over the past 20 years.[23] This is consistent with OECD cross-country evidence, which finds young firms account for around 20 per cent of employment but create close to half of all new jobs on average across OECD countries. Supporting young firms to employ and retain Australian staff through their loss-making early years directly supports and enables job creation. Other research cited by e61 shows that the first two years of a firm's activity are crucial for their long-term trajectory and positive economic contribution.

Up to 25,000 new small companies could be eligible for the refundable tax offset each year. Around half of these companies are expected to be able to fully offset their losses while the other half would be able to partially offset their losses. The benefits are expected to flow across sectors, but particularly to the construction and professional, scientific and technical services industries.

23 Lee, R., Rankin, E., Vass, L., e61, *The Young and the Restless: The Contribution of Young Firms to the Economy*, e61, 2025.

Expanding venture capital concessions

Young and fast-growing businesses make a disproportionate contribution to productivity growth by introducing new ideas and innovations. Within five years of operation, Australia's highest-performing young firms achieve productivity around 45 per cent above industry averages.[24] Young firms also create six out of every ten new jobs.[25] However, start-ups and scaling firms often have products or hold intellectual property that are unproven, or difficult to value or collateralise, limiting access to traditional finance and creating increased reliance on personal savings or informal funding.

Venture capital plays a critical role in supporting these businesses by providing 'patient capital', industry expertise, and access to professional networks.[26] Foreign investment further strengthens the sector by connecting Australian firms to global capability.

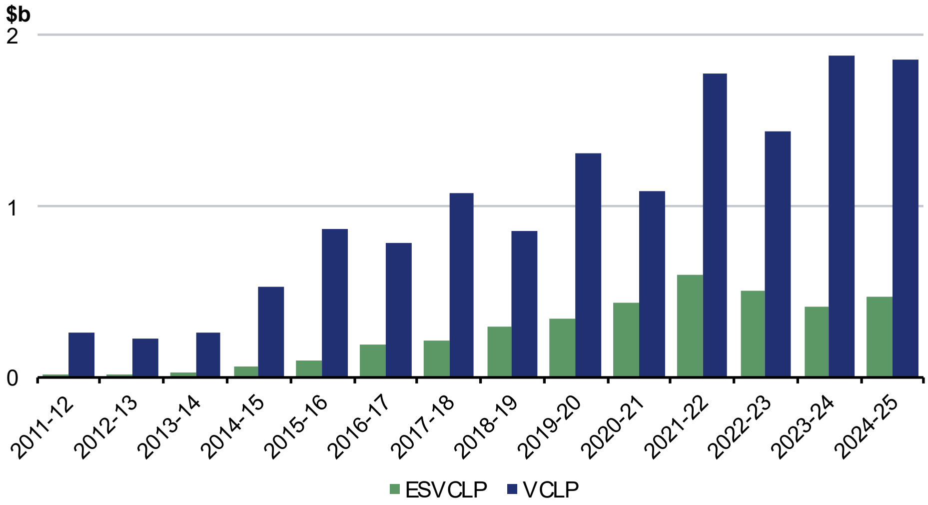
Venture capital investment in Australia

Venture capital investment in Australia remains modest overall, at 0.16 per cent of GDP in 2024,[27] but has grown strongly over the past two decades (Chart 4.21). Australia now has the highest number of unicorns (startup businesses valued over $1 billion) created relative to venture capital investment, at 1.22 unicorns per $1 billion invested.[28] Venture capital backing has supported growth in the Australian technology sector from $15 billion in 2015 to $360 billion in 2025,[29] while capital committed under Australia's main venture capital programs has increased from $6 billion to $30 billion over the same period.[30]

Venture capital investors can operate through venture capital limited partnerships (VCLPs) and early-stage venture capital limited partnerships (ESVCLPs), which provide a 'flow through' structure and targeted tax incentives. These incentives are capped to focus support on early-stage and expanding businesses, but most caps have not been updated since the programs were introduced in 2002 (VCLPs) and 2007 (ESVCLPs), reducing their effectiveness over time.

24 Lee, R., Rankin, E., Vass, L., e61, *The Young and the Restless: The Contribution of Young Firms to the Economy*, e61, 2025.
25 Lee, R., Rankin, E., Vass, L., e61, *The Young and the Restless: The Contribution of Young Firms to the Economy*, e61, 2025.
26 Strategic Examination of R&D (SERD) independent expert panel, *Ambitious Australia: Strategic Examination of R&D Final Report*, SERD independent expert panel, 2025.
27 Strategic Examination of R&D (SERD) independent expert panel, *Ambitious Australia: Strategic Examination of R&D Final Report*, SERD independent expert panel, 2025.
28 Dealroom.co, *Australia Venture & Startup Report*, Dealroom.co, 2025, accessed April 2026.
29 Dealroom.co, *Australia Venture & Startup Report*, Dealroom.co, 2025, accessed April 2026
30 Department of Industry, Science and Resources (DISR), *Venture capital dashboard FY24/25*, DISR, 2026.

Chart 4.21: Investments by ESVCLPs and VCLPs



Source: Department of Industry, Science and Resources, Venture Capital Dashboard FY24/25

Expanding venture capital tax incentives

Recent reviews have found that VCLPs and ESVCLPs have supported investment and fund management capability.[31] However, a shift toward larger deal sizes has reduced the incentive to use ESVCLPs for early-stage investment.[32]

As part of its response to the *Ambitious Australia – Strategic Examination of R&D Final Report* (Ambitious Australia Report) (Box 4.7), the Government will modernise venture capital tax incentives by uplifting caps from 1 July 2027, aligning them for inflation since they were last set. This is estimated to decrease receipts by $10 million over the five years from 2025–26.

- VCLP eligibility will apply to investments in businesses with assets up to $480 million, up from $250 million.
- ESVCLP eligibility will apply to investments in businesses with assets up to $80 million, up from $50 million.
- ESVCLP investors will retain full access to incentives as businesses grow their assets up to $420 million, up from $250 million.
- The maximum committed capital for ESVCLPs will increase to $270 million, up from $200 million.

31 Treasury and Industry Innovation and Science Australia (TIISA), *Venture Capital Tax Concessions Review*, TIISA, 2022; Strategic Examination of R&D (SERD) independent expert panel, *Ambitious Australia: Strategic Examination of R&D Final Report*, SERD independent expert panel, 2025.
32 SERD independent expert panel, *Ambitious Australia: Strategic Examination of R&D Final Report*, SERD independent expert panel, 2025.

In 2024–25, the programs supported 784 investments totalling around $2.3 billion.[33] These changes will expand access to venture capital, support later-stage investment, and reduce pressure for early divestment as businesses scale. Capital-intensive sectors like biotechnology, clean energy and artificial intelligence will benefit from the new settings which will also facilitate greater diversification for investors.

The Department of Industry, Science and Resources will explore options to streamline the administration of these programs, including where statutory drivers of business burden are able to be lowered.

The Government will also strengthen the superannuation performance test to ensure there are no unintended barriers to investment for Australia's $4.5 trillion superannuation sector, supporting the efficient flow of capital across the economy to drive innovation and economic growth, while helping Australians achieve better retirement outcomes. Concerns have been raised that the test may discourage investment in certain sectors, including venture capital. Reforms will ensure the test remains fit for purpose and supports strong member outcomes.

Better targeting the Research and Development Tax Incentive

High quality research and development (R&D) has the potential to drive productivity growth, with particularly larger impacts over the medium term.[34] Governments in Australia and internationally support business R&D through tax concessions to encourage additional investment, recognising that the benefits of R&D spill over to other firms and the broader economy.

The Research and Development Tax Incentive (R&DTI) is Australia's largest program supporting business R&D. The R&DTI provides tax offsets for eligible R&D at premium rates above a firm's tax rate.

- Firms with turnover below $20 million receive a refundable offset equal to their company tax rate plus 18.5 percentage points.
- Firms with turnover above $20 million receive a non-refundable offset, with higher rates for businesses with a higher R&D intensity (see Table 4.2 below).

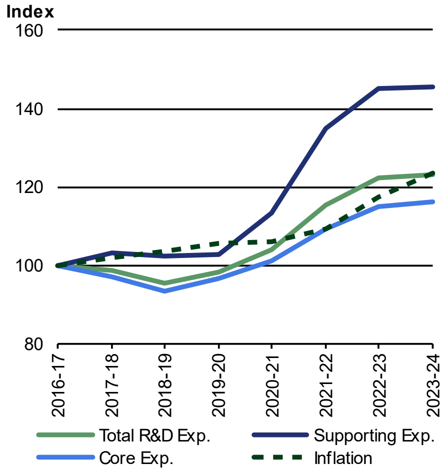
The R&DTI currently supports both core R&D activities – uncertain, experimental work conducted to generate new knowledge – and supporting activities such as literature reviews and equipment maintenance.

33 Department of Industry, Science and Resources (DISR), *Venture capital dashboard FY24/25*, DISR, 2026.
34 For example, see: International Monetary Fund (IMF), *Country Report No. 21/256*, IMF, December 2021.

The Ambitious Australia Report found that while the R&DTI supports innovation, it has become increasingly complex for businesses. The cost of the R&DTI has increased rapidly, from $2.6 billion in 2019–20 to $4.4 billion in 2023–24, driven largely by growth in claims for supporting activities and increased payments under the refundable offset (Charts 4.22 and 4.23).

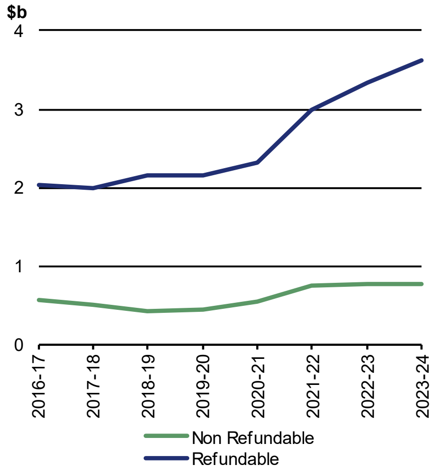
Research commissioned for the Ambitious Australia Report found that additional R&D was driven entirely by incentives for core R&D activities, generating around $1.58 of additional R&D per dollar of offset. In contrast, subsidies for supporting activities did not lead to additional R&D but accounted for 29 per cent of claims in 2023–24, up from 18 per cent in 2012–13. The review also found the program imposes high compliance costs, with 86 per cent of claimants surveyed relying on tax consultants.

Chart 4.22: Index of R&D expenditure growth



Notes: 2016–17 = 100
Source: Department of Industry Science and Resources R&DTI registration data

Chart 4.23: R&DTI by refundable and non-refundable offset



Source: 2025–26 Science, Research and Innovation Budget tables

The reforms in this Budget retarget and simplify the R&DTI to better incentivise additional business R&D while improving fiscal sustainability. These reforms will:

- increase the effectiveness of government support for R&D, with each dollar of tax offset generating around 20 per cent more business R&D;
- increase R&D by young firms (those operating less than ten years) by around $400 million per year; and
- ensure the fiscal sustainability of the program for high potential R&D.

Table 4.2: Summary of R&DTI offset changes

	Current	New
SMEs		
Turnover threshold	Less than $20m turnover	Less than $50m turnover
Young SMEs (<10 years)	Offset: 18.5% (refundable)	Offset: 23% (refundable)
Older SMEs	Offset: 18.5% (refundable)	Offset: 23% (non-refundable)
Larger businesses		
Turnover threshold	Above $20m turnover	Above $50m turnover
Low R&D intensity	Offset: 8.5% (non-refundable)	Offset: 13% (non-refundable)
High R&D intensity	Offset: 16.5% (non-refundable), available to firms with R&D intensity above 2% of expenditure	Offset: 21% (non-refundable), available to firms with R&D intensity above 1.5% of expenditure
Expenditure		
Eligible expenditure	Core R&D and supporting activities	Core R&D only
Minimum expenditure	$20,000	$50,000
Maximum expenditure	$150 million	$200 million

The Government is better targeting and simplifying the R&DTI by increasing offsets by around 25 to 50 per cent for core R&D, with a 4.5 percentage point increase for all offset rates and removing supporting activities from eligibility. The intensity threshold on the non-refundable offset will also be reduced to 1.5 per cent, offsetting the impact of removing eligibility for supporting activities and allowing more firms who invest significantly in core R&D to claim the R&DTI at a higher rate.

Evidence shows that the effectiveness of R&D tax incentives is greatest for small young firms[35] and they provide the highest boost to aggregate growth per dollar spent on R&D incentives.[36]

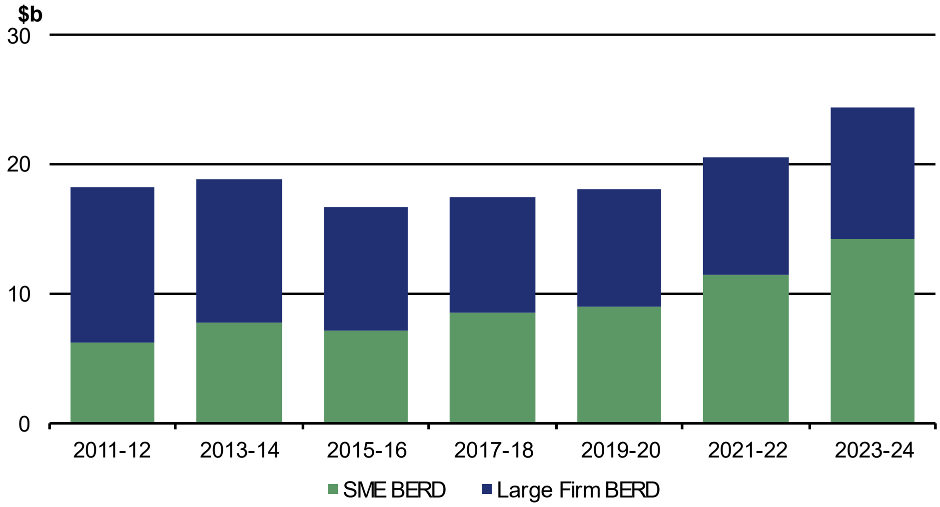
Consistent with the findings of the Ambitious Australia Report, the refundable offset will be better targeted to young, growing firms that rely most on cash flow support. Refundability will be limited to firms operating for less than 10 years, with the increased $50 million turnover threshold allowing successful firms to retain access to support for longer as they scale.

To improve integrity of smaller claims, the minimum expenditure threshold for R&D to be eligible for the offset will be lifted from $20,000 to $50,000, with research activities valued below this amount required to be undertaken with a registered Research Service Provider (RSP) or Cooperative Research Centre (CRC) to be eligible for the R&DTI.

35 Centre for Economic Performance (CEP), *How effective are R&D Tax incentives? Reconciling the micro and macro evidence*, CEP, 2025.
36 The Productivity Institute, *The Bang for the Buck: Aggregate Impact of Firm-Level R&D Incentives*, The Productivity Institute, 2025.

While R&D by small firms has been increasing, Australia's business R&D by large firms has been on a steady decline, falling by 19 per cent between 2011–12 and 2023–24 (from $12.1 billion to $10.2 billion) (Chart 4.24).[37]

Chart 4.24: Australia business R&D expenditure



Source: ABS – Research and Experimental Development, Businesses, Australia, 2023–24 financial year. Data are only available every second year, as this survey is conducted biennially.

To encourage larger-scale R&D activity in Australia, the Government is increasing the maximum expenditure threshold on the non-refundable offset to $200 million, up from $150 million, alongside higher offset rates and a lower intensity threshold.

Together, these reforms improve the effectiveness, sustainability and integrity of the R&DTI. They are estimated to deliver $650 million in savings over five years from 2025–26, which will help fund broader business tax reforms supporting innovation and investment across the economy.

These reforms complement the wider package of reforms to support research and development and innovation in the Budget.

37 ABS, *Research and Experimental Development, Businesses, Australia*, 2025.

Box 4.7: Responding to the R&DTI and ESVCLP recommendations of the Ambitious Australia Report

The Government commissioned a strategic examination of Australia's R&D system led by an independent expert panel. The Ambitious Australia Report was completed in December 2025 and released in March 2026 and included 20 recommendations to improve the capacity of Australia's research, development and innovation system to support the economy and create a more prosperous, healthier, safer and equitable Australia.

The Report included recommendations to reform the R&DTI to simplify and focus the scheme for greater impact and to expand ESVCLP incentives to unlock more capital and support the venture capital industry to scale. This package of reforms forms part of the first stage of the Government's response to the Report.

Ambitious Australia recommendation	Government response
Reform the R&DTI to simplify administration and focus the scheme for greater impact	Increase the offset rate for core R&D spending, remove the offset for supporting activities and reduce the intensity threshold
Incentivise start-ups through a premium R&DTI segment providing streamlined access to improved benefits for high-potential firms Focus the R&DTI to incentivise SME growth and ambition, and increase the thresholds for access and ongoing support	All R&D companies will benefit from an increased offset rate for core R&D, with young SMEs also supported by refundability Increase the turnover threshold for the premium SME offset rate and refundability from $20 million to $50 million Increase minimum R&D expenditure from $20,000 to $50,000, with smaller scale research still supported if undertaken with an RSP or CRC Loss reforms will support start-ups and other firms undertaking riskier investment, including in R&D
Increase R&DTI for corporates and multinational corporations to undertake local R&D activities	Increase maximum R&D expenditure from $150 million to $200 million
Raise the ESVCLP maximum fund size and the cap on the tax incentive for assets of the investee businesses from $200 million to $500 million and from $250 million to $500 million respectively Introduce a point-based assessment of ESVCLP investment plans, enable fund managers to excuse individual investors from specific investments	Increase the respective caps to $270 million and $420 million to compensate for inflation since the caps were last set Further recommendations may be considered by a joint Treasury-Department of Industry, Science and Resources impact assessment in 2032–33

Beyond tax, the Government is also taking initial steps to respond to the Ambitious Australia Report by establishing a National Resilience and Science Council. Further reforms in response to the Report will be considered with the support of the Council.

Making the IAWO permanent

From 1 July 2026, the Government will permanently extend the $20,000 IAWO for businesses with a turnover of up to $10 million, locking in access to this concession for up to 4.1 million businesses. Making the $20,000 asset threshold permanent will provide long-term certainty so small businesses can invest with confidence. The measure is estimated to decrease tax receipts by $890 million over the forward estimates.

The threshold of $20,000 per asset has effectively been in place since 1 July 2023 and will continue to apply. At this level, take-up has been strong. In 2023–24, around 300,000 businesses made use of the IAWO, claiming an average of $14,200. This translates to businesses writing off over $4.2 billion worth of assets. The permanent increase in the IAWO threshold will enable businesses to plan investment decisions with certainty.

Reforms to business tax will support resilience and dynamism

The Government's business tax reforms will strengthen Australia's attractiveness as a place to invest, innovate, and grow across the business lifecycle. By supporting sensible risk-taking, enabling investment, and enhancing firms' ability to withstand temporary losses, these reforms will promote a more dynamic and resilient economy and support productivity growth, higher wages and rising living standards for working Australians. A permanent $20,000 IAWO and the abolition of more nuisance tariffs will further support investment.

Taken together, these reforms provide support for businesses as they invest, innovate, and grow from start-ups to maturity. Start-ups will benefit from early cash flow support as they build and employ, growing firms will gain improved access to venture capital and a permanent $20,000 IAWO, and innovative firms taking sensible risks will also be supported through loss carry back and a more targeted and sustainable R&DTI.

A simpler, more sustainable tax system

Simplifying and modernising the tax system is central to reducing compliance costs and supporting stable and efficient revenue collection. Streamlined tax administration arrangements can lower the time and cost for individuals and businesses to meet their tax obligations and contribute to long-term budget sustainability.

To this end, the Government's tax reform package includes a significant package of changes that meaningfully improve the simplicity and sustainability of the system.

The Government is introducing a $1,000 instant tax deduction for workers, making the $20,000 IAWO for small business permanent, expanding access to dynamic business tax instalment payments, removing more nuisance tariffs and recalibrating the electric car discount. The Government is also working with the Board of Taxation to identify ways to further reduce red tape in the tax system, and with states and territories to make targeted reforms to administrative arrangements for payroll tax.

Simplifying tax for individuals through an instant deduction

System changes over time have substantially improved the lodgement experience for individual taxpayers. By 2024, nearly 2.4 million taxpayers took less than 15 minutes to lodge their return using *myTax*, compared to an average of 8.5 hours in the mid-1990s.

Nevertheless, some aspects of the tax system can impose significant compliance costs on taxpayers. For example, claiming deductions for work-related expenses requires individuals to identify, apportion, and keep records to substantiate the amount they include on their tax return. These requirements add complexity and can make it time consuming for taxpayers to manage their tax affairs.

The Government is continuing to simplify the lodgement experience for individuals by introducing a $1,000 instant tax deduction for work-related expenses. From the 2026–27 income year, Australian tax residents who earn income from work will be able to claim an instant deduction instead of needing to itemise and claim work-related expenses. Individuals earning less than $1,000 of work income will be eligible for an instant deduction up to the amount of that income. Taxpayers claiming more in work-related expenses than the instant tax deduction will still be able to do so in the usual way, and other deductions such as for charitable donations will continue to be claimable on top of the instant tax deduction.

The instant tax deduction will save Australian workers time and money. The ATO estimates the measure will collectively save individuals $380 million in compliance costs each year. For 2026–27, 6.2 million workers (42 per cent of taxpayers) are expected to benefit from the change, with an average tax saving of $205.

Helping businesses spend less time on tax

The tax administration of business is more complicated than for individuals. Businesses spend too much time doing their taxes, which diverts time and effort away from running their business.

Compliance costs can be disproportionally high for small businesses. One source of compliance burden for businesses has been tracking depreciation of different assets purchased at different times and with different effective lives. This requires ongoing record-keeping and calculations over several years for each asset.

As part of a simplified depreciation regime for small businesses, businesses have been able to immediately write off assets under a threshold, known as the IAWO. Successive governments have generally chosen to expand access to the regime by raising the threshold for eligible assets above the base threshold of $1,000. While higher asset thresholds have been in place for more than a decade, these have only been temporary increases, with extensions typically made one year at a time. This contributes to ongoing uncertainty for small businesses wanting to plan their investments. By making the $20,000 IAWO permanent, small businesses will save around $32 million per year in compliance costs.

Current tax administration arrangements also have not evolved to fully harness the potential of modern business software and some aspects of the business tax system are still based on settings designed for a paper-based environment. This results in unnecessary compliance burdens on businesses including the use of paper forms and timing gaps between when economic activity occurs and the reporting and payment of tax.

Simplifying PAYG instalment calculations

Outdated concepts around how tax obligations are calculated remain an impediment to more efficient tax administration.

An example of this is the PAYG instalments system. For most businesses in the instalments system, their instalments are calculated by the ATO using a statutory formula based on the information reported in their most recent income tax return.

This means that, for most small businesses, instalments are not an accurate approximation of their final assessed income tax outcome. In 2023–24, only 12 per cent of small businesses had PAYG instalments that closely matched their assessed income tax outcome that year.

When businesses overpay instalments, this prepayment of tax takes away the ability to use those funds in their business. Underpayment of instalments can result in large tax bills when businesses lodge their returns, which often leads to the accumulation of debt. While businesses can vary their instalments to better reflect current performance, they risk interest charges if they significantly underestimate their instalments.

The ATO is currently piloting a dynamic instalment calculation embedded in business accounting software to draw on real-time business information, so that instalments can be varied to better reflect business performance.

Building on the work the ATO is already doing, the Government will make it easier for businesses to change their PAYG instalments in response to changing business conditions (dynamic instalments).

- From 1 July 2027, businesses will be given the flexibility to opt in to reporting and paying PAYG instalments monthly.
- The Government will provide funding to the ATO to expand access to its dynamic instalment pilot. From 1 July 2027, small and medium businesses will be able to opt in to an ATO-approved calculation embedded in accounting software to calculate and vary their instalments to better reflect their current business performance.
- To complement this, the ATO will implement an administrative safe harbour to ensure that businesses who vary their instalments using the ATO-approved calculation can do so without risk of interest charges, placing them in the same position as if they used the default rate assigned to them by the Commissioner of Taxation.

These changes support businesses to better manage cash flow as conditions change, releasing funds when business conditions are more challenging and preventing debts when conditions improve. They will also reduce the need for businesses to engage with the existing cumbersome variation process, saving them time and money. This measure is expected to save businesses approximately 10,000 hours annually and around $850,000 per year in compliance costs.

Abolishing nuisance tariffs and reducing barriers to trade

Australia's tariff system and cross-border trade environment are complex. This imposes compliance costs on businesses, puts upward pressure on consumer prices and is a drag on productivity growth.

The Productivity Commission's *Trade and Assistance Review 2023–24* called for further reform to simplify the tariff system, including the removal of 'nuisance tariffs.' Nuisance tariffs generate little revenue, provide limited protection and impose high compliance costs on business.

Following decades of trade liberalisation and the conclusion of multiple free trade agreements, many goods now enter Australia under concessional or preferential rates of duty. To access these rates, businesses must correctly classify their goods, identify the applicable rate of duty, assess eligibility for concessions or preferences, and provide supporting evidence.

In addition, Australia has a complex cross-border trade environment. It is overseen by 32 Australian Government agencies, with 145 information and communications technology systems and over 200 regulations for imports and exports. Simplifying this system will boost productivity growth, enhance global competitiveness for businesses and increase trade diversification.

The Government is abolishing a second tranche of 497 nuisance tariffs from 1 July 2026. This will eliminate tariffs on a wide range of imported goods including wine glasses, tyres, air conditioners, margarine and bitumen.

This builds on the removal of 457 nuisance tariffs in July 2024. Together, the Government will have removed around 1,000 tariffs over two years, streamlining approximately $23 billion of trade and saving businesses $157 million per annum in compliance costs.

The Government has also concluded negotiations of the Australia-European Union Free Trade Agreement. This Agreement will reduce barriers to trade, diversify our international trade and deliver dividends for Australia for decades to come. It unlocks access to a high-income market of 450 million people with a GDP of around $30 trillion.

The Government is also pursuing regulatory reform to simplify the trade system. This includes prioritising trade competitiveness by streamlining business interaction with Government at the border and simplifying the administration of trade regulations, while strengthening border integrity. The Government is also investing $7.6 million over four years from 2026–27 to expand the Australian Trusted Trader program to simplify trade and reduce regulatory burden for more businesses.

Modernising the tax system for a new economy

As well as seizing opportunities to reduce compliance burdens, the tax system also needs to adjust to capture changes in economic activity.

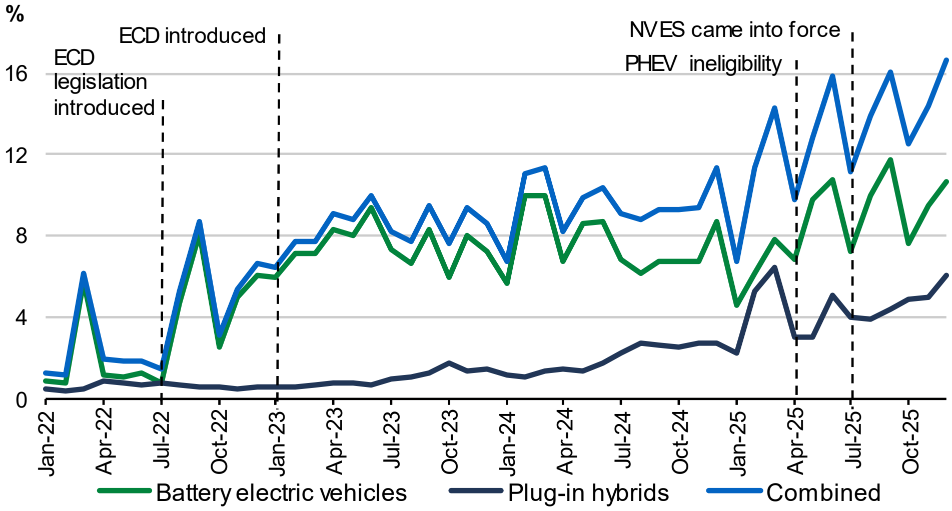
Over a long period of time, the tax system has adjusted to economic developments and behavioural changes. This includes the introduction of fringe benefits taxes, capital gains taxes, superannuation taxation and the goods and services tax.

The emergence of electric vehicles represents another significant technology shift with implications for the tax system. Tax settings related to vehicles were developed based on internal combustion engine vehicles. Short-cut methods of calculating car fringe benefits tax (the statutory formula) are broadly based on capital and running cost assumptions for internal combustion engine vehicles that do not account for the different characteristics of electric cars.

Consistent with the Government's commitment to the transition to net zero, tax initiatives to date have focused on incentivising electric vehicle uptake. The Government's Electric Car Discount (ECD), which started on 1 July 2022, provides an exemption from fringe benefits tax for electric cars (and for plug-in hybrid electric cars from that date to 1 April 2025). The ECD was one of the first initiatives in the National Electric Vehicle Strategy and was complemented by investments to boost electric vehicle charging infrastructure and the New Vehicle Efficiency Standard (NVES).

The ECD has helped the market for electric cars mature and has helped motorists reduce emissions. Since the introduction of the ECD, electric car sales have increased strongly, accompanied by a wider range of models and price points (Chart 4.25). Lower cost EVs are entering the market. By January 2026, there were 59 EV models available under $60,000, including 13 EV models under $40,000. The second-hand EV market is also growing. In 2025, sales of used battery EVs comprised 1.5 per cent of the market, up from 0.7 per cent in 2023.

Chart 4.25: New electric vehicle sales as a proportion of new vehicle sales



Note: The ECD commencement date is shown as the start of 2023 because this when the legislation came into effect, and hence salary packaging providers would have started to reflect the ECD in their offerings. The NVES effectively started in July 2025, when the first reporting period started, and credits and penalties began to accrue. The data for March 2022 reflect Tesla sales over the first three months of 2022. Xpeng sales figures were not available in the data reported to Federal Chamber of Automated Industries (FCAI) and EV Council.

Source: Treasury and DCCEEW analysis of FCAI VFACTS and EV Council monthly data, various editions.

Over time, however, the tax system will transition from incentivising the early take-up of electric vehicles towards a more sustainable tax treatment. Reflecting the strong uptake of the ECD, the value of the tax expenditure for the FBT exemption is estimated to have grown considerably over time (Box 4.8).

Box 4.8: Statutory Review of the Electric Car Discount

The Electric Car Discount (ECD) Review found that, over the three years to December 2025, car buyers purchased 330,000 vehicles and around one quarter of these would not have been purchased in the absence of the discount. These additional 78,000 EV sales led to a reduction in carbon emissions with an estimated abatement value of around $460 million (at 2023 prices). Additional electric vehicle sales also generated other positive externalities.

- Health benefits, due to lower air pollution, were worth an estimated $500 million.
- A battery electric vehicle is estimated to generate fuel cost savings of around $26,500, on average, over its life. The lifetime savings on fuel costs from additional electric vehicle sales were estimated to be around $2.0 billion in total over the first three years of the ECD.
- The ECD also boosted confidence in the electric vehicle market, helped reduce Australia’s reliance on imported fuels, and reduced noise pollution.

Based on ECD settings at the time of the Review, the revenue costs of the ECD are increasing significantly. The tax expenditure from the fringe benefits tax (FBT) exemption was estimated to be $2.0 billion over the first three years from 2022–23 to 2024–25 and would be expected to grow to $2.8 billion in 2028–29. EV sales have increased strongly since the start of the ECD, due to growing consumer demand, improvements in charging infrastructure and a wider range of models and price points becoming available.

The Review concluded that the changing context in which the ECD operates means that, over time, alternative policy approaches may be more fiscally efficient and equitable. Increasing consumer interest in electric vehicles is being driven by several factors, including declining prices of electric vehicles globally, the New Vehicle Efficiency Standard, and greater awareness of fuel cost savings (made more prominent by the conflict in the Middle East). This is likely to lead to a further decline in electric vehicle prices and increases in electric vehicle purchases in Australia. Without change, the revenue cost of the ECD would have continued to grow.

As the benefits decline and the costs grow, the Review recommended that the Government consider changes to better manage the costs of the ECD.

Recalibrating the Electric Car Discount

As outlined in the statutory review, the increased maturity in the electric vehicle market reduces the need for significant incentives. As such, the Government is adjusting settings for the electric car discount (ECD) to ensure it remains fiscally sustainable and provides more targeted support for the shift to electric vehicles.

The ongoing FBT treatment for electric cars has been designed to provide a broadly neutral tax treatment for electric vehicles and internal combustion engine vehicles. The statutory formula used to calculate the taxable value of the car fringe benefit is based on the upfront cost of the car. As more of the lifetime cost of an electric vehicle is paid upfront compared with internal combustion engine vehicles, it is appropriate for the FBT taxable value of electric cars to be calculated on a lower statutory rate than equivalent internal combustion engine vehicles. This difference narrows with higher vehicle values, so the discount will only apply to vehicles up to the fuel-efficient threshold for the luxury car tax (LCT).

Accordingly, from 1 April 2027, a 25 per cent discount for electric cars up to the fuel-efficient threshold for LCT will be applied to the 20 per cent FBT statutory formula rate that applies to all other cars. To maintain a transitional incentive for the shift to electric vehicles, but in a more cost-effective way, the full FBT exemption will continue to apply to electric cars valued up to $75,000 from 1 April 2027 to 31 March 2029.

The Government is also considering other changes to the tax treatment of vehicles. Consistent with the recommendation of the Economic Reform Roundtable, the Government is continuing to work with states and territories on the development of a road user charge for electric vehicles to ensure fair and sustainable funding for road investment and maintenance.

Making the tax system simpler and more sustainable

Overall, these changes will mean individuals and businesses spend less time complying with tax and tariff obligations while also ensuring the system is set up for the long term.

The combined compliance cost savings from these new measures totals approximately $540 million per year.

With these measures, the Government is continuing the path toward a simpler and more sustainable tax system that works for our modern economy. They will strengthen budget sustainability by supporting the stable and efficient collection of revenue and save workers and businesses valuable time and compliance costs.

Impact of the Government's tax reform package

Overall, the tax reforms in this Budget rebalance the tax system to reduce the tax burden on work, more consistently tax income from assets, boost home ownership, incentivise productive investment and sensible risk taking, and reduce compliance costs for businesses.

Taken together, these reforms mark a significant step in the Government's economic reform agenda. The Government's tax reforms deliver on the three principles set by the Economic Reform Roundtable, while being broadly revenue neutral over the forward estimates period. Over the medium term, the reforms will enhance the sustainability of the budget and create room for further tax relief.

Revenue impacts

The Government's tax reform package is broadly revenue neutral over the forward estimates, and will not add to the outlook for inflation, with revenue returned to workers and businesses over the next four years.

Over the medium term, the Government's reforms will support budget sustainability (see *Statement 3: Fiscal Strategy and Outlook*). By reducing tax concessions for savings income better targeting incentives for research and development and shifting to more sustainable settings to support electric vehicles, the reform package will also support a better balance in the tax system and reduce the reliance on taxation of workers.

Table 4.3: Summary of receipts and administered payments impacts

	2026-27 ($m)	2027-28 ($m)	2028-29 ($m)	2029-30 ($m)	Total ($m)
A fairer system for workers, home buyers and future generations					
Tax Reform – Boosting Home Ownership – reforming negative gearing and capital gains tax	..	..	1,350	2,280	3,630
Tax Reform – introducing a minimum tax on discretionary trusts	-	-	..	4,470	4,470
Tax Reform – cutting taxes with a Working Australians Tax Offset	-	-	-3,020	-3,360	-6,380
Personal Income Tax – increasing the Medicare levy Low-income thresholds	-140	-100	-100	-110	-450
Supporting investment, innovation and dynamism					
Tax Reform – loss refundability reforms for businesses and start-ups (a)	-	-900	-720	-1,050	-2,670
Tax Reform – expanding venture capital tax incentives	-	..	..	-10	-10
Tax Reform – better targeting the Research and Development Tax Incentive (a)	-	-	-30	680	650
A simpler, more sustainable tax system					
Tax Reform – introducing a $1,000 instant tax deduction (b)	-	-	-	-	-
Tax Reform – making tax simpler for businesses	-	-320	-360	-135	-815
Boosting Productivity – abolishing more nuisance tariffs	-20	-20	-15	-15	-70
Electric car discount – more sustainable fringe benefits tax treatment of electric cars	-10	40	290	1,420	1,740
Total	**-170**	**-1,300**	**-2,605**	**4,170**	**95**

Note: Figures include administered payments and exclude departmental costs.

a) Impacts for these items include refundable tax offsets, which are formally classified and reported elsewhere in the budget as administered payments.

b) The $1,000 instant tax deduction was an election commitment, with a cost of $2.6 billion over four years including administered expenses from 2025–26 provisioned in the *Mid-Year Economic and Fiscal Outlook 2025–26*.

Economic impacts

Overall, this package of tax reforms improves incentives for businesses to innovate, for productive investment including in new housing, and for people to work, build human capital, and invest their savings. The package represents a measured and targeted approach to tax reform that will support innovative businesses and help ensure investment is directed to where it can have the greatest economic returns, while also establishing frameworks that can be used to build on these reforms and economic benefits in the future.

The Government's tax reform package is broadly revenue neutral over the forward estimates period and will not add to the outlook for inflation.

The impact of the tax package is incorporated into Treasury's economic forecasts. The reforms to negative gearing and capital gains tax are expected to improve the efficiency of investment decisions, as they are more likely to be made for economic reasons rather than tax outcomes. This is expected to support productivity over time. The business tax reforms are also expected to support investment, innovation, risk-taking and resilience.

The reforms better link tax paid to lifetime opportunities. A more consistent taxation of asset income makes it harder to minimise tax, while reducing taxes on working Australians through the WATO. The WATO builds on the Government's previous tax cuts and, will help maintain incentives for those on lower incomes (particularly those starting off in the labour market) to participate and accrue human capital.

Better linking tax paid to lifetime income is not only fairer, but more productive. More neutral tax rates on assets reduces incentives for inefficient tax planning that can also distort investment, while greater labour market participation supports growth, particularly over the longer term.

Note about data

This publication contains data, analytics, statistics, results and other information licensed to us by RP Data Pty Ltd trading as Cotality Asia Pacific (Cotality Data). © Copyright 2025. RP Data Pty Ltd trading as Cotality Asia Pacific (Cotality) and its licensors are the sole and exclusive owners of all rights, title and interest (including intellectual property rights) subsisting in the Cotality Data reproduced in this publication. All rights reserved. The Cotality Data provided in this publication is of a general nature and should not be construed as specific advice or relied upon in lieu of appropriate professional advice. While Cotality uses commercially reasonable efforts to ensure the Cotality Data is current, Cotality does not warrant the accuracy, currency or completeness of the Cotality Data and to the full extent permitted by law excludes all loss or damage howsoever arising (including through negligence) in connection with the Cotality Data.

Statement 5: Revenue

This Budget includes a range of tax reform measures designed to deliver tax cuts for working Australians, enable more Australians to realise the goal of home ownership, and strengthen incentives for investment and innovation (see *Statement 4: Tax reform for workers, businesses and future generations*).

These reform measures are broadly offsetting over the forward estimates. Total policy decisions taken since MYEFO decrease tax receipts by $1.8 billion over the five years from 2025–26 to 2029–30. This includes the temporary reduction in fuel excise.

Over the forward estimates, the tax-to-GDP ratio is forecast to fall and remain well below the historical high of 24.2 per cent recorded in 2004–05 and 2005–06. The tax-to-GDP ratio is forecast to fall from 23.8 per cent of GDP in 2026–27 to 23.6 per cent in 2029–30.

Since MYEFO, tax receipts excluding GST and policy decisions have been revised up by $16.2 billion in 2026–27 and $34.5 billion over the five years from 2025–26 to 2029–30. The upgrade is concentrated in the near term, with a downgrade in 2029–30.

The upgrade to tax receipts is driven by superannuation fund, personal income, and company taxes, partly offset by a downgrade in tobacco excise. The near-term revision is expected to unwind over the forward estimates period alongside the projected decline in the prices for oil and other key commodities, as well as lower, but still positive, wage and salary income growth.

While the conflict in the Middle East contributes to the upgrade to receipts in the near term, it also weighs on the outlook. In the near term, higher energy export prices lift mining company tax and petroleum resource rent tax receipts. Over time, lower economic activity, investment, and labour demand contribute to a downgrade to receipts. Overall, the conflict is estimated to result in a $9.5 billion upgrade to tax receipts in net terms over the forward estimates, around a quarter of the upgrade to tax receipts excluding GST and policy decisions.

While economic conditions are currently supporting higher receipts overall, the global economic outlook remains uncertain and volatile. The conflict in the Middle East has created major disruptions in global oil supplies, with risks to domestic inflation and economic activity and the potential for large and negative flow-on implications for the revenue outlook.

Statement 5 contents

Statement 5: Revenue

Overview

Total receipts are expected to be $798.1 billion in 2026–27, growing to $894.8 billion in 2029–30. Since MYEFO, total receipts have been revised up $21.1 billion in 2026–27 and $49.9 billion over the five years from 2025–26 to 2029–30. Tax receipts are the main component of total receipts and are expected to be $737.1 billion in 2026–27, growing to $826.2 billion in 2029–30.

Since MYEFO, tax receipts have been revised up by $18.6 billion in 2026–27 and $38.4 billion over the five years from 2025–26 to 2029–30. Excluding GST and policy decisions, tax receipts have been revised up by $16.2 billion in 2026–27 and $34.5 billion over the forward estimates.

The tax-to-GDP ratio is estimated to be 23.8 per cent in 2026–27, falling to 23.6 per cent of GDP by the end of the forward estimates.

More information on total receipts over the forward estimates is shown in Table 5.1.

Table 5.1: Australian Government general government receipts

	Actual	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	$b	$b	$b	$b	$b	$b
Total taxation receipts ($b)	**657.8**	**699.5**	**737.1**	**757.0**	**782.9**	**826.2**
Growth on previous year (%)	3.9	6.3	5.4	2.7	3.4	5.5
Per cent of GDP	23.7	23.6	23.8	23.8	23.5	23.6
Tax receipts excluding GST ($b)	**567.7**	**603.3**	**634.0**	**649.2**	**668.8**	**706.2**
Growth on previous year (%)	3.5	6.3	5.1	2.4	3.0	5.6
Per cent of GDP	20.4	20.4	20.5	20.4	20.1	20.1
Non-taxation receipts ($b)	**59.1**	**60.2**	**61.0**	**65.9**	**65.5**	**68.6**
Growth on previous year (%)	7.1	1.9	1.3	8.0	-0.6	4.7
Per cent of GDP	2.1	2.0	2.0	2.1	2.0	2.0
Total receipts ($b)	**717.0**	**759.8**	**798.1**	**822.9**	**848.4**	**894.8**
Growth on previous year (%)	4.1	6.0	5.0	3.1	3.1	5.5
Per cent of GDP	25.8	25.6	25.8	25.9	25.4	25.5

Tax receipts outlook

Since MYEFO, tax receipts excluding GST and policy decisions have been revised up by $34.5 billion over the five years from 2025–26 to 2029–30. The upgrade is concentrated in the near term, with tax receipts excluding GST and policy decisions revised up by $42.1 billion over the first three years, partly offset by a downgrade of $7.6 billion in 2029–30.

The upgrade in tax receipts reflects higher superannuation fund taxes across the forward estimates, and near-term upgrades to personal income and company taxes. Strength in collections are supporting the upgrade to tax receipts in the near term, with collections in the March quarter $7.2 billion above what was expected at MYEFO.

Stronger contributions, alongside higher-than-expected collections in 2025–26, are supporting the upgrade to superannuation fund taxes. Superannuation fund taxes have been revised up by $2.5 billion in 2026–27 and $13.8 billion over the five years from 2025–26 to 2029–30.

Personal income tax receipts have been revised up by $6.6 billion in 2026–27 and $15.0 billion over the five years from 2025–26 to 2029–30. The increase is driven by near-term upgrades in net other individuals, reflecting stronger instalments in 2025–26 and higher expected interest and unincorporated business income.

Company tax has been revised up by $6.7 billion in 2026–27 but by only $4.3 billion in total over the five years from 2025–26 to 2029–30. Higher-than-expected collections, an uplift in corporate profits and elevated commodity prices are supporting the upgrade to receipts in the near term. However, company tax receipts have been downgraded in 2028–29 and 2029–30, in line with lower expected company profits owing to lower commodity prices (in Australian dollar terms) due to an appreciation of the Australian dollar and lower economic activity.

Tax receipts upgrades are partly offset by lower tobacco excise receipts. Tobacco excise has been revised down by $1.2 billion in 2026–27 and $8.0 billion over the five years from 2025–26 to 2029–30. The downgrade reflects continued weakness in tobacco excise collections and a weaker outlook for excisable tobacco volumes.

GST receipts have been revised up by $1.7 billion in 2026–27 and $4.6 billion over the five years from 2025–26 to 2029–30. The upgrade reflects stronger-than-expected collections in the near term, and higher nominal consumption subject to GST over the forward estimates.

Box 5.1 Impact of the conflict in the Middle East on the revenue outlook

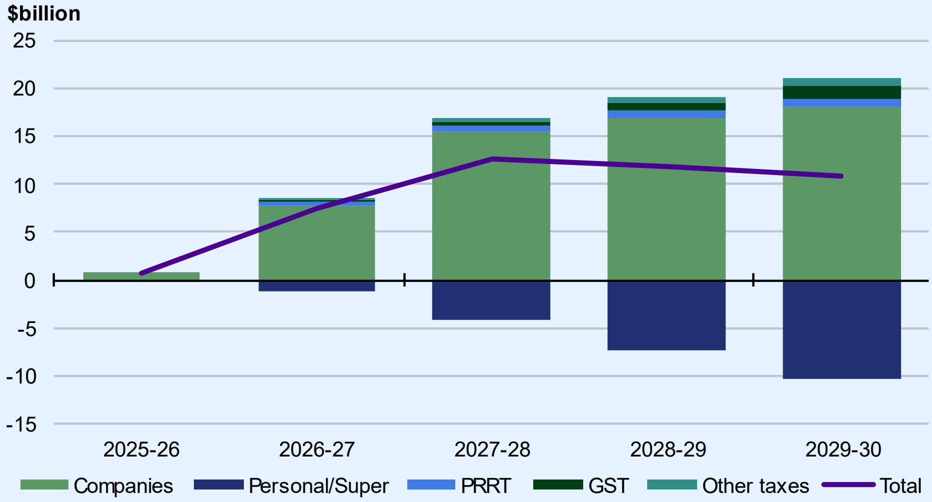
The conflict in the Middle East is increasing global economic uncertainty and volatility and will impact both the domestic economy and the Budget (see *Statement 2: Economic Outlook*). The economic forecasts assume global oil prices peak in the June quarter 2026 and then begin to decline and largely stabilise by mid-2027.

The conflict in the Middle East is expected to result in higher revenue in the near term, with lower revenue in later years. Overall tax receipts are expected be around $10.9 billion higher ($9.5 billion excluding GST) over the five years to 2029–30 (Chart 5.1), excluding policy decisions.

In the near term, higher energy export prices, primarily LNG, lift income tax receipts paid by companies by $19.0 billion. Over time, lower forecasts for economic activity, investment, and labour demand lead to a $10.3 billion decline in personal income and superannuation tax receipts. Higher prices and nominal consumption increase GST tax receipts by $1.4 billion.

If the conflict is more protracted than assumed, or it escalates, this would likely lead to lower growth in economic activity, employment and incomes and would provide a further offset to the gains in tax receipts from higher commodity export prices. Further, if the conflict leads to disruptions to the physical supply of products throughout supply chains this would increase the scale of the economic impact and would be detrimental to revenues.

Chart 5.1: Cumulative impact on government revenue



Source: Treasury

Policy decisions taken since MYEFO increase tax receipts by $583.9 million in 2026–27 and decrease tax receipts by $1.8 billion over the five years from 2025–26 to 2029–30. Policy decisions in this Budget focus on the Government's tax reforms for workers, businesses and future generations; providing cost-of-living relief; and modernising and improving the integrity of the tax system. Key policy decisions include:

- *Tax Reform – cutting taxes with a Working Australians Tax Offset*
- *Tax Reform – Boosting Home Ownership – reforming negative gearing and capital gains tax*
- *Tax Reform – loss refundability reforms for businesses and start-ups*
- *Taking Pressure Off Australians – temporary reduction of fuel excise and heavy vehicle road user charge*
- *Personal Income Tax – increasing the Medicare levy low-income thresholds*

For more details on policy decisions, see *Statement 1*, *Statement 4* and Budget Paper No. 2.

Variations in receipts estimates

Since MYEFO, total receipts have been revised up by $21.1 billion in 2026–27 and $49.9 billion over the five years from 2025–26 to 2029–30. Table 5.2 reconciles the 2026–27 Budget estimates of total receipts with the 2025–26 MYEFO and the 2025 PEFO.

Table 5.2: Reconciliation of Australian Government general government receipts estimates from the 2025–26 MYEFO and 2025 PEFO

	Estimates					
	2025-26	2026-27	2027-28	2028-29	2029-30	Total
	$m	$m	$m	$m	$m	$m
Receipts at 2025 PEFO	**735,358**	**765,974**	**797,383**	**840,844**	*	*
Changes from 2025 PEFO to 2025-26 MYEFO						
Effect of policy decisions	-151	-103	-819	-511	*	*
Effect of parameter and other variations	14,585	11,158	8,989	6,590	*	*
Total variations	**14,434**	**11,055**	**8,171**	**6,079**	*	*
Receipts at 2025-26 MYEFO	**749,792**	**777,030**	**805,554**	**846,923**	**894,723**	**4,074,021**
Changes from 2025-26 MYEFO to 2026-27 Budget						
Effect of policy decisions	-3,570	2,226	961	862	8,299	8,777
Effect of parameter and other variations	13,551	18,842	16,352	598	-8,228	41,116
Total variations	**9,980**	**21,068**	**17,313**	**1,460**	**71**	**49,893**
Receipts at 2026-27 Budget	**759,772**	**798,098**	**822,867**	**848,383**	**894,794**	**4,123,914**

* Data is not available.

Since MYEFO, parameter and other variations have increased total receipts by $18.8 billion in 2026–27 and $41.1 billion over the five years from 2025–26 to 2029–30. Policy decisions increase total receipts by $2.2 billion in 2026–27 and $8.8 billion over the five years from 2025–26 to 2029–30. The change to the outlook for total receipts primarily reflects changes to the outlook for tax receipts.

Tax receipts estimates

Tax receipts have been revised up by $18.6 billion in 2026–27 and $38.4 billion over the five years from 2025–26 to 2029–30 since MYEFO.

Table 5.3 reconciles the 2026–27 Budget estimates of tax receipts with the 2025–26 MYEFO and the 2025 PEFO.

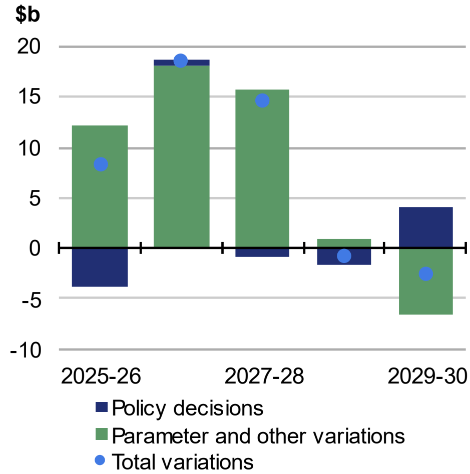
Table 5.3: Reconciliation of Australian Government general government tax receipts estimates from the 2025–26 MYEFO and 2025 PEFO

	Estimates					
	2025-26	2026-27	2027-28	2028-29	2029-30	Total
	$m	$m	$m	$m	$m	$m
Tax receipts at 2025 PEFO	**676,086**	**707,556**	**735,939**	**778,266**	*	*
Changes from 2025 PEFO to 2025-26 MYEFO						
Effect of policy decisions	-17	-172	-2,527	-966	*	*
Effect of parameter and other variations	15,074	11,101	8,857	6,301	*	*
Total variations	**15,056**	**10,930**	**6,330**	**5,334**	*	*
Tax receipts at 2025-26 MYEFO	**691,142**	**718,486**	**742,269**	**783,601**	**828,829**	**3,764,326**
Changes from 2025-26 MYEFO to 2026-27 Budget						
Effect of policy decisions	-3,871	584	-962	-1,622	4,047	-1,823
Effect of parameter and other variations	12,257	18,031	15,655	919	-6,636	40,226
Total variations	**8,387**	**18,615**	**14,693**	**-702**	**-2,589**	**38,404**
Tax receipts at 2026-27 Budget	**699,529**	**737,101**	**756,961**	**782,898**	**826,240**	**3,802,730**

* Data is not available.

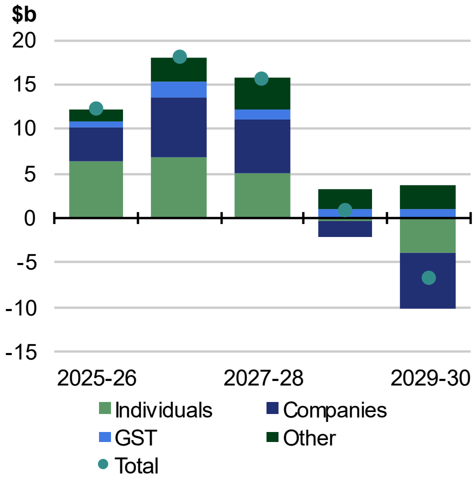
Since MYEFO, parameter and other variations are expected to increase tax receipts by $18.0 billion in 2026–27 and $40.2 billion over the five years from 2025–26 to 2029–30. Policy decisions are estimated to increase tax receipts by $583.9 million in 2026–27 and decrease tax receipts by $1.8 billion over the five years from 2025–26 to 2029–30.

Chart 5.2: Revisions to total tax receipts since 2025–26 MYEFO



Source: Treasury.

Chart 5.3: Parameter and other variations to total tax receipts since 2025–26 MYEFO



Source: Treasury.

Tax receipts forecasts are based on available information prior to each economic and fiscal update. Growth in the key economic parameters that influence tax receipts is shown in Table 5.4.

Table 5.4: Key economic parameters for tax receipts[a]

	Outcomes	Forecasts				
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Revenue parameters						
Nominal gross domestic product	3.6	6 3/4	4 1/4	2 3/4	4 3/4	5 1/4
Change since 2025-26 MYEFO		*1 1/2*	*1*	*-2*	*- 3/4*	
Compensation of employees[b]	6.2	6 1/4	4 1/4	4 1/2	5	5 1/4
Change since 2025-26 MYEFO		*1/2*	*- 1/4*	*- 1/2*	*- 1/2*	
Corporate gross operating surplus[c]	-2.9	8 1/2	3	-2 3/4	4	5 1/4
Change since 2025-26 MYEFO		*4 1/4*	*4*	*-6 3/4*	*-2 3/4*	
Non-farm gross mixed income	0.9	6 1/4	7 3/4	5	5 1/2	5 1/2
Change since 2025-26 MYEFO		*3/4*	*1*	*-1 1/2*	*-1 1/4*	
Property income[d]	8.5	6	8	4	4	3 1/2
Change since 2025-26 MYEFO		*3 1/4*	*3*	*-1 3/4*	*-2*	
Consumption subject to GST	2.6	5 1/4	5 1/4	4 3/4	5 3/4	5 1/4
Change since 2025-26 MYEFO		*1/4*	*0*	*- 1/2*	*1/4*	

a) Current prices, per cent change on previous year. Changes since 2025–26 MYEFO are percentage points.
b) Compensation of employees measures total remuneration earned by employees.
c) Corporate gross operating surplus is an Australian System of National Accounts measure of company profits, gross of depreciation.
d) Property income measures income derived from rent, dividends and interest.
Source: ABS Australian National Accounts: National Income, Expenditure and Product; and Treasury.

Individuals and other withholding taxes

Since MYEFO, total individuals and other withholding tax receipts have been revised up by $6.6 billion in 2026–27 and $15.0 billion over the five years from 2025–26 to 2029–30.

Excluding new policy decisions, individuals and other withholding tax receipts have been revised up by $6.8 billion in 2026–27 and $13.9 billion over the five years from 2025–26 to 2029–30.

The increase to individuals and other withholding tax receipts is driven by upgrades to net other individuals (gross other individuals and trusts less refunds). Net other individuals has been revised up by $4.2 billion in 2026–27 and $11.3 billion over the five years from 2025–26 to 2029–30, excluding policy decisions. This is in line with recent observed strength in pay-as-you-go instalments and growth in tax owing on 2024–25 returns flowing through to payments in 2025–26. The upgrade to other individuals moderates with interest and business income.

Income tax withholding (predominantly tax on salary and wages) is largely unchanged in total across the forwards estimates since MYEFO. Consistent with changes to the outlook for compensation of employees, income tax withholding has been upgraded in the near term but downgraded in 2028–29 and 2029–30.

New tax policy measures announced since MYEFO are expected to decrease individuals and other withholding tax receipts by $157.2 million in 2026–27 and increase receipts by $1.1 billion over the five years from 2025–26 to 2029–30.

The impact of new measures on total individuals and other withholding tax receipts in this Budget largely reflects the introduction of the Working Australians Tax Offset, as well as the Government’s reforms to negative gearing and capital gains tax concessions and the introduction of a minimum tax on discretionary trusts.

Fringe benefits tax

Since MYEFO, fringe benefits tax receipts have been revised up by $210.0 million in 2026–27 and $1.3 billion over the five years from 2025–26 to 2029–30. This reflects the stronger outlook for compensation of employees in the near term.

Company tax

Since MYEFO, company tax receipts have been revised up by $6.7 billion in 2026–27 and $4.3 billion over the five years from 2025–26 to 2029–30.

Excluding new policy decisions, company tax receipts have been revised up by $6.7 billion in 2026–27 and $8.2 billion over the five years from 2025–26 to 2029–30. The upgrade in the near term reflects stronger-than-expected tax collections, alongside elevated prices for non-rural commodities which are supporting profitability in the resources sector. Company profits are also stronger in the non-mining sectors.

Company profits and tax receipts have been downgraded in 2028–29 and 2029–30, driven by lower economic activity and commodity prices (in Australian dollar terms) due to an appreciation of the Australian dollar.

New tax policy measures announced since MYEFO are expected to decrease company tax receipts by $3.9 billion over the five years from 2025–26 to 2029–30.

The impact of new measures on company tax receipts in this Budget largely reflects the reintroduction of permanent two-year loss carry back for companies with up to $1 billion in turnover.

Superannuation fund taxes

Since MYEFO, superannuation fund tax receipts have been revised up by $2.5 billion in 2026–27 and $13.8 billion over the five years from 2025–26 to 2029–30.

The upgrade to superannuation fund taxes reflects higher-than-expected current-year collections and higher contributions across the forward estimates. The upgrade also reflects lower offsets against tax payable due to a weaker outlook for domestic dividend franking credits.

Superannuation fund taxes are volatile, primarily due to year-to-year changes in earnings on investments and the resulting impact on the timing of tax payments.

Petroleum resource rent tax (PRRT)

Since MYEFO, PRRT receipts have been revised up by $400.0 million in 2026–27 and $1.6 billion over the five years from 2025–26 to 2029–30. The upgrade is primarily due to higher oil prices in the near term arising from the conflict in the Middle East and higher production volumes. The higher oil price increases PRRT as most LNG exports are sold under long-term contracts with prices linked to global oil prices.

Goods and services tax (GST)

Since MYEFO, GST receipts have been revised up by $1.7 billion in 2026–27 and $4.6 billion over the five years from 2025–26 to 2029–30.

Excluding new policy decisions, GST receipts have been revised up by $1.8 billion in 2026–27 and $5.7 billion over the five years from 2025–26 to 2029–30. This primarily reflects stronger-than-expected collections in the near term, and higher nominal consumption subject to GST over the forward estimates.

New tax policy measures announced since MYEFO have flow-on impacts to the GST head of revenue and are expected to decrease GST receipts by $93.1 million in 2026–27 and $1.1 billion over the five years from 2025–26 to 2029–30.

Excise and customs duty

Since MYEFO, total excise and customs duty receipts have been revised down by $1.1 billion in 2026–27 and $9.7 billion over the five years from 2025–26 to 2029–30.

Excluding new policy decisions, excise and customs duty receipts have been revised down by $813.5 million in 2026–27 and $5.4 billion over the five years from 2025–26 to 2029–30. The downgrade reflects the significant downward revision to tobacco excise receipts, partly offset by an increase in fuel excise receipts. This is due to persistently weaker-than-expected collections and a weaker outlook for excisable tobacco volumes over the forward estimates.

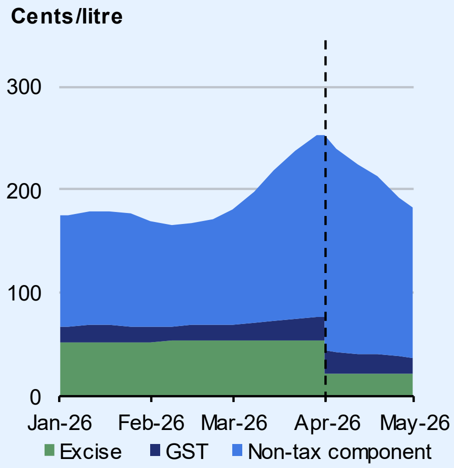
Policy decisions are expected to decrease excise and customs duty receipts by $326.5 million in 2026–27 and $4.3 billion over the five years from 2025–26 to 2029–30. This largely reflects the measure *Taking Pressure Off Australians – temporary reduction of fuel excise and heavy vehicle road user charge* which will help to reduce the burden of higher fuel prices by more than halving the fuel excise rate for three months from 1 April 2026 to 30 June 2026.

The 2026–27 Budget estimates continue to include provision for the customs duty impact of the Australia-European Union Free Trade Agreement (A-EU FTA). Negotiations for the A-EU FTA concluded on 24 March 2026 and included an announcement of changes to the luxury car tax, which has also been provisioned for in this Budget. The A-EU FTA will be published as a measure following signature.

Box 5.2 Reducing fuel price pressures on households and businesses

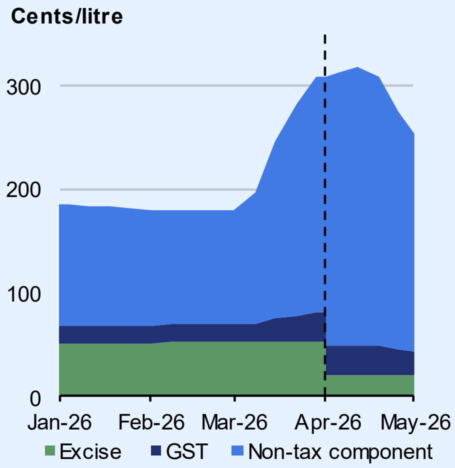
The conflict in the Middle East has increased fuel costs for Australian households and businesses. To help alleviate acute cost pressures, the Government has reduced the fuel excise and excise equivalent customs duty by 60.9 per cent from 1 April to 30 June 2026. This equates to a 32 cent per litre reduction for petrol and diesel. As GST is payable on the full retail price, including excise, this reduction in excise also reduces GST payable by 3.2 cents per litre. Since the measure's introduction, national average petrol prices have fallen by around 30 per cent and diesel prices have fallen by around 20 per cent (Chart 5.4 and Chart 5.5). The Government has also reduced the Heavy Vehicle Road User Charge (RUC) to zero over the three-month period.

Chart 5.4: Petrol prices



Source: Australian Institute of Petroleum, ATO, and Treasury.
Note: National average prices.

Chart 5.5: Diesel prices



Source: Australian Institute of Petroleum, ATO, and Treasury.
Note: National average prices.

Household benefits

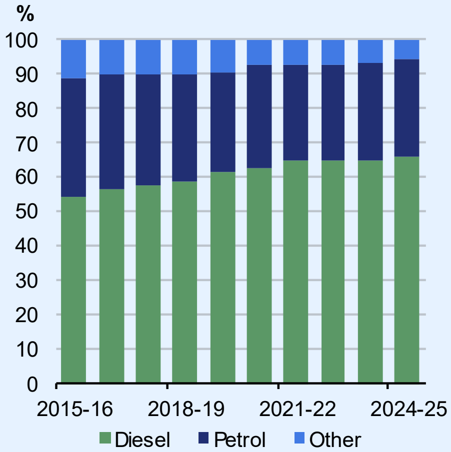
For many households, particularly in regional and outer-suburban areas with limited transport alternatives, affordable fuel is critical. The excise cut provides timely cost-of-living relief for Australian households directly linked to fuel consumed. For example, the tax payable on a 65-litre tank of petrol has been reduced by nearly $23. A motorist in regional Australia driving 50 kilometres a day, consuming around 10 litres of fuel per 100 kilometres, will save around $160 over three months. Reducing business transport and other energy related costs will also reduce transport cost pressures for critical goods like food and medicines.

continued over next page

Box 5.2 Reducing fuel price pressures on households and businesses (continued)

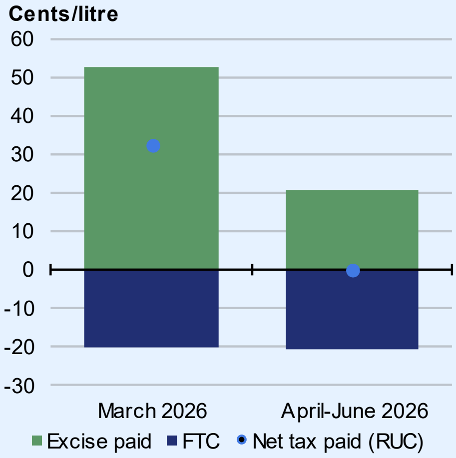
Petrol, largely consumed by households, is around one third of fuel subject to excise, while diesel, mainly consumed by businesses, is around two thirds (Chart 5.6).

Chart 5.6: Fuel shares



Source: ATO.
Note: Based on gross excisable clearances.

Chart 5.7: Heavy vehicle excise and RUC



Source: Treasury.

Business benefits

Businesses that use fuel for vehicles that travel off public roads or for machinery and equipment can generally receive a fuel tax credit (FTC) that fully offsets the fuel excise they have paid. However, fuel used in heavy vehicles on public roads is subject to the Heavy Vehicle RUC. Prior to the measure, heavy vehicle operators paid the RUC of 32.4 cents per litre, equivalent to the full excise rate of 52.6 cents less a partial FTC of 20.2 cents (Chart 5.7). Removing the RUC means heavy vehicle operators also now effectively pay no net excise on fuel.

This measure represents a substantial cost saving for many businesses. For example, a truck travelling 25,000 kilometres over the three months, consuming 55 litres of diesel per 100 kilometres, would save around $4,500 in RUC.

Overall, this measure will reduce net fuel excise revenue by around $2.9 billion ($4.2 billion lower tax revenue and $1.3 billion lower expenses, mainly FTCs). The States and Territories are contributing $400 million, with the net cost to the Commonwealth of $2.5 billion.

Other Australian Government taxes

The Australian Government collects a range of other taxes including the major bank levy, luxury car tax, wine equalisation tax, agricultural levies and visa application charges.

Since MYEFO, other tax receipts have been revised up by $1.7 billion in 2026–27 and $7.6 billion over the five years from 2025–26 to 2029–30.

Non-tax receipts estimates

Since MYEFO, forecast non-tax receipts have increased by $2.5 billion in 2026–27 and $13.8 billion over the five years from 2025–26 to 2029–30.

Parameter and other variations are expected to increase non-tax receipts by $0.8 billion in 2026–27 and $3.2 billion over the five years from 2025–26 to 2029–30. A forecast increase in earnings from the Future Fund and other Australian Government Investment Funds is partially offset by reduced funding contributions from states and territories to the National Disability Insurance Scheme (NDIS) as a result of lower NDIS growth rates from reforms included in the 2026–27 Budget measure *Securing the National Disability Insurance Scheme for future generations*. In addition, non-tax receipts have been revised up by $2.3 billion in 2029–30 to account for the differences between the projection methodology at MYEFO and the forward estimate in this Budget.

Policy decisions are expected to increase non-tax receipts by $1.6 billion in 2026–27, and $10.6 billion over the five years from 2025–26 to 2029–30. This increase is largely driven by the standard non-tax receipts impacts of Pharmaceutical Benefits Scheme listings, which partially offset expenditure impacts of these listings, and receipts expected from the divestment of selected properties in the Defence estate.

Table 5.5: Reconciliation of 2025–26 general government (cash) receipts

	Estimates		Change on MYEFO	
	MYEFO	Budget		
	$m	$m	$m	%
Individuals and other withholding taxes				
Gross income tax withholding	312,500	315,300	2,800	0.9
Gross other individuals and trusts	86,000	89,300	3,300	3.8
less: Refunds	40,600	40,400	-200	-0.5
Total individuals and other withholding tax	357,900	364,200	6,300	1.8
Fringe benefits tax	5,310	5,310	0	0.0
Company tax	144,700	148,500	3,800	2.6
Superannuation fund taxes	30,010	33,060	3,050	10.2
Petroleum resource rent tax	1,500	1,400	-100	-6.7
Income taxation receipts	**539,420**	**552,470**	**13,050**	**2.4**
Goods and services tax	95,654	96,341	688	0.7
Wine equalisation tax	1,160	1,110	-50	-4.3
Luxury car tax	1,120	1,150	30	2.7
Excise and customs duty				
Petrol	7,300	6,400	-900	-12.3
Diesel	17,610	15,110	-2,500	-14.2
Other fuel products	1,680	1,500	-180	-10.7
Tobacco	5,450	4,130	-1,320	-24.2
Beer	2,710	2,710	0	0.0
Spirits	3,270	3,270	0	0.0
Other alcoholic beverages(a)	1,810	1,840	30	1.7
Other customs duty(b)	2,010	1,910	-100	-5.0
less: Refunds and drawbacks	1,380	1,940	560	40.6
Total excise and customs duty	40,460	34,930	-5,530	-13.7
Major Bank Levy	1,880	1,920	40	2.1
Agricultural levies	707	673	-34	-4.8
Visa application charges	4,576	4,668	92	2.0
Other taxes	6,166	6,267	101	1.6
Indirect taxation receipts	**151,722**	**147,059**	**-4,663**	**-3.1**
Taxation receipts	**691,142**	**699,529**	**8,387**	**1.2**
Sales of goods and services	21,528	21,760	232	1.1
Interest received	9,103	9,329	226	2.5
Dividends and distributions	7,558	7,630	73	1.0
Other non-taxation receipts	20,460	21,523	1,063	5.2
Non-taxation receipts	**58,649**	**60,243**	**1,593**	**2.7**
Total receipts	**749,792**	**759,772**	**9,980**	**1.3**
Memorandum:				
Total excise	*31,680*	*28,180*	*-3,500*	*-11.0*
Total customs duty	*8,780*	*6,750*	*-2,030*	*-23.1*
Capital gains tax(c)	*31,500*	*33,600*	*2,100*	*6.7*

a) 'Other alcoholic beverages' are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).
b) 'Other customs duty' includes duty paid on textiles, clothing and footwear, passenger motor vehicles and other imports that are not subject to excise equivalent duty.
c) 'Capital gains tax' is part of gross other individuals and trusts, company tax and superannuation fund taxes.

Table 5.6: Reconciliation of 2026–27 general government (cash) receipts

	Estimates		Change on MYEFO	
	MYEFO	Budget		
	$m	$m	$m	%
Individuals and other withholding taxes				
Gross income tax withholding	328,700	331,100	2,400	0.7
Gross other individuals and trusts	89,500	94,100	4,600	5.1
less: Refunds	42,400	42,800	400	0.9
Total individuals and other withholding tax	375,800	382,400	6,600	1.8
Fringe benefits tax	5,370	5,580	210	3.9
Company tax	147,300	154,000	6,700	4.5
Superannuation fund taxes	29,110	31,560	2,450	8.4
Petroleum resource rent tax	1,500	1,900	400	26.7
Income taxation receipts	**559,080**	**575,440**	**16,360**	**2.9**
Goods and services tax	101,560	103,249	1,688	1.7
Wine equalisation tax	1,210	1,160	-50	-4.1
Luxury car tax	1,180	1,130	-50	-4.2
Excise and customs duty				
Petrol	7,550	7,600	50	0.7
Diesel	18,430	18,560	130	0.7
Other fuel products	1,710	1,720	10	0.6
Tobacco	4,800	3,560	-1,240	-25.8
Beer	2,760	2,810	50	1.8
Spirits	3,280	3,300	20	0.6
Other alcoholic beverages(a)	1,860	1,920	60	3.2
Other customs duty(b)	2,070	1,850	-220	-10.6
less: Refunds and drawbacks	730	730	0	0.0
Total excise and customs duty	41,730	40,590	-1,140	-2.7
Major Bank Levy	1,970	2,020	50	2.5
Agricultural levies	697	671	-26	-3.7
Visa application charges	4,971	6,181	1,211	24.4
Other taxes	6,087	6,660	572	9.4
Indirect taxation receipts	**159,406**	**161,661**	**2,255**	**1.4**
Taxation receipts	**718,486**	**737,101**	**18,615**	**2.6**
Sales of goods and services	23,025	23,299	274	1.2
Interest received	9,091	9,636	546	6.0
Dividends and distributions	7,766	7,768	3	0.0
Other non-taxation receipts	18,662	20,293	1,631	8.7
Non-taxation receipts	**58,544**	**60,997**	**2,453**	**4.2**
Total receipts	**777,030**	**798,098**	**21,068**	**2.7**
Memorandum:				
Total excise	32,900	33,270	370	1.1
Total customs duty	8,830	7,320	-1,510	-17.1
Capital gains tax(c)	30,700	34,200	3,500	11.4

a) ‘Other alcoholic beverages’ are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).
b) ‘Other customs duty’ includes duty paid on textiles, clothing and footwear, passenger motor vehicles and other imports that are not subject to excise equivalent duty.
c) ‘Capital gains tax’ is part of gross other individuals and trusts, company tax and superannuation fund taxes.

Table 5.7: Australian Government general government (cash) receipts

	Actual	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m	$m
Individuals and other withholding taxes						
Gross income tax withholding	295,827	315,300	331,100	348,600	367,000	391,100
Gross other individuals and trusts	81,707	89,300	94,100	97,200	102,300	114,300
less: Refunds	39,223	40,400	42,800	46,800	49,700	55,100
Total individuals and other withholding tax	338,312	364,200	382,400	399,000	419,600	450,300
Fringe benefits tax	4,927	5,310	5,580	5,820	6,140	6,590
Company tax	138,762	148,500	154,000	151,700	148,700	151,600
Superannuation fund taxes	25,700	33,060	31,560	31,210	32,310	34,560
Petroleum resource rent tax	1,420	1,400	1,900	1,750	1,550	1,250
Income taxation receipts	**509,121**	**552,470**	**575,440**	**589,480**	**608,300**	**644,300**
Goods and services tax	90,322	96,341	103,249	107,868	114,263	120,191
Wine equalisation tax	1,134	1,110	1,160	1,200	1,240	1,290
Luxury car tax	1,088	1,150	1,130	1,070	1,120	1,160
Excise and customs duty						
Petrol	7,306	6,400	7,600	7,800	7,950	8,050
Diesel	17,262	15,110	18,560	19,560	20,460	21,360
Other fuel products	1,731	1,500	1,720	1,740	1,780	1,830
Tobacco	7,767	4,130	3,560	3,020	2,530	2,140
Beer	2,729	2,710	2,810	2,890	2,990	3,100
Spirits	3,320	3,270	3,300	3,330	3,360	3,380
Other alcoholic beverages(a)	1,789	1,840	1,920	1,990	2,070	2,150
Other customs duty(b)	1,996	1,910	1,850	1,430	960	1,020
less: Refunds and drawbacks	711	1,940	730	730	730	730
Total excise and customs duty	43,188	34,930	40,590	41,030	41,370	42,300
Major Bank Levy	1,768	1,920	2,020	2,100	2,190	2,300
Agricultural levies	664	673	671	710	737	727
Visa application charges	4,154	4,668	6,181	6,742	6,989	7,095
Other taxes	6,403	6,267	6,660	6,762	6,689	6,878
Indirect taxation receipts	**148,723**	**147,059**	**161,661**	**167,481**	**174,598**	**181,940**
Taxation receipts	**657,844**	**699,529**	**737,101**	**756,961**	**782,898**	**826,240**
Sales of goods and services	22,024	21,760	23,299	24,847	25,024	25,042
Interest received	10,545	9,329	9,636	9,696	10,056	10,538
Dividends and distributions	7,262	7,630	7,768	8,304	9,098	9,868
Other non-taxation receipts	19,277	21,523	20,293	23,058	21,307	23,105
Non-taxation receipts	**59,107**	**60,243**	**60,997**	**65,906**	**65,485**	**68,554**
Total receipts	**716,951**	**759,772**	**798,098**	**822,867**	**848,383**	**894,794**
Memorandum:						
Total excise	*31,294*	*28,180*	*33,270*	*34,690*	*36,020*	*37,300*
Total customs duty	*11,894*	*6,750*	*7,320*	*6,340*	*5,350*	*5,000*
Capital gains tax(c)	*30,400*	*33,600*	*34,200*	*34,000*	*34,600*	*35,900*

a) ‘Other alcoholic beverages’ are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

b) ‘Other customs duty’ includes duty paid on textiles, clothing and footwear, passenger motor vehicles and other imports that are not subject to excise equivalent duty.

c) ‘Capital gains tax’ is part of gross other individuals and trusts, company tax and superannuation fund taxes.

Variations in revenue estimates

The revenue estimates are the accrual accounting equivalent of the cash-based receipts estimates. Changes in revenue are generally driven by the same factors as receipts.

Revenues are usually higher than the cash equivalents because the amounts are generally recognised when they are owed rather than when they are paid. The differences between the accrual and cash amounts therefore generally reflect payment timing differences. Table 5.8 provides a reconciliation of the 2026–27 Budget revenue estimates with those at the 2025–26 MYEFO and 2025 PEFO.

Table 5.8: Reconciliation of Australian Government general government revenue estimates from the 2025–26 MYEFO and the 2025 PEFO

	Estimates					
	2025-26	2026-27	2027-28	2028-29	2029-30	Total
	$m	$m	$m	$m	$m	$m
Revenue at 2025 PEFO	**750,268**	**783,564**	**815,433**	**862,511**	*	*
Changes from 2025 PEFO to 2025-26 MYEFO						
Effect of policy decisions(a)	-895	-676	-1,334	-971	*	*
Effect of parameter and other variations	16,221	10,718	6,664	2,555	*	*
Total variations	**15,325**	**10,041**	**5,329**	**1,584**	*	*
Revenue at 2025-26 MYEFO	**765,593**	**793,605**	**820,762**	**864,094**	*	*
Changes from 2025-26 MYEFO to 2026-27 Budget						
Effect of policy decisions(a)	-3,918	2,537	692	-589	7,618	6,340
Effect of parameter and other variations	11,407	19,186	14,833	-33	*	*
Total variations	**7,488**	**21,723**	**15,525**	**-622**	*	*
Revenue at 2026-27 Budget	**773,081**	**815,328**	**836,287**	**863,473**	**910,148**	**4,198,317**

* Data is not available.

a) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

Since MYEFO, total revenue has been revised up by $21.7 billion in 2026–27 and $42.5 billion over the five years from 2025–26 to 2029–30.

The changes in the individual heads of revenue accrual estimates relative to MYEFO are shown in Tables 5.9 and 5.10, for 2025–26 and 2026–27, respectively. For the 5-year accrual table, the accrual equivalent of Table 5.7, see *Statement 10, Note 3*.

Additional revenue and receipts historical tables are available online and can be accessed at www.budget.gov.au.

Table 5.9: Reconciliation of 2025–26 general government (accrual) revenue

	Estimates		Change on MYEFO	
	MYEFO	Budget		
	$m	$m	$m	%
Individuals and other withholding taxes				
Gross income tax withholding	315,800	317,700	1,900	0.6
Gross other individuals and trusts	91,600	95,500	3,900	4.3
less: Refunds	40,600	40,400	-200	-0.5
Total individuals and other withholding tax	366,800	372,800	6,000	1.6
Fringe benefits tax	5,560	5,560	0	0.0
Company tax	147,800	151,300	3,500	2.4
Superannuation fund taxes	29,880	33,050	3,170	10.6
Petroleum resource rent tax	1,820	1,670	-150	-8.2
Income taxation revenue	**551,860**	**564,380**	**12,520**	**2.3**
Goods and services tax	101,030	100,750	-280	-0.3
Wine equalisation tax	1,110	1,060	-50	-4.5
Luxury car tax	1,130	1,160	30	2.7
Excise and customs duty				
Petrol	7,320	6,320	-1,000	-13.7
Diesel	17,660	14,960	-2,700	-15.3
Other fuel products	1,680	1,500	-180	-10.7
Tobacco	5,450	4,130	-1,320	-24.2
Beer	2,720	2,720	0	0.0
Spirits	3,270	3,270	0	0.0
Other alcoholic beverages(a)	1,810	1,840	30	1.7
Other customs duty(b)	2,010	1,910	-100	-5.0
less: Refunds and drawbacks	1,380	1,940	560	40.6
Total excise and customs duty	40,540	34,710	-5,830	-14.4
Major bank levy	1,900	1,940	40	2.1
Agricultural levies	707	673	-34	-4.8
Visa application charges	4,576	4,668	92	2.0
Other taxes	7,127	7,281	154	2.2
Indirect taxation revenue	**158,120**	**152,242**	**-5,877**	**-3.7**
Taxation revenue	**709,980**	**716,622**	**6,643**	**0.9**
Sales of goods and services	21,987	22,213	226	1.0
Interest	10,159	10,216	57	0.6
Dividends and distributions	7,591	7,591	0	0.0
Other non-taxation revenue	15,876	16,439	563	3.5
Non-taxation revenue	**55,613**	**56,459**	**846**	**1.5**
Total revenue	**765,593**	**773,081**	**7,488**	**1.0**
Memorandum:				
Total excise	*31,760*	*27,960*	*-3,800*	*-12.0*
Total customs duty	*8,780*	*6,750*	*-2,030*	*-23.1*
Capital gains tax(c)	*31,500*	*33,600*	*2,100*	*6.7*

a) ‘Other alcoholic beverages’ are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

b) ‘Other customs duty’ includes duty paid on textiles, clothing and footwear, passenger motor vehicles and other imports that are not subject to excise equivalent duty.

c) ‘Capital gains tax’ is part of gross other individuals and trusts, company tax and superannuation fund taxes.

Table 5.10: Reconciliation of 2026–27 general government (accrual) revenue

	Estimates		Change on MYEFO	
	MYEFO	Budget		
	$m	$m	$m	%
Individuals and other withholding taxes				
Gross income tax withholding	332,200	333,600	1,400	0.4
Gross other individuals and trusts	94,200	100,100	5,900	6.3
less: Refunds	42,400	42,800	400	0.9
Total individuals and other withholding tax	384,000	390,900	6,900	1.8
Fringe benefits tax	5,620	5,830	210	3.7
Company tax	150,500	157,000	6,500	4.3
Superannuation fund taxes	29,140	31,590	2,450	8.4
Petroleum resource rent tax	1,590	1,950	360	22.6
Income taxation revenue	**570,850**	**587,270**	**16,420**	**2.9**
Goods and services tax	107,240	109,150	1,910	1.8
Wine equalisation tax	1,220	1,170	-50	-4.1
Luxury car tax	1,180	1,110	-70	-5.9
Excise and customs duty				
Petrol	7,570	7,720	150	2.0
Diesel	18,490	18,820	330	1.8
Other fuel products	1,710	1,720	10	0.6
Tobacco	4,800	3,560	-1,240	-25.8
Beer	2,780	2,830	50	1.8
Spirits	3,280	3,300	20	0.6
Other alcoholic beverages(a)	1,860	1,920	60	3.2
Other customs duty(b)	2,070	1,850	-220	-10.6
less: Refunds and drawbacks	730	730	0	0.0
Total excise and customs duty	41,830	40,990	-840	-2.0
Major bank levy	1,990	2,040	50	2.5
Agricultural levies	697	671	-26	-3.7
Visa application charges	4,971	6,181	1,211	24.4
Other taxes	6,927	7,700	773	11.2
Indirect taxation revenue	**166,055**	**169,013**	**2,957**	**1.8**
Taxation revenue	**736,905**	**756,283**	**19,377**	**2.6**
Sales of goods and services	23,526	23,821	295	1.3
Interest	10,568	11,224	656	6.2
Dividends and distributions	7,808	7,805	-3	0.0
Other non-taxation revenue	14,798	16,195	1,397	9.4
Non-taxation revenue	**56,699**	**59,045**	**2,346**	**4.1**
Total revenue	**793,605**	**815,328**	**21,723**	**2.7**
Memorandum:				
Total excise	*33,000*	*33,670*	*670*	*2.0*
Total customs duty	*8,830*	*7,320*	*-1,510*	*-17.1*
Capital gains tax(c)	*30,700*	*34,200*	*3,500*	*11.4*

a) ‘Other alcoholic beverages’ are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

b) ‘Other customs duty’ includes duty paid on textiles, clothing and footwear, passenger motor vehicles and other imports that are not subject to excise equivalent duty.

c) ‘Capital gains tax’ is part of gross other individuals and trusts, company tax and superannuation fund taxes.

Appendix A: Tax Expenditures

This appendix contains an overview of Australian Government tax expenditures. Section 12 of the *Charter of Budget Honesty Act 1998* requires the publication of an overview of estimated tax expenditures.

The Government published the 2025–26 Tax Expenditures and Insights Statement (TEIS) on 17 December 2025 and this will be updated for tax measures in this Budget in the 2026–27 TEIS. The TEIS provides an estimate of the revenue forgone from tax expenditures, along with distributional analysis on large tax expenditures and commonly utilised features of the tax system.

Tax benchmarks represent a standard tax treatment that applies to similar taxpayers or types of activities. Policy approaches can apply a tax treatment different from a standard approach, which can give rise to positive or negative tax expenditures. The choice of benchmark unavoidably involves some judgment.

Consistent with most OECD countries, estimates of tax expenditures reflect the extent to which they are used, similar to Budget estimates of outlays on demand-driven expenditure programs. This is known as the 'revenue forgone' approach which, in practice, involves estimating the difference in revenue between the actual and benchmark tax treatments but, importantly, assuming taxpayer behaviour is the same in each circumstance. Revenue forgone estimates therefore do not indicate the revenue gain to the Budget if a specific tax expenditure was abolished through policy change, as there may be significant changes in taxpayer behaviour.

Care needs to be taken when comparing tax expenditures with direct expenditures as they may measure different things. In addition, estimates from different editions of previously released Statements are generally not directly comparable, because of changes or modifications to — for example — benchmarks, individual tax expenditures, data used or modelling methodology.

Table A.5.1 lists the largest measured tax expenditures for 2025–26 and several personal deduction categories. It is derived from the 2025–26 TEIS and is based on economic parameters as at the publication of MYEFO. It does not include the impact of policy decisions, or changes in the economic outlook since then on tax expenditures. The TEIS is not a statement of policy intent.

The 2025–26 TEIS also contains distributional analysis on some features of the tax system, including deductions for individuals. The items in the deductions category are not tax expenditures, so they do not result in forgone revenue against the benchmark. However, the difference between tax paid with the deduction and tax that would have been paid if the deduction was not claimed has been included in Table A.5.1 for comparison purposes.

Table A.5.1: Estimates of large measured tax expenditures and deductions

Tax type affected	Code	Title	Revenue forgone 2025-26 ($m)*	Average growth 2021-22 to 2024-25 (%)	Average projected growth over FEs (%)
Positive tax expenditures and deductions					
CGT	E8	Main residence exemption – discount component	32,000	10.3	10.5
Super	C2	Concessional taxation of employer superannuation contributions	29,450	8.2	6.2
Deductions		Rental deductions	29,200	18.0	5.2
CGT	E7	Main residence exemption	28,000	11.3	10.1
Super	C4	Concessional taxation of superannuation earnings	25,950	3.5	5.3
CGT	E15	Discount for individuals and trusts	21,790	8.1	0.8
Deductions		Work-related expenses	12,400	8.7	5.8
Income	A25	Exemption for National Disability Insurance Scheme amounts	12,180	30.0	7.6
GST	H25	Food	9,900	5.0	4.2
GST	H17	Health – medical and health services	6,750	11.1	6.8
Income	A26	Exemption of Child Care Assistance payments	4,600	19.5	5.6
GST	H14	Education	4,450	8.5	7.1
GST	H2	Financial supplies – input taxed treatment	3,800	7.4	4.5
Income	B61	Lower tax rate for small companies	3,800	-1.9	4.1
FBT	D15	Exemption for public benevolent institutions (excluding hospitals)	3,150	9.3	5.4
Income	A23	Concessional taxation of non-superannuation termination benefits	3,100	18.8	N/A
Income	A20	Medicare levy exemption for residents with taxable income below the low-income thresholds	3,050	6.1	0.0
Income	B11	Exemption from interest withholding tax on certain securities	3,000	16.8	-1.0
Income	A37	Exemption of certain income support benefits, pensions or allowances	2,800	15.9	4.0
Super	C3	Concessional taxation of personal superannuation contributions	2,750	17.7	1.6
GST	H5	Child care services	2,570	10.3	4.6
Super	C1	Concessional taxation of capital gains for superannuation funds	2,550	0.0	4.8
Super	C6	Deductibility of life and total and permanent disability insurance premiums provided inside of superannuation	2,450	3.7	6.3
Income	A39	Exemptions of certain veterans' pensions, allowances or benefits, compensation, and particular World War II-related payments for persecution	2,230	31.8	-4.8
Income	B1	Local government bodies income tax exemption	2,090	3.1	1.3

Table A.5.1: Estimates of large measured tax expenditures and deductions (continued)

Tax type affected	Code	Title	Revenue forgone 2025-26 ($m)*	Average growth 2021-22 to 2024-25 (%)	Average projected growth over FEs (%)
Income	A31	Seniors and pensioners tax offset	2,050	60.4	4.9
Income	B12	Exemption of inbound non-portfolio distributions from income tax	1,980	-6.3	0.0
FBT	D11	Exemption for public and not-for-profit hospitals and public ambulance services	1,900	3.9	3.8
Income	A38	Exemption of Family Tax Benefit payments	1,860	8.4	2.4
Other	F6	Concessional rate of excise levied on aviation gasoline and aviation turbine fuel	1,820	21.9	6.5
GST	H18	Health – residential care, community care and other care services	1,810	7.2	6.8
Deductions		Cost of managing tax affairs and other deductions	1,700	10.7	1.3
Income	A18	Exemption of the Private Health Insurance Rebate	1,550	3.2	1.5
Income	A56	Philanthropy – deduction for gifts to deductible gift recipients	1,400	-4.3	4.3
GST	H6	Water, sewerage and drainage	1,380	6.2	3.7
Income	B81	Capital works expenditure deduction	1,380	3.5	2.6
FBT	D33	Exemption for Electric Vehicles	1,350	N/A	29.4
FBT	D21	Application of statutory formula to value car benefits	1,300	10.1	0.0
Super	C12	Exemption for small business assets held for more than 15 years	1,190	14.9	-2.0
CGT	E32	Small business 50 per cent reduction	1,180	9.0	-1.0
Negative tax expenditures and deductions					
Income	B80	Accelerated depreciation for business entities	-6,500	N/A	-24.0
Income	B86	Simplified depreciation rules	-5,200	N/A	-25.7
Other	F21	Customs duty	-2,030	0.8	-13.2
Income	A21	Medicare levy surcharge	-1,150	18.6	-1.1
Other	F5	Luxury car tax	-1,130	4.2	4.8
Super	C11	Tax on funded superannuation lump sums	-1,050	21.8	2.8

* For deductions, 'Revenue forgone' refers to the reduction in tax in relation to the specified income year due to the utilisation of deductions.

Statement 6:
Expenses and Net Capital Investment

This Statement presents estimates of Australian Government general government sector expenses and net capital investment, disaggregated into various functions and sub-functions of government, on an accrual accounting basis.

Significant areas of expenditure in 2026–27 will be in the **social security and welfare** (37.1 per cent of total expenses in 2026–27), **health** (16.4 per cent of total expenses in 2026–27), **education** (6.9 per cent of total expenses in 2026–27) **and defence** (6.2 per cent of total expenses in 2026–27) functions. Together, these functions account for around two-thirds of all government expenses in 2026–27.

Real growth in expenses over the period 2026–27 to 2029–30 is expected to average 0.8 per cent per year. Significant contributions to real growth over the 4-year period are expected in the **social security and welfare, health, education**, and **defence** functions.

General government sector expenses are expected to be 26.9 per cent of GDP in 2026–27, easing to 26.6 per cent of GDP in 2029–30. Since MYEFO, expenses have increased by $14.3 billion in 2026–27 and $25.4 billion over the four years from 2025–26 to 2028–29. This includes an increase of $5.0 billion due to policy decisions.

Figures in the tables and text, and the analysis of trends in this Statement, are presented in nominal terms unless otherwise stated.

Statement 6 contents

Statement 6: Expenses and Net Capital Investment

Overview

Australian Government general government sector expenses are expected to increase in nominal terms and real terms over the five years to 2029–30, from $812.1 billion in 2025–26 to $933.7 billion in 2029–30, with expenses as a percentage of GDP easing from 26.9 per cent in 2026–27 to 26.6 per cent by 2029–30.

Table 6.1.1: Estimates of general government sector expenses

	MYEFO	Revised	Estimates			
	2025-26	2025-26	2026-27	2027-28	2028-29	2029-30
Total expenses ($b)	**809.2**	**812.1**	**833.3**	**863.7**	**896.1**	**933.7**
Real growth on previous year (%)(a)	1.5	1.4	-1.3	1.4	1.2	1.7
Per cent of GDP	27.7	27.4	26.9	27.1	26.9	26.6

a) Real growth is calculated using the Consumer Price Index.

Real growth in expenses over the period 2026–27 to 2029–30 is expected to average 0.8 per cent per year. Since MYEFO, total expenses have been revised up by $14.3 billion in 2026–27 and $25.4 billion over four years from 2025–26 to 2028–29.

Table 6.1.2 provides a reconciliation of expense estimates between the 2025 PEFO, the 2025–26 MYEFO and the 2026–27 Budget.

Table 6.1.2: Reconciliation of expense estimates

	Estimates				
	2025-26	2026-27	2027-28	2028-29	Total
	$m	$m	$m	$m	$m
2025 PEFO expenses	**785,715**	**806,539**	**842,792**	**889,576**	**3,324,622**
Changes from 2025 PEFO to 2025-26 MYEFO					
Effect of policy decisions(a)	661	1,334	-1,766	-3,755	-3,526
Effect of parameter and other variations	22,856	11,097	12,969	11,639	58,561
Total variations	**23,517**	**12,431**	**11,204**	**7,883**	**55,035**
2025-26 MYEFO expenses	**809,232**	**818,970**	**853,996**	**897,459**	**3,379,657**
Changes from 2025-26 MYEFO to 2026-27 Budget					
Effect of policy decisions(a)	2,278	6,358	1,157	-4,777	5,016
Effect of economic parameter variations					
Total economic parameter variations	556	4,867	5,863	5,200	16,487
Unemployment benefits	*7*	*776*	*861*	*788*	*2,432*
Prices and wages	*-19*	*2,755*	*4,250*	*3,979*	*10,965*
Interest and exchange rates	*-279*	*-416*	*-481*	*-482*	*-1,660*
GST payments to the States	*848*	*1,752*	*1,234*	*916*	*4,749*
Public debt interest	-111	116	261	761	1,027
Program specific parameter variations	2,885	4,235	4,946	4,755	16,821
Other variations	-2,776	-1,284	-2,565	-7,325	-13,950
Total variations	**2,831**	**14,292**	**9,663**	**-1,386**	**25,400**
2026-27 Budget expenses	**812,063**	**833,262**	**863,659**	**896,074**	**3,405,057**

a) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

In the 2026–27 Budget, policy decisions are estimated to increase expenses by $5.0 billion over the four years from 2025–26 to 2028–29 compared with the 2025–26 MYEFO.

Economic parameters are estimated to increase expenses by $16.5 billion over the four years from 2025–26 to 2028–29 compared with the 2025–26 MYEFO, largely reflecting updated parameters for prices, wages and the labour market.

Since the 2025–26 MYEFO, program specific parameter variations ($16.8 billion), variations associated with public debt interest ($1.0 billion), and other variations (-$13.9 billion) have increased expenses by $3.9 billion over the four years from 2025–26 to 2028–29. More detail about variations in payments, the cash equivalent of accrual-based expenses, can be found in *Statement 3: Fiscal Strategy and Outlook*.

The top 20 expense programs in 2026–27 are presented in Table 6.1.3. These programs represent more than two-thirds of total expenses in 2026–27.

Table 6.1.3: Top 20 programs by expense

		Estimates				
		2025-26	2026-27	2027-28	2028-29	2029-30
Program(a)	**Function**	$m	$m	$m	$m	$m
Revenue assistance to the States and Territories	Other purposes	102,813	110,302	115,220	121,038	126,595
Support for Seniors	SSW	65,315	68,727	71,651	74,460	77,020
National Disability Insurance Scheme(b)	SSW	53,777	56,124	55,082	55,599	56,239
Aged Care Services	SSW	41,400	43,779	45,250	48,267	50,732
Medical Benefits	Health	35,144	37,563	39,028	40,138	41,474
Assistance to the States for Healthcare Services	Health	33,925	37,474	40,481	43,716	47,205
Commonwealth Debt Management	Other purposes	27,629	31,886	36,921	41,865	46,873
Financial Support for People with Disability	SSW	24,818	26,253	27,283	28,437	29,514
Pharmaceutical Benefits	Health	22,109	23,448	23,847	24,264	23,809
Non-Government Schools National Support	Education	20,568	21,437	22,411	23,449	24,544
Job Seeker Income Support	SSW	17,641	18,304	17,864	17,662	18,069
Support for Families	SSW	17,888	18,148	18,666	18,881	19,204
Child Care Subsidy	SSW	15,618	16,917	18,575	19,860	21,090
Financial Support for Carers	SSW	12,702	13,424	14,160	14,669	15,300
Government Schools National Support	Education	12,440	12,970	13,461	14,023	14,733
Defence Force Superannuation - Benefits(c)	Other purposes; General public services	10,598	10,984	11,452	11,916	12,386
Army Capabilities	Defence	9,823	10,769	11,207	11,979	12,973
Fuel Tax Credits Scheme	Fuel and energy	8,817	10,720	11,400	12,076	12,799
Public Sector Superannuation - Benefits(c)	Other purposes; General public services	9,932	10,588	10,709	10,753	10,822
Air Force Capabilities	Defence	9,637	10,296	10,508	11,492	11,767
Sub-total		**552,594**	**590,114**	**615,176**	**644,545**	**673,148**
Other programs		259,469	243,148	248,482	251,529	260,580
Total expenses		**812,063**	**833,262**	**863,659**	**896,074**	**933,727**

a) The entry for each program includes eliminations for inter-agency transactions within that program.
b) This program is a combination of agency costs, support for participants and administered expenses.
c) This program is a combination of superannuation nominal interest and accrual expenses.

Payment Estimates

Payment estimates are the cash equivalent of the accrual-based expense estimates.

Government payments are expected to increase in both nominal and real terms over the period 2026–27 to 2029–30, with average annual real growth estimated to be 1.1 per cent. As a percentage of GDP, total payments are expected to be 26.8 per cent in 2026–27 and are projected to decrease to 26.2 per cent by 2029–30.

Table 6.2.1: Estimates of general government sector payments

	MYEFO	Revised	Estimates			
	2025-26	2025-26	2026-27	2027-28	2028-29	2029-30
Total payments ($b)	**786.6**	**788.1**	**829.6**	**853.9**	**882.8**	**920.1**
Real growth on previous year (%)(a)	4.5	4.3	1.3	0.7	0.9	1.7
Per cent of GDP	26.9	26.6	26.8	26.8	26.5	26.2

a) Real growth is calculated using the Consumer Price Index.

The top 20 payment programs in 2026–27 are presented in Table 6.2.2. Although broadly similar to the top 20 expense programs, there are some differences in the timing of reporting between payments and expenses, and the reported payment figures include capital investment but exclude depreciation.

Table 6.2.2: Top 20 programs by payment

		Estimates				
		2025-26	2026-27	2027-28	2028-29	2029-30
Program(a)	**Function**	$m	$m	$m	$m	$m
Revenue assistance to the States and Territories	Other purposes	103,722	110,354	115,221	121,043	126,600
Support for Seniors	SSW	65,402	68,924	71,880	74,369	76,989
National Disability Insurance Scheme(b)	SSW	52,577	55,117	54,680	55,268	55,886
Aged Care Services	SSW	41,384	43,764	44,018	46,841	50,530
Medical Benefits	Health	35,104	37,521	38,999	40,083	41,419
Assistance to the States for Healthcare Services	Health	33,925	37,474	40,481	43,716	47,205
Commonwealth Debt Management	Other purposes	25,220	27,690	34,589	36,226	40,425
Financial Support for People with Disability	SSW	24,877	26,343	27,494	28,433	29,437
Pharmaceutical Benefits	Health	22,266	23,428	23,840	24,256	23,807
Non-Government Schools National Support	Education	20,569	21,437	22,411	23,449	24,544
Job Seeker Income Support	SSW	18,007	18,510	18,101	17,786	18,167
Support for Families	SSW	18,081	18,497	18,920	19,172	19,494
Child Care Subsidy	SSW	15,590	17,109	18,576	19,822	21,059
Financial Support for Carers	SSW	12,723	13,464	14,132	14,673	15,247
Army Capabilities	Defence	12,701	13,076	12,951	14,195	14,706
Government Schools National Support	Education	12,446	12,976	13,464	14,023	14,733
Navy Capabilities	Defence	11,582	12,645	13,020	14,367	15,930
Air Force Capabilities	Defence	9,817	11,081	11,520	12,667	13,449
Public Sector Superannuation - Benefits	General public services	10,223	10,742	11,128	11,540	11,974
Fuel Tax Credits Scheme	Fuel and energy	9,141	10,237	11,302	11,979	12,694
Sub-total		**555,357**	**590,390**	**616,727**	**643,906**	**674,296**
Other programs		232,699	239,251	237,140	238,922	245,757
Total payments		**788,056**	**829,640**	**853,867**	**882,829**	**920,052**

a) The entry for each program includes eliminations for inter-agency transactions within that program.
b) This program is a combination of agency costs, support for participants and administered expenses.

More detail about variations in payments, the cash equivalent of accrual-based expenses, can be found in *Statement 3: Fiscal Strategy and Outlook*.

Box 6.1: Where does government spending go in 2026–27?

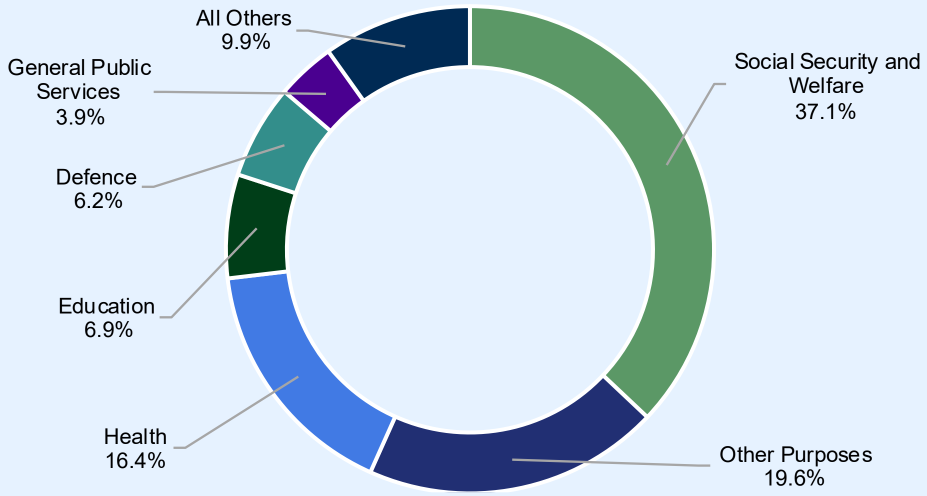
Government spending provides a wide range of services to the community. The most significant component of government spending relates to social security and welfare, with over one-third of total expenses providing support to the aged, families with children, people with disabilities, veterans, carers and unemployed people.

Around a sixth of government expenses occur in health, including spending on the Medicare Benefits Schedule and the Pharmaceutical Benefits Scheme.

The Government also provides significant investment in education, supporting government and non-government schools, as well as higher education and vocational education and training.

Defence is another significant component of government expenditure, providing capability to the Australian Defence Force to protect Australia's security and defend our national interests.

Chart 6.1: Expenses by function in 2026–27



Further details of spending trends in all functions are set out under individual function headings.

Estimated expenses by function

Estimates of general government sector expenses by function for the period 2025–26 to 2029–30 are set out in Table 6.3.

Table 6.3: Estimates of expenses by function(a)

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
General public services	34,959	32,499	32,796	32,912	32,153
Defence	52,854	52,055	53,840	58,790	61,860
Public order and safety	9,601	9,709	8,405	8,352	8,363
Education	64,974	57,349	59,534	61,552	63,917
Health	127,015	136,918	140,430	144,648	148,915
Social security and welfare	297,805	308,737	315,159	325,203	334,998
Housing and community amenities	8,831	11,454	8,201	7,728	7,829
Recreation and culture	5,984	6,292	6,475	6,459	6,608
Fuel and energy	19,160	15,207	17,586	16,723	17,256
Agriculture, forestry and fishing	4,715	4,748	4,031	3,616	3,441
Mining, manufacturing and construction	5,358	5,563	5,895	5,309	5,624
Transport and communication	16,928	15,338	15,321	15,118	13,217
Other economic affairs	14,669	13,773	12,547	12,310	12,345
Other purposes	149,210	163,622	183,438	197,356	217,203
Total expenses	**812,063**	**833,262**	**863,659**	**896,074**	**933,727**

a) The functions are based on an international standard classification of functions of government that is incorporated into the Government Finance Statistics reporting framework.

Further details of spending trends in all functions are set out under individual function headings.

General government sector expenses

General public services

The general public services function accounts for 3.9 per cent of total expenses in 2026–27 and includes expenses to support the organisation and operation of government. These expenses include those relating to the Parliament, the Governor-General, the conduct of elections, the collection of taxes and management of public funds and debt, assistance to developing countries to reduce poverty and achieve sustainable development (particularly countries in the Pacific region), contributions to international organisations and foreign affairs.

Table 6.4: Summary of expenses – general public services

Sub-function	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Legislative and executive affairs	2,105	1,978	2,119	1,769	1,777
Financial and fiscal affairs	10,270	10,437	9,740	10,188	9,766
Foreign affairs and economic aid	10,168	8,326	9,187	8,947	8,650
Foreign aid(a)	*5,435*	*4,556*	*5,260*	*5,064*	*4,720*
Other	*4,733*	*3,769*	*3,927*	*3,883*	*3,930*
General research	4,557	4,470	4,326	4,385	4,139
General services	1,915	1,379	1,387	1,448	1,490
Government superannuation benefits	5,944	5,909	6,038	6,174	6,331
Total general public services	**34,959**	**32,499**	**32,796**	**32,912**	**32,153**

a) Foreign aid figures reflect aid spending by the Department of Foreign Affairs and Trade in accrual terms. This differs from the international measure of aid reporting, Official Development Assistance (ODA), which is in cash terms. Aid spending by other entities is usually reflected in other sub-functions.

Total general public services expenses are estimated to decrease by 1.1 per cent over the period 2026–27 to 2029–30. Expenses for the general public services function are largely driven by **financial and fiscal affairs**, **government superannuation benefits** and **foreign affairs and economic aid**.

Financial and fiscal affairs expenses are expected to decrease over the period 2026–27 to 2029–30. These expenses reflect additional funding in 2025–26 and 2026–27 provided to the Australian Taxation Office for tax compliance programs, such as Phase 2 of the Counter Fraud Program and through the 2026–27 Budget measure *Protecting the tax system against fraud*.

Foreign affairs and economic aid expenses are expected to fluctuate over the period 2026–27 to 2029–30. This largely reflects indexation of Australia's Official Development Assistance funding, partly offset by payment cycles of Australia's contributions under funding arrangements for multilateral funds.

Expenses for **government superannuation benefits** are estimated to increase over the period 2026–27 to 2029–30. In accordance with accounting standards, superannuation expenses for 2025–26 are calculated using the long-term government bond rate that best matched each individual scheme's duration of liabilities at the start of the financial year. These rates are between 3.8 and 5.0 per cent per year. In preparing the latest Long Term Cost Reports, the scheme actuaries have determined that a discount rate of 5.0 per cent should be applied in the budget year and forward estimates.

Defence

The defence function accounts for 6.2 per cent of total expenses in 2026–27 and includes expenses incurred by the Department of Defence (Defence) and other agencies that support:

- Australian military operations
- national defence, through strategic policy advice and the delivery of capabilities to achieve an integrated and focused force, harnessing effects across the maritime, land, air, space, and cyber domains.

The defence function does not include expenses incurred by the Department of Veterans' Affairs, superannuation payments to retired military personnel, related nominal superannuation interest, and housing assistance provided through Defence Housing Australia. These expenses are reported in the social security and welfare, general public services, other purposes, and housing and community amenities functions, respectively.

Table 6.5: Summary of expenses – defence

Sub-function	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Defence	52,854	52,055	53,840	58,790	61,860
Total defence	**52,854**	**52,055**	**53,840**	**58,790**	**61,860**

Total expenses for the **defence** sub-function are estimated to increase by 18.8 per cent over the period 2026–27 to 2029–30. This growth reflects the increased funding provided through the 2026–27 Budget measure *2026 National Defence Strategy and Integrated Investment Program* to enhance Defence capability, preparedness and resilience, as well as the continuing impacts of the 2024–25 Budget measure *2024 National Defence Strategy and Integrated Investment Program*.

Public order and safety

The public order and safety function accounts for 1.2 per cent of total expenses in 2026–27 and includes expenses to support the administration of the federal legal system and the provision of legal services, including legal aid, to the community. Public order and safety expenses also include law enforcement, border protection and intelligence activities, and the protection of government property.

Table 6.6: Summary of expenses – public order and safety

Sub-function	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Courts and legal services	2,156	2,228	2,050	2,033	2,072
Other public order and safety	7,444	7,481	6,355	6,319	6,291
Policing and law enforcement	*5,321*	*5,377*	*4,727*	*4,634*	*4,560*
Border Protection	*2,124*	*2,104*	*1,628*	*1,685*	*1,732*
Total public order and safety	**9,601**	**9,709**	**8,405**	**8,352**	**8,363**

Total expenses for public order and safety are estimated to decrease by 13.9 per cent over the period 2026–27 to 2029–30, largely due to a reduction in expenses for the **other public order and safety** sub-function by the end of the forward estimates, after an increase in 2025–26 and 2026–27 as a result of time-limited funding.

The profile of **other public order and safety** expenses reflects increased funding in 2025–26 and 2026–27, and is higher each year over the forward estimates than at the 2025–26 Budget. This includes funding for the Government response to the antisemitic Bondi terrorist attack and law enforcement and intelligence agencies for firearm-related reforms, and supplementary funding in 2026–27 to sustain law enforcement, intelligence capabilities, and protective security services for parliamentarians and high office holders. In addition, and consistent with longstanding practice, supplementary funding is provided to the Australian Border Force annually for border protection activities based on operational requirements, with supplementary funding of $270.0 million in 2026–27 bringing total border protection funding in 2026–27 to $2.1 billion.

Education

The education function accounts for 6.9 per cent of total expenses in 2026–27 and includes expenses to support the delivery of education services through higher education institutions, vocational education and training providers (including technical and further education institutions), and government (state and territory) and non-government schools.

Table 6.7: Summary of expenses – education

Sub-function	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Higher education	12,040	12,657	13,108	13,616	14,198
Vocational and other education	2,749	2,902	2,830	2,459	2,121
Schools	33,009	34,408	35,872	37,471	39,277
Non-government schools	*20,568*	*21,437*	*22,411*	*23,449*	*24,544*
Government schools	*12,440*	*12,970*	*13,461*	*14,023*	*14,733*
School education - specific funding	945	936	867	802	740
Student assistance	15,880	6,095	6,530	6,889	7,263
General administration	352	351	327	315	318
Total education	**64,974**	**57,349**	**59,534**	**61,552**	**63,917**

Total education expenses are estimated to increase by 11.5 per cent over the period 2026–27 to 2029–30.

Higher education expenses are estimated to increase over the period 2026–27 to 2029–30, primarily driven by growth in funding for Commonwealth supported study places at universities, including funding to better support students from under-represented backgrounds and those studying at regional campuses.

Vocational and other education expenses are estimated to decrease over the period 2026–27 to 2029–30. This reflects the profile of government investment in vocational education and training under the 5-year *National Skills Agreement*, which commenced on 1 January 2024, and is currently due to end on 31 December 2028. Funding for the next National Skills Agreement will be subject to future negotiations with the states and territories.

Non-government schools and **government schools** expenses are both estimated to increase over the period 2026–27 to 2029–30 due to the Commonwealth's increased funding for government schools through bilateral agreements under the new *Better and Fairer Schools Agreement*. Increases in expenses are also due to an increase in the number of students that are eligible to attract a 'student with disability' loading and growth in general non-government school student enrolments.

Student assistance expenses are estimated to increase over the period 2026–27 to 2029–30, primarily driven by growth in student numbers and payment indexation in line with inflation forecasts. This follows a peak in expenses in 2025–26 resulting from the one-off 20.0 per cent reduction on the outstanding balance of student loan debts announced in the 2024–25 MYEFO measure *Building Australia's Future – A fairer deal for students*.

Health

The health function accounts for 16.4 per cent of total expenses in 2026–27 and includes expenses relating to medical services funded through Medicare, payments to the states and territories to deliver essential health services (including public hospitals), the Pharmaceutical Benefits and Repatriation Pharmaceutical Benefits Schemes, the Private Health Insurance Rebate, Aboriginal and Torres Strait Islander health programs, mental health services, and health workforce initiatives.

Table 6.8: Summary of expenses – health

Sub-function	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Medical services and benefits(a)	44,768	47,199	48,101	49,186	50,578
Pharmaceutical benefits and services(b)	23,318	24,636	24,885	25,310	24,840
Assistance to the states for public hospitals	33,925	37,498	40,508	43,743	47,205
Hospital services(c)	1,220	1,559	1,323	1,221	1,235
Health services	16,796	19,106	19,216	18,926	18,701
General administration	5,691	5,490	5,054	4,977	5,037
Aboriginal and Torres Strait Islander health	1,297	1,431	1,343	1,285	1,320
Total health	**127,015**	**136,918**	**140,430**	**144,648**	**148,915**

a) A further breakdown of the medical services and benefits sub-function is provided in Table 6.8.1.
b) A further breakdown of the pharmaceutical benefits and services sub-function is provided in Table 6.8.2.
c) The hospital services sub-function predominantly reflects Commonwealth funding to the states and territories for veterans' hospital services.

Expenses for the health function are expected to increase by 8.8 per cent over the period 2026–27 to 2029–30. Increases in expenses in the health function are largely driven by **assistance to the states for public hospitals** and **medical services and benefits**. Expenses for the remaining sub-functions are expected to remain relatively stable over the period 2026–27 to 2029–30.

Medical services and benefits expenses, which primarily consist of medical benefits and private health insurance expenses, account for 34.5 per cent of total estimated health expenses in 2026–27. These expenses are expected to increase over the period 2026–27 to 2029–30, largely driven by growth in the Medical Benefits program, partly as a result of the 2026–27 Budget measure *Strengthening Medicare*. This increase is partly offset by savings achieved through the 2026–27 Budget measure *Modernising Private Health*.

Table 6.8.1 sets out the major components of the **medical services and benefits** sub-function.

Table 6.8.1: Trends in the major components of the medical services and benefits sub-function expense

Component(a)	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Medical benefits	35,144	37,563	39,028	40,138	41,474
Private health insurance	7,861	7,897	7,404	7,457	7,510
General medical consultations and services	720	708	621	587	566
Dental services(b)	374	335	333	332	333
Other	669	697	716	672	695
Total	**44,768**	**47,199**	**48,101**	**49,186**	**50,578**

a) The entry for each component includes eliminations for inter-agency transactions within that component.
b) Payments under the funding agreements on Public Dental Services for Adults from 2020–21 are provided for under the health services sub-function in Table 6.8.

Pharmaceutical benefits and services expenses, primarily the Pharmaceutical Benefits Scheme (PBS), account for 18.0 per cent of total estimated health expenses in 2026–27. Expenses are expected to remain stable over the period 2026–27 to 2029–30, driven by policy decisions to list new medicines on the PBS, as well as updates to program rules and indexation. The expenses profile shows a reduction in estimated expenses for vaccinations over time, reflecting the higher initial uptake of new vaccines.

Table 6.8.2 sets out the major components of the **pharmaceutical benefits and services** sub-function.

Table 6.8.2: Trends in the major components of the pharmaceutical benefits and services sub-function expense

Component(a)	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Pharmaceutical benefits, services and supply	22,127	23,461	23,860	24,277	23,809
Immunisation	738	789	633	652	653
Veterans' pharmaceutical benefits	453	386	392	381	377
Total	**23,318**	**24,636**	**24,885**	**25,310**	**24,840**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

The Government's contribution to public hospitals is reported through the **assistance to the states for public hospitals** sub-function. Hospital services covered by this sub-function include all admitted services, programs that deliver hospital services in the home, and emergency department services. Expenses for this sub-function are expected to increase significantly over the period from 2026–27 to 2029–30, reflecting the Government's agreement with the states and territories under the *Addendum to the National Health Reform Agreement 2026–2031*.

Health services include expenses associated with the delivery of medical research, mental health, blood and blood products, disbursements from the Medical Research Future Fund, preventive health, and health protection. Expenses are expected to decrease over the period 2026–27 to 2029–30. This reflects that increases in estimated expenses for blood and blood products are largely offset by the scheduled end of some national partnership agreements and certain preventive health and chronic disease measures, which will be considered in a future economic update, with the future of national partnership agreements subject to future negotiations with states and territories.

Social security and welfare

The social security and welfare function accounts for 37.1 per cent of total expenses in 2026–27 and includes expenses for pensions and services to the aged, assistance to the unemployed and the sick, people with disabilities and families with children, and income support and compensation for veterans and their dependants. It also includes assistance provided to Indigenous Australians that is not elsewhere classified (nec).

Table 6.9: Summary of expenses – social security and welfare

Sub-function	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Assistance to the aged(a)	109,975	115,601	119,668	125,355	130,325
Assistance to veterans and dependants	13,431	11,366	12,374	14,093	14,405
Assistance to people with disabilities(b)	93,358	98,143	98,768	100,942	103,356
Assistance to families with children(c)	51,750	53,863	55,186	56,979	58,794
Assistance to the unemployed and the sick	17,641	18,304	17,864	17,662	18,069
Other welfare programs	1,801	1,853	2,198	2,197	2,205
Assistance for Indigenous Australians nec	3,938	3,540	3,446	3,169	3,121
General administration	5,912	6,067	5,655	4,805	4,722
Total social security and welfare	**297,805**	**308,737**	**315,159**	**325,203**	**334,998**

a) A further breakdown of the assistance to the aged sub-function is provided in Table 6.9.1.
b) A further breakdown of the assistance to people with disabilities sub-function is provided in Table 6.9.2.
c) A further breakdown of the assistance to families with children sub-function is provided in Table 6.9.3.

Expenses in social security and welfare are estimated to increase by 8.5 per cent over the period 2026–27 to 2029–30. The largest movements in expenses are expected to occur in **assistance to people with disabilities, assistance to the aged** and **assistance to families with children**. Expenses for the remaining sub-functions are estimated to slightly increase over the period 2026–27 to 2029–30.

Assistance to the aged expenses are estimated to increase over the period 2026–27 to 2029–30, driven by increases in expenditure in the Support for Seniors and Aged Care Services programs.

Table 6.9.1 sets out the major components of the **assistance to the aged** sub-function.

Table 6.9.1: Trends in the major components of the assistance to the aged sub-function expense

Component(a)	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Support for seniors	65,315	68,727	71,651	74,460	77,020
Aged care services	41,400	43,779	45,250	48,267	50,732
Veterans' community care and support	1,427	1,434	1,447	1,410	1,301
Aged care quality	435	382	233	233	243
Access and information	839	782	746	779	821
National Partnership Payments –					
Assistance to the aged	172	148	154	17	17
Other	387	347	186	188	191
Total	**109,975**	**115,601**	**119,668**	**125,355**	**130,325**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Increases in the Support for Seniors program over the period reflects higher indexation expectations. Growth in this program has been partly moderated through the 2025–26 MYEFO measure *Resetting Social Security Deeming Rates* by returning to the practice of updating the social security deeming rates on financial assets to reflect market returns.

Growth in the Aged Care Services program is primarily driven by the expanding ageing population, rising demand for aged care services, and increased funding for aged care workers' wages following the Fair Work Commission's Aged Care Work Value case decisions. This growth in estimated expenses also reflects the implementation of aged care reforms from 1 November 2025, including the Support at Home program. Growth in estimated expenses has been moderated by recent increases in means-tested contributions for people entering residential aged care and a participant contribution framework for the Support at Home program.

Assistance to people with disabilities expenses are expected to increase over the period 2026–27 to 2029–30, reflecting increases in support costs, and continued growth in Disability Support Pension recipient numbers and average payment rates. Reforms included in the 2026–27 Budget measure *Securing the National Disability Insurance Scheme for Future Generations* moderate the growth in estimated NDIS expenditure over the four years to 2029–30, with further moderation over the medium-term in line with the National Cabinet's commitment to target annual growth at or below five to 6.0 per cent.

Table 6.9.2 sets out the major components of the **assistance to people with disabilities** sub-function.

Table 6.9.2: Trends in the major components of the assistance to people with disabilities sub-function expense

Component(a)	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
National Disability Insurance Scheme(b)	53,778	56,125	55,082	55,599	56,239
National Disability Insurance Scheme – quality and safeguards	167	208	150	157	157
Financial support for people with disability	26,209	27,566	28,593	29,780	30,889
Financial support for carers	13,180	13,960	14,663	15,126	15,791
National Partnership Payments – Assistance to people with disabilities	24	285	280	280	280
Total	**93,358**	**98,143**	**98,768**	**100,942**	**103,356**

a) The entry for each component includes eliminations for inter-agency transactions within that component.
b) Includes both Commonwealth and state contributions to the cost of the NDIS delivered through the National Disability Insurance Agency and the cost of the NDIS program administered by the Department of Health, Disability and Ageing.

Assistance to families with children expenses are expected to increase over the period 2026–27 to 2029–30 largely due to increases in expenditure related to the Child Care Subsidy. This largely reflects increases to the cost of care due to the Fair Work Commission's Gender-based undervaluation priority review, specifically the determination regarding the *Children's Services Award 2010.*

Table 6.9.3 sets out the major components of the **assistance to families with children** sub-function.

Table 6.9.3: Trends in the major components of the assistance to families with children sub-function expense

Component(a)	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Family assistance	22,030	22,848	23,619	24,071	24,585
Child care subsidy	15,761	17,021	18,634	19,894	21,090
Parents income support	8,351	8,688	8,884	9,210	9,483
Child support	2,117	2,163	2,200	2,242	2,286
Support for the child care system	2,318	1,640	401	331	332
Families and children	863	1,210	1,153	927	708
Family relationship services	285	275	277	285	292
Other	24	19	18	19	17
Total	**51,750**	**53,863**	**55,186**	**56,979**	**58,794**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Expenses for **assistance to the unemployed and the sick** are estimated to remain broadly stable over the period 2026–27 to 2029–30, reflecting a return to the long-run average of JobSeeker Payment recipients.

Housing and community amenities

The housing and community amenities function accounts for 1.4 per cent of total expenses in 2026–27 and includes expenses for the Government's contribution to the *National Agreement on Social Housing and Homelessness*, other Australian Government housing programs, the expenses of Defence Housing Australia, urban and regional development programs and environmental protection initiatives.

Table 6.10: Summary of expenses – housing and community amenities

Sub-function	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Housing	4,374	7,213	5,401	5,176	5,867
Urban and regional development	2,056	1,614	912	1,193	686
Environment protection	2,401	2,627	1,888	1,359	1,277
Total housing and community amenities	**8,831**	**11,454**	**8,201**	**7,728**	**7,829**

Expenses for housing and community amenities fluctuate over the forward estimates and are expected to decrease by 31.6 per cent over the period 2026–27 to 2029–30, primarily driven by fluctuations in expenses for **housing**.

Housing expenses include the provision of social and affordable housing for the general public and people with special needs, support for housing related infrastructure aimed at increasing supply, Defence Housing Australia expenses and the Government's contribution of $9.3 billion over five years from 2024–25 for the *National Agreement on Social Housing and Homelessness*, which supports states and territories to provide social housing and homelessness services.

Expenses are estimated to fluctuate between 2025–26 and 2029–30, primarily reflecting the expected timing of grant payments under the Housing Australia Future Fund (HAFF) Crisis and Transitional Accommodation program and the accounting treatment of concessional loan discounts for the HAFF Social and Affordable program.

The Government will invest $2.0 billion over four years from 2026–27 through the Housing Support Program – Local Infrastructure Fund, part of the 2026–27 Budget measure *Boosting Home Ownership*, to provide funding through states and territories (states) to support local governments and state utility providers to expedite delivery of housing enabling infrastructure. To date, the Government has also entered into agreements with states to release $829 million in grants funding over five years from 2025–26 under the 100,000 New Homes for First Homebuyers program.

Expenses for **urban and regional development** comprise urban development, services to territories, and regional development programs. Expenses are estimated to decrease over the period 2026–27 to 2029–30, primarily reflecting the profile of funding for the Priority Community Infrastructure Program, the Investing in Our Communities Program and the conclusion of the final grants under the Community Development Grants Programme. The decrease is partially offset by the 2026–27 Budget measure *Community Infrastructure*.

Environment protection expenses comprise a variety of initiatives, including the protection and conservation of the environment, water and waste management, pollution abatement and environmental research. Expenses are estimated to decrease over the period 2026–27 to 2029–30, primarily due to impacts of the 2026–27 Budget measure *Climate Change, Energy, the Environment and Water – savings*, and the planned termination of the Critical Inputs to Clean Energy Industries program from 2026–27.

Recreation and culture

The recreation and culture function accounts for 0.8 per cent of total expenses in 2026–27 and includes expenses to support public broadcasting and cultural institutions, funding for the arts and the film industry, assistance to sport and recreation activities, as well as the management and protection of national parks and other world heritage areas. This function also includes expenses relating to the protection and preservation of historic sites and buildings.

Table 6.11: Summary of expenses – recreation and culture

Sub-function	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Broadcasting	1,857	1,897	1,909	1,940	1,971
Arts and cultural heritage	2,329	2,344	2,325	2,278	2,309
Sport and recreation	939	1,229	1,402	1,396	1,490
National estate and parks	859	821	839	845	838
Total recreation and culture	**5,984**	**6,292**	**6,475**	**6,459**	**6,608**

Total expenses under the recreation and culture function are estimated to increase by 5.0 per cent over the period 2026–27 to 2029–30. This is primarily driven by an increase in **sport and recreation** expenses, reflecting the Government's investment in venue infrastructure for the 2032 Brisbane Olympic and Paralympic Games.

Broadcasting expenses reflect the 5-year funding terms for the Australian Broadcasting Corporation and Special Broadcasting Service Corporation that commenced on 1 July 2023, and include expenses for both general operational activities and transmission and distribution services.

Expenses under **arts and cultural heritage** are estimated to remain broadly stable over the period 2026–27 to 2029–30. The expenditure mainly reflects estimated payments by Creative Australia and under the Australian Screen Production Incentive.

National estate and parks expenses are estimated to remain broadly stable over the period 2026–27 to 2029–30, reflecting additional investment through the 2026–27 Budget measures *Oceans Leadership Package – Australian Marine Parks and marine parks management* and *Protecting and Restoring the Great Barrier Reef – continuing funding*.

Fuel and energy

The fuel and energy function accounts for 1.8 per cent of total expenses in 2026–27 and includes expenses for the Fuel Tax Credits and Product Stewardship for Oil schemes administered by the Australian Taxation Office. It also includes expenses related to improving Australia's energy efficiency, resource related initiatives, and programs to support the production and use of renewable energy.

Table 6.12: Summary of expenses – fuel and energy

Sub-function	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Fuel and energy	19,160	15,207	17,586	16,723	17,256
Fuel Tax Credits Scheme	*8,817*	*10,720*	*11,400*	*12,076*	*12,799*
Resources and energy	*6,147*	*2,606*	*2,353*	*2,257*	*2,672*
Renewable energy	*3,761*	*1,464*	*3,504*	*2,080*	*1,511*
Other	*435*	*416*	*329*	*309*	*275*
Total fuel and energy	**19,160**	**15,207**	**17,586**	**16,723**	**17,256**

Total fuel and energy expenses are estimated to increase by 13.5 per cent over the period 2026–27 to 2029–30.

Expenses for the **fuel tax credits scheme**, are expected to increase over the period 2026–27 to 2029–30. This follows subdued expenditure in 2025–26 and 2026–27, primarily due to more than halving the fuel excise and reducing the heavy vehicle road user charge to zero for three months from 1 April 2026. Expenses are expected to continue increasing from 2027–28 to 2029–30 largely reflecting an expected increase in the use of fuels that are eligible for the Fuel Tax Credits Scheme.

Resources and energy expenses are expected to peak in 2025–26 before returning to a stable level from 2026–27. The peak in 2025–26 is attributable to the 2025–26 Budget measure *Energy Bill Relief Fund Extension* and a strong uptake of the 2025 PEFO measure *Cheaper Home Batteries Program*.

Expenses for **renewable energy** are expected to fluctuate over the period 2025–26 to 2029–30 reflecting the profile of expenses for the concessional component of the concessional loan deployment by the Clean Energy Finance Corporation.

Agriculture, forestry and fishing

The agriculture, forestry and fishing function accounts for 0.6 per cent of total expenses in 2026–27 and includes expenses to support assistance to primary producers, forestry, fishing, land and water resources management, biosecurity services, and contributions to research and development.

Table 6.13: Summary of expenses – agriculture, forestry and fishing

Sub-function	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Wool industry	56	73	79	84	84
Grains industry	329	387	394	421	423
Dairy industry	59	58	57	57	57
Cattle, sheep and pig industry	314	326	311	301	289
Fishing, horticulture and other agriculture	613	551	487	401	403
General assistance not allocated to specific industries	53	65	50	51	52
Rural assistance	443	434	427	358	278
Natural resources development	1,299	1,336	742	446	338
General administration	1,550	1,518	1,485	1,496	1,517
Total agriculture, forestry and fishing	**4,715**	**4,748**	**4,031**	**3,616**	**3,441**

Total expenses for agriculture, forestry and fishing are estimated to decrease by 27.5 per cent over the period 2026–27 to 2029–30. The expected decrease largely reflects the reduction in **natural resources development** primarily due to the schedule of water reform activities to deliver the Murray–Darling Basin Plan 2012 by the 31 December 2027 deadline set out in the *Water Amendment (Restoring Our Rivers) Act 2023*.

Mining, manufacturing and construction

The mining, manufacturing and construction function accounts for 0.7 per cent of total expenses in 2026–27 and includes expenses for programs designed to promote the efficiency and competitiveness of Australian industries. The major components include the Research and Development Tax Incentive and industry assistance programs.

Table 6.14: Summary of expenses – mining, manufacturing and construction

Sub-function	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Mining, manufacturing and construction	5,358	5,563	5,895	5,309	5,624
Research and development tax Incentive	*4,227*	*4,535*	*4,762*	*3,310*	*3,408*
Growing business investment	*218*	*218*	*108*	*401*	*424*
Northern Australia Infrastructure Facility	*62*	*60*	*83*	*95*	*126*
Other	*851*	*750*	*942*	*1,502*	*1,667*
Total mining, manufacturing and construction	**5,358**	**5,563**	**5,895**	**5,309**	**5,624**

Total expenses for mining, manufacturing and construction are expected to remain relatively stable from 2026–27 to 2029–30.

Expenses for the **research and development tax incentive** component are expected to increase over the period 2025–26 to 2027–28 due to increases in the number and value of expected claims from eligible companies, before decreasing in 2028–29 and 2029–30 as a result of the 2026–27 Budget measure *Tax Reform – better targeting the Research and Development Tax Incentive*.

Expenses under the **other** component are expected to increase significantly over the period 2026–27 to 2029–30, largely driven by the Critical Minerals Production Tax Incentive, commencing from 2027–28.

Transport and communication

The transport and communication function accounts for 1.8 per cent of total expenses in 2026–27 and includes expenses to support the infrastructure and regulatory framework for Australia's transport and communication sectors. Expenses for the transport and communication function primarily reflect the Government's investment in road and rail transport through the Infrastructure Investment Program. This function also includes expenditure for communications activities and support for the digital economy through the Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts, and the Australian Communications and Media Authority.

Table 6.15: Summary of expenses – transport and communication

Sub-function	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Communication	1,223	1,268	1,042	967	949
Rail transport	5,031	2,708	2,536	2,922	3,922
Air transport	534	426	325	350	292
Road transport	9,138	9,935	10,525	10,004	7,246
Sea transport	646	654	589	593	548
Other transport and communication	357	348	304	282	260
Total transport and communication	**16,928**	**15,338**	**15,321**	**15,118**	**13,217**

Total expenses under this function are estimated to decrease by 13.8 per cent over the period 2026–27 to 2029–30, with movements in the function largely reflecting the timing of priority infrastructure projects under the Infrastructure Investment Program.

Communication expenses are estimated to decrease over the period 2025–26 to 2029–30, primarily reflecting the funding profile for the *Better Connectivity Plan for Regional and Rural Australia*.

Rail transport expenses are estimated to decrease from 2025–26 to 2027–28 before increasing in 2028–29 and 2029–30, reflecting the delivery schedules for major rail infrastructure projects, including Suburban Rail Loop East, projects under the METRONET program and Melbourne Airport Rail Link.

Road transport expenses are estimated to increase from 2025–26 to 2027–28 before decreasing in 2028–29 and 2029–30, reflecting investment in priority road infrastructure projects and realignment of funding to more accurately reflect project delivery schedules.

Other economic affairs

The other economic affairs function accounts for 1.7 per cent of total expenses in 2026–27 and includes expenses on tourism and area promotion, labour market assistance, immigration, industrial relations, and other economic affairs not elsewhere classified (nec).

Table 6.16: Summary of expenses – other economic affairs

Sub-function	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Tourism and area promotion	198	189	182	179	183
Vocational and industry training	2,476	1,873	1,653	1,681	1,674
Labour market assistance to job seekers and industry	2,559	2,817	2,688	2,720	2,698
Industrial relations	1,088	1,077	1,065	1,047	1,053
Immigration	4,536	3,993	3,313	3,246	3,300
Management of unlawful non-citizens	*2,186*	*1,828*	*1,605*	*1,634*	*1,669*
Citizenship, visas and migration	*1,134*	*1,162*	*895*	*829*	*833*
Regional co-operation and refugee and humanitarian assistance	*1,217*	*1,002*	*814*	*784*	*798*
Other economic affairs nec	3,811	3,825	3,647	3,437	3,438
Total other economic affairs	**14,669**	**13,773**	**12,547**	**12,310**	**12,345**

Total expenses for other economic affairs are estimated to decrease by 10.4 per cent over the period 2026–27 to 2029–30 largely reflecting forecast reductions in expenses for **immigration** and **other economic affairs nec**.

Vocational and industry training expenses are estimated to decrease over the period 2026–27 to 2029–30, primarily reflecting reforms to the Australian Apprenticeship Incentive System in line with the *Strategic Review of the Australian Apprenticeship Incentive System*. The decrease is partially offset by additional support the Government is providing to apprentices and their employers through the 2025–26 Budget measure *Building Australia's Future – Increased Support for Apprentices*, which commenced 1 July 2025 to provide targeted incentives to boost apprenticeship commencements in critical construction occupations.

The **immigration** sub-function includes the provision of migration and citizenship services, the management of unlawful non-citizens, regional cooperation, and refugee and humanitarian assistance. **Immigration** expenses are expected to decrease over the period 2026–27 to 2029–30, primarily reflecting forecast reductions in the transitory population in the offshore processing centre, and persons accessing migrant and humanitarian services.

Expenses for **other economic affairs nec** are expected to decrease over the period 2026–27 to 2029–30, reflecting a decrease in departmental expenses for programs with terminating funding.

Other purposes

The other purposes function accounts for 19.6 per cent of total expenses in 2026–27 and includes expenses incurred in the servicing of public debt interest and assistance to state, territory and local governments. This function also includes expenses related to natural disaster relief, the contingency reserve, and the nominal interest on unfunded liabilities for government superannuation benefits.

Table 6.17: Summary of expenses – other purposes

Sub-function	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Public debt interest	27,629	31,886	36,921	41,865	46,873
Nominal superannuation interest	14,803	15,884	16,336	16,708	17,092
General purpose inter-government transactions	107,887	111,062	118,998	124,964	130,674
Natural disaster relief	2,936	865	631	178	129
Contingency reserve	-4,045	3,925	10,552	13,640	22,434
Total other purposes	**149,210**	**163,622**	**183,438**	**197,356**	**217,203**

Total expenses for other purposes are estimated to increase by 32.7 per cent over the period 2026–27 to 2029–30.

The main drivers of the increase in other purposes expenses are **general purpose inter-government transactions**, **public debt interest** and the **contingency reserve**.

Public debt interest expenses are expected to increase over the period 2026–27 to 2029–30, largely reflecting higher debt servicing costs. Additional information on government debt is available in *Statement 7: Debt*.

The increase in **nominal superannuation interest** expenses from 2025–26 to 2026–27 primarily reflects the use of updated discount rates. In accordance with accounting standards, superannuation expenses for 2025–26 are calculated using the long-term government bond rate that best matched each individual scheme's duration of liabilities at the start of the financial year. These rates were between 3.8 and 5.0 per cent per year. In preparing the latest Long Term Cost Reports, the scheme actuaries determined that a discount rate of 5.0 per cent should be applied to the estimates in the budget year and forward estimates.

General purpose inter-government transactions expenses are made up of general revenue assistance paid to state and territory governments and local government assistance and are expected to increase over the period 2026–27 to 2029–30. Nearly all these expenses relate to general revenue assistance, largely comprised of payments of GST entitlements provided to state and territory governments on an 'untied' basis. Payments to state and territory governments tied to specific purposes are reported under the relevant functions in this Statement. Further information on general revenue assistance to the states and territories can be found in Budget Paper No. 3, *Federal Financial Relations*.

Expenses for **natural disaster relief** reflect financial support provided by the Australian Government to states and territories under the Disaster Recovery Funding Arrangements. The majority of funding over the period 2026–27 to 2029–30 reflects expected payments to the states and territories in relation to disaster events that have already occurred. As provisions are not generally made for future disasters, the amount reduces over time.

The **contingency reserve** is estimated to increase expenses by $50.6 billion over the period 2026–27 to 2029–30. Around half of this is the conservative bias allowance, which makes provision for the tendency for the estimate of expenses for existing government policy (excluding GST payments to the states) to be revised upwards in the forward years. The 2026–27 Budget includes a conservative bias allowance provision of:

- nil in the Budget year, 2026–27
- half of a percentage point of total general government sector expenses in the first forward year, 2027–28 ($3.8 billion)
- 1.0 per cent of general government sector expenses in the second forward year, 2028–29 ($7.8 billion)
- 2.0 per cent of general government sector expenses in the third forward year, 2029–30 ($16.3 billion).

The drawdown of the conservative bias allowance decreased expenses by $1.8 billion in 2026–27, $1.8 billion in 2027–28, $3.7 billion in 2028–29 and $3.2 billion in 2029–30. This is consistent with long standing practice and does not represent a saving or offset to spending measures.

The contingency reserve includes provisions to reflect:

- the Government's commitment to provide $1.1 billion over four years from 2026–27 to increase the Accommodation Supplement and additional payments for high supported resident ratios in residential aged care as part of the response to the *Residential Aged Care Accommodation Pricing Review*
- the Government's commitment to increase Australia's investment in health and medical research through increased disbursements from the Medical Research Future Fund
- ongoing negotiations with the states and territories on the implementation of the National Gun Buyback Scheme
- the balance of the Government's commitment to the development of a Defence precinct at Henderson in Western Australia.

In general, the contingency reserve can include:

- commercial-in-confidence and national security-in-confidence items that cannot be disclosed separately
- financial assistance to state and territory governments for future programs and reforms subject to negotiations, including commitments made by National Cabinet such as the establishment of Foundational Supports
- the effect on the budget and forward estimates of economic parameter revisions received late in the process that are not able to be allocated to individual entities or functions
- decisions taken but not yet announced by the Government and decisions made too late for inclusion against individual entity estimates
- provisions for other specific events and policy changes that may impact the budget estimates
- a provision for underspends in the current financial year reflecting the tendency for budgeted expenses for some entities or functions not to be met.

General government net capital investment

Net capital investment is broadly defined as the sale and acquisition of non-financial assets, less depreciation expenses. It provides a measure of the overall growth in capital assets (including buildings and infrastructure, specialist military equipment, and computer software) after taking into account depreciation and amortisation as previously acquired assets age.

Government capital spending involves the acquisition of physical assets and financial assets, and the provision of grants and subsidies to others (primarily state and territory governments), which they then use to acquire assets.

Australian Government general government sector net capital investment is expected to decrease from $12.0 billion in 2026–27 to $9.3 billion in 2029–30. This decrease is primarily driven by net capital investments in the general public services and agriculture, forestry and fishing functions.

Details of movements are further explained in the following section.

Table 6.18: Estimates of total net capital investment

	MYEFO	Revised	Estimates			
	2025-26	2025-26	2026-27	2027-28	2028-29	2029-30
Total net capital investment ($m)	**11,173**	**11,158**	**11,986**	**10,181**	**10,188**	**9,348**
Per cent of GDP	0.4	0.4	0.4	0.3	0.3	0.3

Reconciliation of net capital investment since the 2025 PEFO

A reconciliation of the net capital investment estimates, showing the effect of policy decisions and parameter and other variations since the 2025 PEFO and the 2025–26 MYEFO, is provided in Table 6.19.

Table 6.19: Reconciliation of net capital investment estimates

	Estimates				
	2025-26	2026-27	2027-28	2028-29	Total
	$m	$m	$m	$m	$m
2025 PEFO net capital investment	**8,774**	**9,140**	**12,026**	**10,196**	**40,136**
Changes from 2025 PEFO to 2025-26 MYEFO					
Effect of policy decisions(a)	609	795	366	103	1,873
Effect of parameter and other variations	1,790	492	-2,413	77	-54
Total variations	**2,399**	**1,287**	**-2,046**	**180**	**1,819**
2025-26 MYEFO net capital investment	**11,173**	**10,427**	**9,980**	**10,376**	**41,955**
Changes from 2025-26 MYEFO to 2026-27 Budget					
Effect of policy decisions(a)	3	1,667	1,616	-227	3,059
Effect of parameter and other variations	-18	-108	-1,414	39	-1,501
Total variations	**-15**	**1,559**	**202**	**-188**	**1,558**
2026-27 Budget net capital investment	**11,158**	**11,986**	**10,181**	**10,188**	**43,513**

a) Excludes secondary impacts on public debt interest of policy decisions and offsets from the contingency reserve for decisions taken.

Estimated net capital investment for 2026–27 is $2.8 billion higher than estimated in the 2025 PEFO. This consists of an increase of $2.5 billion due to policy decisions and an increase of $0.4 billion due to parameter and other variations, over both the 2025–26 MYEFO and the 2026–27 Budget.

Net capital investment estimates by function

Estimates for Australian Government general government sector net capital investment by function for the period 2025–26 to 2029–30 are provided in Table 6.20.

Table 6.20: Estimates of net capital investment by function

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
General public services	332	1,211	1,267	-230	-407
Defence	8,687	9,581	11,120	12,688	14,388
Public order and safety	355	353	111	-158	-207
Education	39	13	8	0	0
Health	388	160	10	3	-4
Social security and welfare	34	-786	-620	-580	-574
Housing and community amenities	-30	297	318	156	-204
Recreation and culture	350	394	261	-113	-137
Fuel and energy	22	-3	-4	-1	4
Agriculture, forestry and fishing	1,074	949	-17	-46	-45
Mining, manufacturing and construction	-7	-10	-21	-36	-39
Transport and communication	-28	-49	-51	-11	-44
Other economic affairs	-51	-70	-13	-170	-327
Other purposes	-7	-54	-2,188	-1,313	-3,056
Total net capital investment	**11,158**	**11,986**	**10,181**	**10,188**	**9,348**

A significant component of the Government's net capital investment occurs in the defence function and primarily relates to defence capability investments. Major changes in net capital investment are expected in the following functions:

- **Defence** – the increase in net capital investment from 2026–27 to 2029–30 reflects funding for capability investments prioritised through the 2026–27 Budget measure *2026 National Defence Strategy and Integrated Investment Program.*

- **General public services** – the decrease in net capital investment from 2026–27 to 2029–30, largely reflects the timing of estimated renewal of property leases that are due to expire and the timing of building and equipment purchases and refurbishment.

- **Social security and welfare** – the fluctuations in net capital investment over the period 2025–26 to 2029–30 is largely driven by the depreciation and amortisation of prior Commonwealth investments in Services Australia's assets, including ICT capabilities and infrastructure.

- **Agriculture, forestry and fishing** – the decrease in net capital investment from 2026–27 to 2029–30 reflects the schedule of water purchases to deliver the Murray–Darling Basin Plan 2012 by the 31 December 2027 deadline set out in the *Water Amendment (Restoring Our Rivers) Act 2023*.

- **Other purposes** – the variable profile of net capital investment primarily reflects the provisioning in the contingency reserve for anticipated sales of non-financial assets.

Table 6.21 reports the acquisition of non-financial assets by function before taking into account depreciation or amortisation.

Table 6.21: Australian Government general government sector purchases of non-financial assets by function

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
General public services	2,273	2,871	2,918	1,412	1,231
Defence	16,155	17,386	19,469	21,698	23,867
Public order and safety	1,194	1,221	976	705	650
Education	58	35	28	22	22
Health	266	214	93	77	51
Social security and welfare	902	467	359	350	331
Housing and community amenities	544	783	878	664	347
Recreation and culture	929	973	842	475	443
Fuel and energy	35	9	8	12	15
Agriculture, forestry and fishing	1,220	1,106	132	99	102
Mining, manufacturing and construction	36	33	24	11	9
Transport and communication	96	73	67	90	49
Other economic affairs	778	773	821	683	519
Other purposes	1	69	45	62	97
General government purchases of non-financial assets	**24,487**	**26,014**	**26,662**	**26,360**	**27,733**

Appendix A: Expense by function and sub-function

Table A.6.1: Estimates of expenses by function and sub-function

	Actual	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m	$m
General public services						
Legislative and executive affairs	2,406	2,105	1,978	2,119	1,769	1,777
Financial and fiscal affairs	10,764	10,270	10,437	9,740	10,188	9,766
Foreign affairs and economic aid	7,488	10,168	8,326	9,187	8,947	8,650
General research	4,346	4,557	4,470	4,326	4,385	4,139
General services	1,748	1,915	1,379	1,387	1,448	1,490
Government superannuation benefits	6,136	5,944	5,909	6,038	6,174	6,331
Total general public services	**32,887**	**34,959**	**32,499**	**32,796**	**32,912**	**32,153**
Defence	**47,785**	**52,854**	**52,055**	**53,840**	**58,790**	**61,860**
Public order and safety						
Courts and legal services	1,944	2,156	2,228	2,050	2,033	2,072
Other public order and safety	6,573	7,444	7,481	6,355	6,319	6,291
Total public order and safety	**8,517**	**9,601**	**9,709**	**8,405**	**8,352**	**8,363**
Education						
Higher education	11,399	12,040	12,657	13,108	13,616	14,198
Vocational and other education	2,325	2,749	2,902	2,830	2,459	2,121
Schools	31,071	33,009	34,408	35,872	37,471	39,277
Non-government schools	*19,372*	*20,568*	*21,437*	*22,411*	*23,449*	*24,544*
Government schools	*11,699*	*12,440*	*12,970*	*13,461*	*14,023*	*14,733*
School education - specific funding	905	945	936	867	802	740
Student assistance	4,848	15,880	6,095	6,530	6,889	7,263
General administration	354	352	351	327	315	318
Total education	**50,901**	**64,974**	**57,349**	**59,534**	**61,552**	**63,917**
Health						
Medical services and benefits	41,957	44,768	47,199	48,101	49,186	50,578
Pharmaceutical benefits and services	21,414	23,318	24,636	24,885	25,310	24,840
Assistance to the states for public hospitals	30,217	33,925	37,498	40,508	43,743	47,205
Hospital services(a)	1,092	1,220	1,559	1,323	1,221	1,235
Health services	31,259	16,796	19,106	19,216	18,926	18,701
General administration	4,946	5,691	5,490	5,054	4,977	5,037
Aboriginal and Torres Strait Islander health	1,363	1,297	1,431	1,343	1,285	1,320
Total health	**132,249**	**127,015**	**136,918**	**140,430**	**144,648**	**148,915**

Table A.6.1: Estimates of expenses by function and sub-function (continued)

	Actual	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m	$m
Social security and welfare						
Assistance to the aged	101,767	109,975	115,601	119,668	125,355	130,325
Assistance to veterans and dependants	22,016	13,431	11,366	12,374	14,093	14,405
Assistance to people with disabilities	86,338	93,358	98,143	98,768	100,942	103,356
Assistance to families with children	48,193	51,750	53,863	55,186	56,979	58,794
Assistance to the unemployed and the sick	16,728	17,641	18,304	17,864	17,662	18,069
Other welfare programs	1,703	1,801	1,853	2,198	2,197	2,205
Assistance for Indigenous Australians nec	3,031	3,938	3,540	3,446	3,169	3,121
General administration	5,704	5,912	6,067	5,655	4,805	4,722
Total social security and welfare	**285,479**	**297,805**	**308,737**	**315,159**	**325,203**	**334,998**
Housing and community amenities						
Housing	3,297	4,374	7,213	5,401	5,176	5,867
Urban and regional development	2,821	2,056	1,614	912	1,193	686
Environment protection	2,211	2,401	2,627	1,888	1,359	1,277
Total housing and community amenities	**8,330**	**8,831**	**11,454**	**8,201**	**7,728**	**7,829**
Recreation and culture						
Broadcasting	1,792	1,857	1,897	1,909	1,940	1,971
Arts and cultural heritage	2,531	2,329	2,344	2,325	2,278	2,309
Sport and recreation	809	939	1,229	1,402	1,396	1,490
National estate and parks	834	859	821	839	845	838
Total recreation and culture	**5,966**	**5,984**	**6,292**	**6,475**	**6,459**	**6,608**
Fuel and energy	**14,954**	**19,160**	**15,207**	**17,586**	**16,723**	**17,256**
Agriculture, forestry and fishing						
Wool industry	46	56	73	79	84	84
Grains industry	269	329	387	394	421	423
Dairy industry	60	59	58	57	57	57
Cattle, sheep and pig industry	261	314	326	311	301	289
Fishing, horticulture and other agriculture	521	613	551	487	401	403
General assistance not allocated to specific industries	46	53	65	50	51	52
Rural assistance	299	443	434	427	358	278
Natural resources development	849	1,299	1,336	742	446	338
General administration	1,449	1,550	1,518	1,485	1,496	1,517
Total agriculture, forestry and fishing	**3,801**	**4,715**	**4,748**	**4,031**	**3,616**	**3,441**

Table A.6.1: Estimates of expenses by function and sub-function (continued)

	Actual	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m	$m
Mining, manufacturing and construction	**4,937**	**5,358**	**5,563**	**5,895**	**5,309**	**5,624**
Transport and communication						
Communication	1,723	1,223	1,268	1,042	967	949
Rail transport	4,245	5,031	2,708	2,536	2,922	3,922
Air transport	412	534	426	325	350	292
Road transport	8,957	9,138	9,935	10,525	10,004	7,246
Sea transport	499	646	654	589	593	548
Other transport and communication	407	357	348	304	282	260
Total transport and communication	**16,244**	**16,928**	**15,338**	**15,321**	**15,118**	**13,217**
Other economic affairs						
Tourism and area promotion	196	198	189	182	179	183
Vocational and industry training	2,113	2,476	1,873	1,653	1,681	1,674
Labour market assistance to job seekers and industry	2,268	2,559	2,817	2,688	2,720	2,698
Industrial relations	1,044	1,088	1,077	1,065	1,047	1,053
Immigration	3,758	4,536	3,993	3,313	3,246	3,300
Other economic affairs nec	3,516	3,811	3,825	3,647	3,437	3,438
Total other economic affairs	**12,895**	**14,669**	**13,773**	**12,547**	**12,310**	**12,345**
Other purposes						
Public debt interest	23,868	27,629	31,886	36,921	41,865	46,873
Nominal superannuation interest	14,250	14,803	15,884	16,336	16,708	17,092
General purpose inter-government transactions	99,937	107,887	111,062	118,998	124,964	130,674
Natural disaster relief	7,071	2,936	865	631	178	129
Contingency reserve	0	-4,045	3,925	10,552	13,640	22,434
Total other purposes	**145,126**	**149,210**	**163,622**	**183,438**	**197,356**	**217,203**
Total expenses	**770,071**	**812,063**	**833,262**	**863,659**	**896,074**	**933,727**

a) The hospital services sub-function predominantly reflects Commonwealth funding to the states and territories for veterans' hospital services.

Statement 7: Debt Statement

Gross debt and net debt are expected to be lower in every year of the forward estimates and medium term than estimated at the 2025–26 Mid-Year Economic and Fiscal Outlook (MYEFO).

Gross debt in 2026–27 is $18 billion lower than MYEFO and $173 billion lower than the 2022 PEFO. The improvement since the 2022 PEFO means more than $70 billion in avoided interest costs over the 11 years to 2032–33.

Gross debt is estimated to be 34.0 per cent of GDP at the end of 2026–27, 1.4 percentage points lower than estimated at MYEFO. Gross debt is expected to peak at 35.8 per cent of GDP at the end of 2028–29, 1.2 percentage points lower than the peak at MYEFO, before falling to 27.2 per cent in 2036–37.

Net debt in 2026–27 is expected to be 19.9 per cent of GDP, 1.5 percentage points of GDP lower than estimated at MYEFO.

Interest payments on Australian Government Securities are estimated to be $27.7 billion in 2026–27, increasing to $40.4 billion by 2029–30. Over the five years to 2029–30, total interest payments on AGS are expected to be $1.7 billion lower than estimated at MYEFO. Interest payments are lower because the lower level of gross debt more than offsets the impact of higher yields.

Statement 7 contents

Statement 7: Debt Statement

The Debt Statement provides information on Government gross debt, net debt, Australian Government Securities (AGS) issuance and interest costs.

Australian Government Securities issuance

The Australian Government finances its activities either through receipts or borrowing. When receipts fall short of payments, the Government borrows by issuing AGS.

The Australian Office of Financial Management (AOFM) is responsible for issuing AGS and managing the Government's financing activities. The AOFM exercises operational independence in the execution of its duties. Further details on the AOFM's operations can be found on the AOFM website at www.aofm.gov.au.

Estimates of AGS on issue

Estimates of AGS on issue are published in both face value and market value terms in this Statement.

- The **face value** of AGS on issue (also referred to as gross debt) is the amount the Government pays back to investors at maturity, independent of fluctuations in market prices.[38] The total face value of AGS on issue changes when new securities are issued, or when securities are repurchased or mature.

- The **market value** of AGS on issue represents the value of securities as traded on the secondary market, which changes continuously with movements in market prices (often quoted as a yield to maturity). Consistent with external reporting standards, the market value of AGS on issue is reported in the Australian Government general government sector balance sheet.

The *Commonwealth Inscribed Stock Act 1911* (CIS Act) requires the Treasurer to issue a direction stipulating the maximum face value of relevant AGS that may be on issue. Effective from 7 October 2020, the then Treasurer directed that the maximum face value of AGS that can be on issue is $1,200 billion.

38 For Treasury Indexed Bonds (TIBs), the final repayment amount paid to investors includes an additional amount to reflect the impact of inflation over the life of the security. This additional amount is not included in the calculation of face value.

Gross debt is estimated to be $1,051 billion (34.0 per cent of GDP) at 30 June 2027, increasing to $1,249 billion (35.6 per cent of GDP) at 30 June 2030. Gross debt relative to GDP is expected to be lower than at the 2025–26 MYEFO across each year of the forward estimates.

These declines relative to GDP reflect reductions in the cash financing requirement across the forward estimates, revisions to nominal GDP and lower end-of-year cash holdings by the AOFM.

Table 7.1: Estimates of AGS on issue subject to the Treasurer's Direction(a)(b)

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$b	$b	$b	$b	$b
Face value – end-of-year	982.0	1,051.0	1,120.0	1,193.0	1,249.0
Per cent of GDP	33.1	34.0	35.2	35.8	35.6
Face value – within-year peak	999.9	1,053.0	1,133.0	1,198.0	1,273.0
Per cent of GDP	33.7	34.0	35.6	35.9	36.3
Month of peak	*Feb-26*	*Apr-27*	*May-28*	*Apr-29*	*May-30*
Market value – end-of-year	910.6	987.6	1,063.7	1,147.0	1,214.0
Per cent of GDP	30.7	31.9	33.4	34.4	34.6

a) The Treasurer's Direction applies to the face value of AGS on issue. This table also shows the equivalent market value of AGS that are subject to the Treasurer's Direction.

b) The stock and securities that are excluded from the current limit set by the Treasurer's Direction are outlined in subsection 51JA(2A) of the CIS Act.

Source: AOFM

Changes in AGS on issue since the 2025–26 MYEFO

The decrease in total face value of AGS on issue primarily reflects a reduced borrowing requirement, partially offset by a higher yield assumption for new issuance of AGS.

Aggregate improvements to the Government's fiscal position and lower end-of-year cash holdings by the AOFM[39] have reduced cash borrowing estimates across the forward estimates.

Conversely, recent increases in yields have influenced estimates of AGS on issue. An increase in yields increases the deficit through higher interest payments but also changes the face value of AGS required to meet the Government's financing requirements. The majority of AGS on issue comprises fixed coupon bonds. When yields rise, the price investors are willing to pay for fixed coupon bonds falls so that the rate of return on the bonds adjusts to the prevailing market price or yield. As a result, a greater face value of bonds needs to be issued to raise the same volume of funds.[39,40]

39 This impact is captured in Table 7.2 against 'Other contributors'.

40 For example, on 3 September 2025 the AOFM issued into an existing bond line with a maturity date of 21 March 2036 and a coupon rate of 4.25 per cent. The face value of issuance was $1,000 million but the proceeds received was around $1,006 million. The same Treasury Bond line was also issued on 18 March 2026 when yields were substantially higher, and $948 million was received for the same $1,000 million of face value issued.

Table 7.2: Estimates of AGS on issue subject to the Treasurer's Direction – reconciliation from the 2025–26 MYEFO to the 2026–27 Budget(a)

	2025-26	2026-27	2027-28	2028-29
	$b	$b	$b	$b
Total face value of AGS on issue subject to the Treasurer's Direction as at 2025-26 MYEFO	**993**	**1,069**	**1,142**	**1,213**
Factors affecting the change in face value of AGS on issue from 2025-26 MYEFO to 2026-27 Budget(b)				
Cumulative receipts decisions	3.6	1.3	0.4	-0.5
Cumulative receipts variations	-13.6	-32.4	-48.7	-49.3
Cumulative payment decisions	1.7	10.5	13.8	11.5
Cumulative payment variations	-0.2	9.3	18.2	20.3
Cumulative change in net investments in financial assets(c)	-2.2	2.0	3.2	4.5
Other contributors	-0.4	-8.7	-8.8	-6.5
Total face value of AGS on issue subject to the Treasurer's Direction as at 2026-27 Budget	**982**	**1,051**	**1,120**	**1,193**

a) End-of-year data.
b) Cumulative impact of decisions and variations from 2025–26 to 2028–29. Increases to payments are shown as positive and increases to receipts are shown as negative.
c) Change in net cash flows from investments in financial assets for policy purposes only.

Breakdown of AGS currently on issue

Table 7.3 provides a breakdown of the AGS on issue by type of security as at 1 May 2026.

Table 7.3: Breakdown of current AGS on issue

	On issue as at 1 May 2026	
	Face value	Market value
	$m	$m
Treasury Bonds(a)	878,849	791,951
Treasury Indexed Bonds	40,242	50,313
Treasury Notes	47,500	47,183
Total AGS subject to Treasurer's Direction(b)	**966,592**	**889,447**
Other stock and securities	5	5
Total AGS on issue	**966,597**	**889,452**

a) Includes Green Treasury Bonds
b) The stock and securities that are excluded from the current limit set by the Treasurer's Direction are outlined in subsection 51JA(2A) of the CIS Act.
Source: AOFM.

Treasury Bonds

As at 1 May 2026, there were 29 Treasury Bond lines on issue, with a weighted average term to maturity of around 6.6 years and the longest maturity extending to June 2054.

One Treasury Bond line is the Green Treasury Bond maturing in June 2034. The Government issued its first Green Treasury Bond in June 2024. Green Treasury Bonds provide financing or refinancing for specific government programs that progress Australia's net zero transformation and support Australia's environmental objectives. Annual Allocation and Impact Reports for Green Treasury Bonds are published on the AOFM website.

Table 7.4: Treasury Bonds on issue

Coupon Per cent	Maturity	On issue as at 1 May 2026 $m	Timing of interest payments[(a)]		
0.50	21-Sep-26	39,400	Twice yearly	21-Sep	21-Mar
4.75	21-Apr-27	39,400	Twice yearly	21-Apr	21-Oct
2.75	21-Nov-27	36,000	Twice yearly	21-Nov	21-May
2.25	21-May-28	37,900	Twice yearly	21-May	21-Nov
2.75	21-Nov-28	45,100	Twice yearly	21-Nov	21-May
3.25	21-Apr-29	43,500	Twice yearly	21-Apr	21-Oct
2.75	21-Nov-29	44,500	Twice yearly	21-Nov	21-May
2.50	21-May-30	43,000	Twice yearly	21-May	21-Nov
1.00	21-Dec-30	45,600	Twice yearly	21-Dec	21-Jun
1.50	21-Jun-31	46,000	Twice yearly	21-Jun	21-Dec
1.00	21-Nov-31	45,500	Twice yearly	21-Nov	21-May
1.25	21-May-32	43,200	Twice yearly	21-May	21-Nov
1.75	21-Nov-32	32,500	Twice yearly	21-Nov	21-May
4.50	21-Apr-33	27,700	Twice yearly	21-Apr	21-Oct
3.00	21-Nov-33	28,200	Twice yearly	21-Nov	21-May
3.75	21-May-34	25,000	Twice yearly	21-May	21-Nov
4.25	21-Jun-34	10,000	Twice yearly	21-Jun	21-Dec
3.50	21-Dec-34	29,200	Twice yearly	21-Dec	21-Jun
2.75	21-Jun-35	30,850	Twice yearly	21-Jun	21-Dec
4.25	21-Dec-35	23,900	Twice yearly	21-Dec	21-Jun
4.25	21-Mar-36	25,300	Twice yearly	21-Mar	21-Sep
4.25	21-Oct-36	22,400	Twice yearly	21-Oct	21-Apr
3.75	21-Apr-37	24,000	Twice yearly	21-Apr	21-Oct
4.75	21-Oct-37	16,900	Twice yearly	21-Oct	21-Apr
3.25	21-Jun-39	11,200	Twice yearly	21-Jun	21-Dec
2.75	21-May-41	15,900	Twice yearly	21-May	21-Nov
3.00	21-Mar-47	14,500	Twice yearly	21-Mar	21-Sep
1.75	21-Jun-51	20,600	Twice yearly	21-Jun	21-Dec
4.75	21-Jun-54	11,600	Twice yearly	21-Jun	21-Dec

a) Where the timing of an interest payment falls on a non-business day, the payment will occur on the following business day.

Source: AOFM.

Treasury Indexed Bonds

As at 1 May 2026, there were six Treasury Indexed Bond (TIB) lines on issue, with a weighted average term to maturity of around 8.6 years and the longest maturity extending to February 2050.

Table 7.5: Treasury Indexed Bonds on issue

Coupon Per cent	Maturity	On issue as at 1 May 2026 $m	Timing of interest payments[a]				
0.75	21-Nov-27	7,350	Quarterly	21-Nov	21-Feb	21-May	21-Aug
2.50	20-Sep-30	7,942	Quarterly	20-Sep	20-Dec	20-Mar	20-Jun
0.25	21-Nov-32	6,800	Quarterly	21-Nov	21-Feb	21-May	21-Aug
2.00	21-Aug-35	7,550	Quarterly	21-Aug	21-Nov	21-Feb	21-May
1.25	21-Aug-40	6,000	Quarterly	21-Aug	21-Nov	21-Feb	21-May
1.00	21-Feb-50	4,600	Quarterly	21-Feb	21-May	21-Aug	21-Nov

a) Where the timing of an interest payment falls on a non-business day, the payment will occur on the following business day

Source: AOFM.

Treasury Notes

As at 1 May 2026, there were nine Treasury Note lines on issue. Treasury Notes do not pay a coupon.

Table 7.6: Treasury Notes on issue

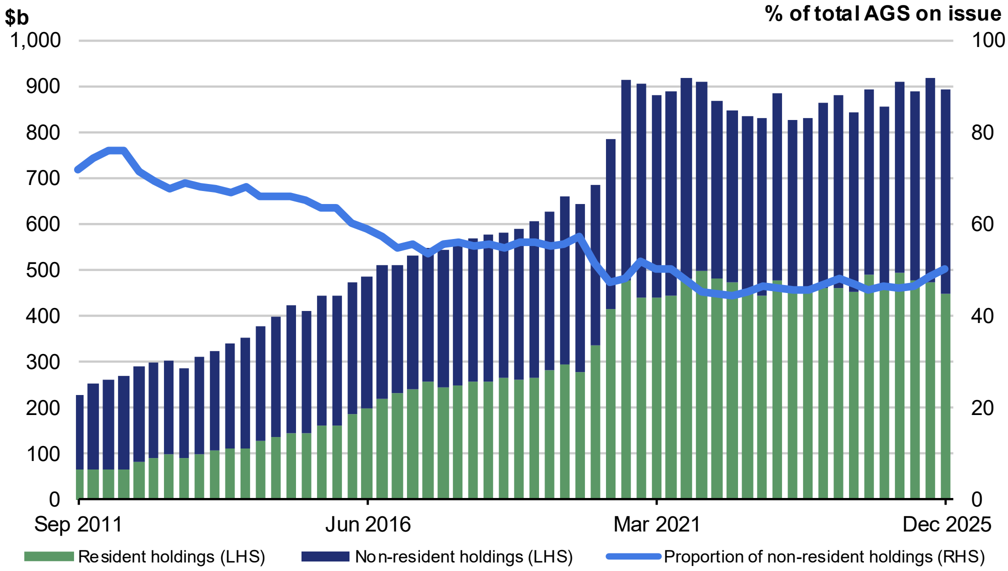
Maturity	On issue as at 1 May 2026 $m	Timing of interest payment	
8-May-26	6,500	At maturity	8-May
22-May-26	8,000	At maturity	22-May
12-Jun-26	7,000	At maturity	12-Jun
26-Jun-26	6,000	At maturity	26-Jun
10-Jul-26	5,000	At maturity	10-Jul
24-Jul-26	6,000	At maturity	24-Jul
7-Aug-26	2,000	At maturity	7-Aug
21-Aug-26	4,000	At maturity	21-Aug
11-Sep-26	3,000	At maturity	11-Sep

Source: AOFM

Non-resident holdings of AGS on issue

As at the December 2025 quarter, the proportion of non-resident holdings of AGS was 50 per cent (Chart 7.1), down from historical highs of around 76 per cent in 2012. While the value of non-resident holdings of AGS has increased significantly over this time, the proportion has fallen since the rate of buying by non-resident investors has not matched the rate of issuance. In addition, the Reserve Bank of Australia's bond purchase operations in 2020 and 2021 reduced the amount of AGS available to other investors, including non-residents.

Chart 7.1: Non-resident holdings of AGS



Note: Data refer to the repo-adjusted market value of holdings.
Source: ABS Balance of Payments and International Investment Position, Australia March 2026, AOFM, RBA.

Net debt

Net debt is equal to the sum of interest-bearing liabilities (which include AGS on issue measured at market value) less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements). As net debt incorporates both selected financial assets and liabilities at their fair value, it provides a broader measure of the Government's financial obligations than gross debt.

Not all government assets or liabilities are included in the measurement of net debt. For example, the Government's unfunded superannuation liability is not accounted for in net debt, nor are holdings of equities, for example, those held by the Future Fund or the Government's equity investment in the NBN.

Table 7.7: Liabilities and assets included in net debt

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Liabilities included in net debt					
Deposits held	416	416	416	416	416
Government securities(a)	910,584	987,626	1,063,702	1,147,053	1,214,034
Loans	32,987	33,670	34,340	34,424	34,360
Lease liabilities	19,215	18,243	17,574	16,517	15,087
Total liabilities included in net debt	**963,202**	**1,039,955**	**1,116,032**	**1,198,411**	**1,263,897**
Assets included in net debt					
Cash and deposits	73,677	63,669	67,839	69,962	71,879
Advances paid	72,420	88,350	100,936	113,722	123,233
Investments, loans and placements	261,106	271,315	278,493	289,210	300,983
Total assets included in net debt	**407,203**	**423,335**	**447,267**	**472,893**	**496,094**
Net debt	**555,999**	**616,621**	**668,765**	**725,518**	**767,803**

a) Government securities are presented at market value.

Changes in net debt since the 2025–26 MYEFO

Net debt is expected to be lower in 2026–27, and across each year of the forward estimates compared to the 2025–26 MYEFO. The improvement in 2026–27 primarily reflects changes to the financing requirement and the impact of higher yields, which have reduced the market value of AGS on issue. As yields increase, the fixed income stream from existing Treasury Bonds becomes relatively less attractive to investors, which results in a lower market value.

Table 7.8: Net debt – reconciliation from the 2025–26 MYEFO to the 2026–27 Budget

	2025-26	2026-27	2027-28	2028-29
	$b	$b	$b	$b
Net debt as at 2025-26 MYEFO	**587.5**	**646.9**	**700.4**	**754.8**
Changes in financing requirement	-10.7	-21.5	-29.4	-32.1
Impact of yields on AGS	-21.2	-18.7	-15.1	-11.3
Asset and other liability movements	0.5	10.0	12.9	14.1
Cash and deposits	*-0.1*	*12.3*	*12.4*	*14.0*
Advances paid	*1.4*	*-0.4*	*-0.1*	*-0.7*
Investments, loans and placements	*-0.2*	*-1.1*	*1.8*	*2.1*
Other movements	*-0.6*	*-0.8*	*-1.3*	*-1.3*
Total movements in net debt from 2025-26 MYEFO to 2026-27 Budget	**-31.5**	**-30.3**	**-31.6**	**-29.3**
Net debt as at 2026-27 Budget	**556.0**	**616.6**	**668.8**	**725.5**

Interest on AGS

Estimates of the interest payments and expense of AGS on issue include the cost of AGS already on issue and future AGS issuance.

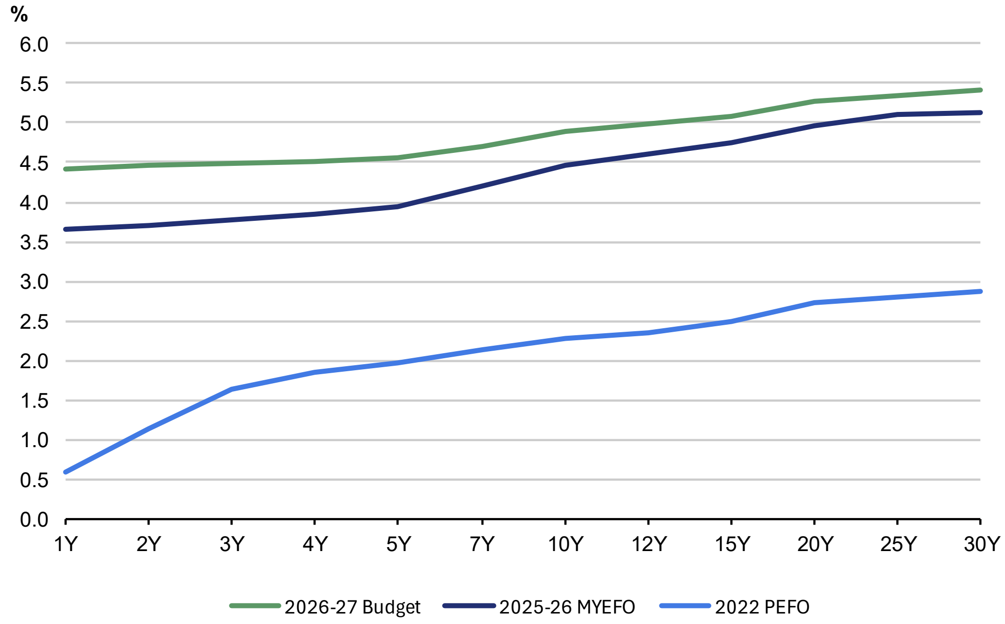
- The cost of AGS already on issue reflects the actual yield at the time of issuance.
- The expected cost of future AGS issuance is based on a recent average of daily spot rates across the yield curve at the time of a budget estimates update.

Interest payments on AGS are estimated to be lower across the forward estimates compared to the 2025–26 MYEFO. The decrease is driven by lower issuance of debt compared to MYEFO, and is partially offset by the impact of higher yields.

Chart 7.2 shows the yield curve assumptions underpinning the 2022 PEFO, 2025–26 MYEFO and 2026–27 Budget. Yields have increased across the yield curve since the 2025–26 MYEFO. In addition, the yield curve has flattened as yields on short tenor securities have increased more significantly than those with a longer tenor.

The assumed weighted average cost of borrowing has increased to 4.8 per cent for future issuance of Treasury Bonds over the forward estimates in this update. This is higher than the assumed weighted average yields of 4.4 per cent at the 2025–26 MYEFO and 2.2 per cent at the 2022 PEFO.

Chart 7.2: Yield curve assumptions from 2026–27 to 2029–30



Source: Treasury.

By the end of the forward estimates total interest payments are estimated to be $42.3 billion, of which $40.4 billion relates to AGS on issue (Table 7.9). Compared to the 2025–26 MYEFO, total interest payments as a share of GDP are estimated to improve slightly across the forward estimates.

Interest receipts as a share of GDP are estimated to remain unchanged in each year of the forward estimates compared to the 2025–26 MYEFO.

Net interest payments as a share of GDP are estimated to improve to 0.6 per cent in 2026–27, and remain lower across the forward estimates, compared to the 2025–26 MYEFO.

Table 7.9: Interest payments, interest receipts and net interest payments[(a)]

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Interest payments on AGS	25,220	27,690	34,589	36,226	40,425
Per cent of GDP	0.9	0.9	1.1	1.1	1.2
Interest payments(b)	27,058	29,566	36,364	38,026	42,264
Per cent of GDP	0.9	1.0	1.1	1.1	1.2
Interest receipts	9,329	9,636	9,696	10,056	10,538
Per cent of GDP	0.3	0.3	0.3	0.3	0.3
Net interest payments(c)	17,729	19,930	26,668	27,970	31,726
Per cent of GDP	0.6	0.6	0.8	0.8	0.9

a) Interest payments and receipts are a cash measure, with the relevant amount recognised in the period in which the interest payment is made or interest is received.
b) Interest payments include interest payments on AGS, loans and other borrowing, as well as interest payments on lease liabilities.
c) Net interest payments are equal to the difference between interest payments and interest receipts.

Interest costs related to AGS are also presented on accrual accounting terms. The difference between the cash interest payments and accrual interest expense generally relates to the timing of when the interest cost is recognised.

- Interest payments are recognised in the period when they are paid during the life of the security.
- Interest expense is recognised in the period in which an expense is incurred during the life of the security, rather than when it is actually paid.

Table 7.10 shows changes in interest expense, interest income and net interest expense over the forward estimates.

Table 7.10: Interest expense, interest income and net interest expense[(a)]

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Interest expense on AGS	27,619	31,876	36,911	41,855	46,863
Per cent of GDP	0.9	1.0	1.2	1.3	1.3
Total interest expense(b)	38,310	43,364	48,806	51,533	55,720
Per cent of GDP	1.3	1.4	1.5	1.5	1.6
Interest income	10,216	11,224	11,697	12,433	13,339
Per cent of GDP	0.3	0.4	0.4	0.4	0.4
Net interest expense(c)	28,094	32,140	37,109	39,100	42,381
Per cent of GDP	0.9	1.0	1.2	1.2	1.2

a) Interest expense is an accrual measure, with the relevant amount recognised in the period in which the expense is incurred, but not necessarily paid.
b) Interest expense includes interest expense on AGS, loans and other borrowing, as well as interest expense on lease liabilities and other financing costs (including debt not expected to be repaid (DNER)).
c) Net interest expense is equal to the difference between interest expenses and interest income.

Statement 8: Forecasting Performance and Sensitivity Analysis

Economic and fiscal forecasts and projections in the Budget are underpinned by a range of assumptions and judgements based on the best available information at the time of preparation. In practice, economic and fiscal circumstances can evolve in ways that differ from expectations.

This statement assesses:

1. The performance of past forecasts based on the variance between forecasts and actuals.

2. The uncertainty around current forecasts using confidence interval analysis.

3. The sensitivity of current forecasts to changes in key assumptions:

   – Oil prices

   – Yields on Australian Government Securities.

The fiscal impact of key developments and Australia's climate change outlook are considered in *Budget Statement 3: Fiscal Strategy and Outlook*.

Forecasts are based on assumptions and judgements. Forecast accuracy depends on whether assumptions and judgements prove to be correct, and the reliability of the modelled economic and fiscal relationships.

Statement 8 contents

Statement 8: Forecasting Performance and Sensitivity Analysis

Assessing past forecasting performance

This section assesses the variance between historical forecasts and outcomes (forecast errors) for real and nominal GDP, tax receipts, non-tax receipts, payments and the underlying cash balance.

Forecasts are prepared using a range of techniques:

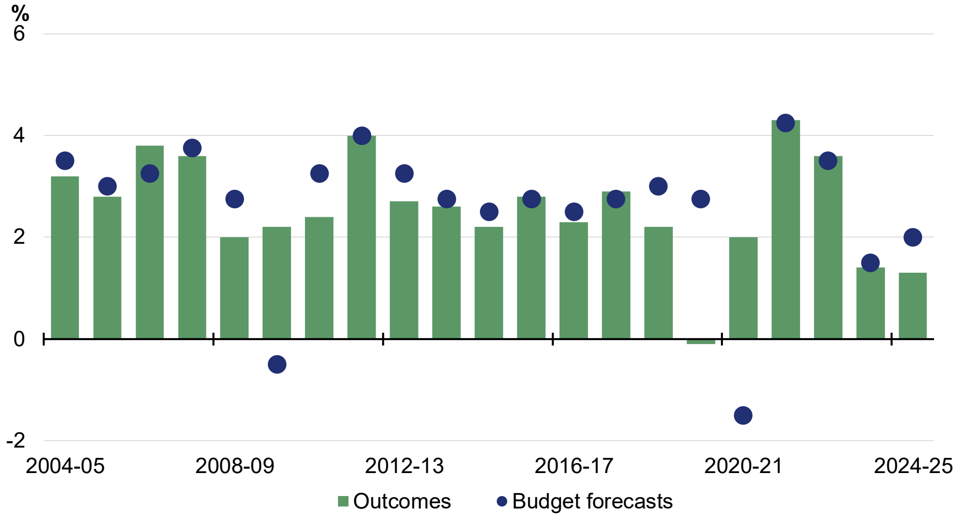
- Macroeconomic forecasts are prepared consistent with a national accounting framework using econometric models, analysis and professional judgement.
- Tax receipts forecasts are generally prepared using a 'base plus growth' methodology. The last outcome for each head of revenue is the base to which growth rates are applied, using appropriate economic parameters. Forecasts are then updated to include costings of new policy.
- Payments forecasts are generally prepared through analysis of payment program data, costings for new policies and historical trends in programs, in consultation with relevant agencies.

Economic forecasting performance

Real GDP forecasts incorporate technical assumptions for exchange rates, interest rates and commodity prices. The forecasts are informed by a macroeconomic model and incorporate long-term trend assumptions, and judgements about how domestic and international developments might affect Australia's economy.

Real GDP grew 1.3 per cent in 2024–25, which is weaker than the growth forecast at the 2024–25 Budget (Chart 8.1). A key driver was weaker than expected growth in household consumption, partially offset by stronger than expected growth in public final demand.

Chart 8.1: Comparison of forecasts and outcomes for real GDP growth

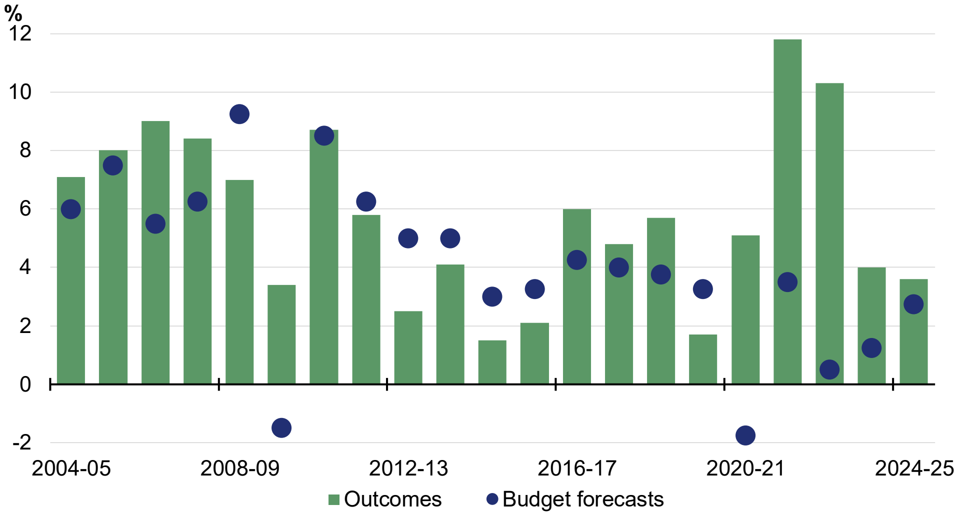


Note: Outcome is as published in the December quarter 2025 National Accounts. Forecast is that published in the Budget for that year. For 2022–23, the forecast is from the March 2022–23 Budget.
Source: ABS Australian National Accounts: National Income, Expenditure and Product and Budget papers.

Price movements underpinning nominal GDP forecasts create greater uncertainty compared with real GDP forecasts. Price uncertainty relates to domestic prices and wages, exchange rates, prices of imported goods, and world prices for Australia's exports including commodities. Since the early 2000s, nominal GDP forecast errors have largely reflected volatility in global commodity prices. These prices have exhibited higher-than-usual volatility in recent years, and have generally remained above assumed conservative anchor prices for an extended period. This is partly due to the conflict in the Middle East and Ukraine.

Nominal GDP grew by 3.6 per cent in 2024–25 rather than 2¾ per cent forecast at the 2024–25 Budget (Chart 8.2). While real GDP growth was lower than expected, prices across the economy were higher than expected.

Chart 8.2: Comparison of forecasts and outcomes for nominal GDP growth



Note: Outcome is as published in the December quarter 2025 National Accounts. Forecast is that published in the Budget for that year. For 2022–23, the forecast is from the March 2022–23 Budget.
Source: ABS Australian National Accounts: National Income, Expenditure and Product and Budget papers.

Fiscal forecasting performance

Fiscal forecast errors are driven by economic and demographic forecast errors, along with unanticipated changes in demand for government programs. Government policies announced after the Budget can also affect fiscal forecast errors. Further information on Budget outcomes can be found in the *2024–25 Final Budget Outcome.*

Total receipts

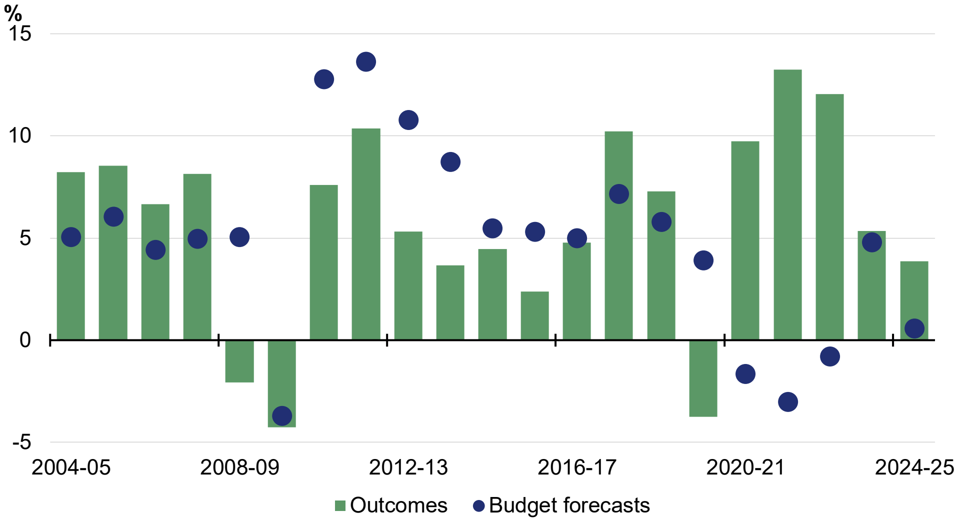
Total receipts are comprised of tax and non-tax receipts (for example, dividends from investment funds). Tax receipts account for around 90 per cent of total receipts and are therefore the main driver of forecasting performance.

Total receipts grew 4.1 per cent in 2024–25 rather than 0.9 per cent forecast at the 2024–25 Budget. Total receipts were $18.5 billion higher than forecast.

Tax receipts

Tax receipts grew 3.9 per cent in 2024–25 rather than 0.6 per cent forecast at the 2024–25 Budget (Chart 8.3). Tax receipts were $15.3 billion higher than forecast. This outcome reflected higher-than-expected personal income tax, superannuation fund taxes and GST, due to higher-than-expected nominal wages and consumption. The forecast error for superannuation fund taxes, which is typically more volatile, also reflected higher-than-expected capital gains. These stronger outcomes were partially offset by weaker-than-expected excise and customs duty receipts, primarily reflecting weakness in tobacco excise collections.

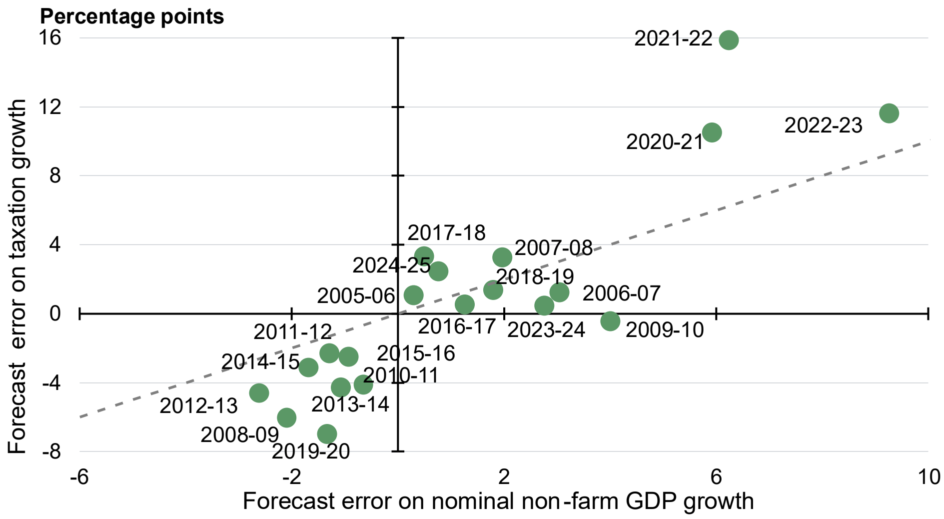
Chart 8.3: Comparison of forecasts and outcomes for tax receipts growth



Source: Budget papers and Treasury.

As shown in Chart 8.4, tax receipts forecast errors are correlated with nominal GDP forecast errors. Tax receipts forecast errors typically exceed nominal GDP forecast errors as marginal tax rates are greater than average tax rates.

Chart 8.4: Forecast errors for nominal non-farm GDP and tax receipts growth(a)



a) Excludes capital gains tax.

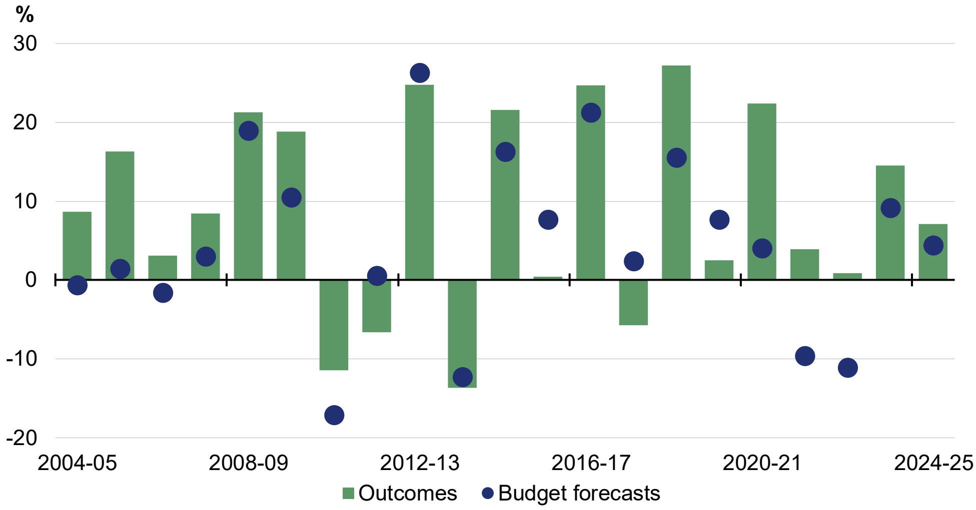
Source: ABS Australian National Accounts: National Income, Expenditure and Product; and Treasury.

Non-tax receipts

Forecast variances in non-tax receipts are generally driven by financial market volatility, which impacts investment earnings and resource royalties.

Non-tax receipts grew 7.1 per cent in 2024–25 rather than 4.4 per cent forecast at the 2024–25 Budget (Chart 8.5). Non-tax receipts were $3.2 billion higher than forecast. This reflected higher-than-expected interest earnings related to Commonwealth Debt Management and higher earnings from the Future Fund and other Australian Government Investment Funds.

Chart 8.5: Comparison of forecasts and outcomes for non-tax receipts growth



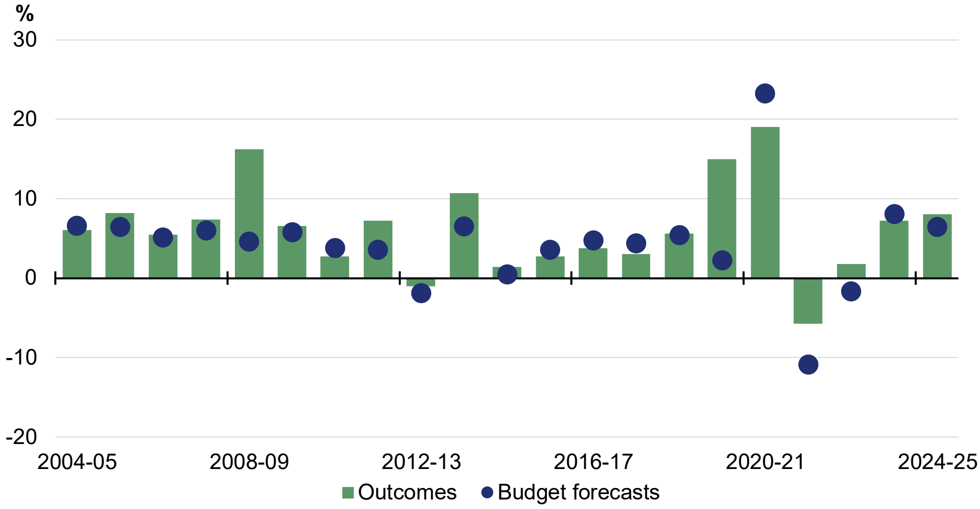
Source: Budget papers and Treasury.

Payments

Payments forecasting performance is affected by growth in indexation factors (for example, CPI growth) and demand for government programs. Demand-driven programs, such as payments to individuals for social welfare, form the bulk of Australian Government expenditure and vary with economic conditions.

Payments grew 8.0 per cent in 2024–25 rather than 6.4 per cent forecast at the 2024–25 Budget (Chart 8.6). Payments were $0.2 billion higher than forecast. This outcome reflected increases in payments to veterans related to the Military Rehabilitation Compensation Acts and for the Disability Support Pension.

Chart 8.6: Comparison of forecasts and outcomes for payments growth



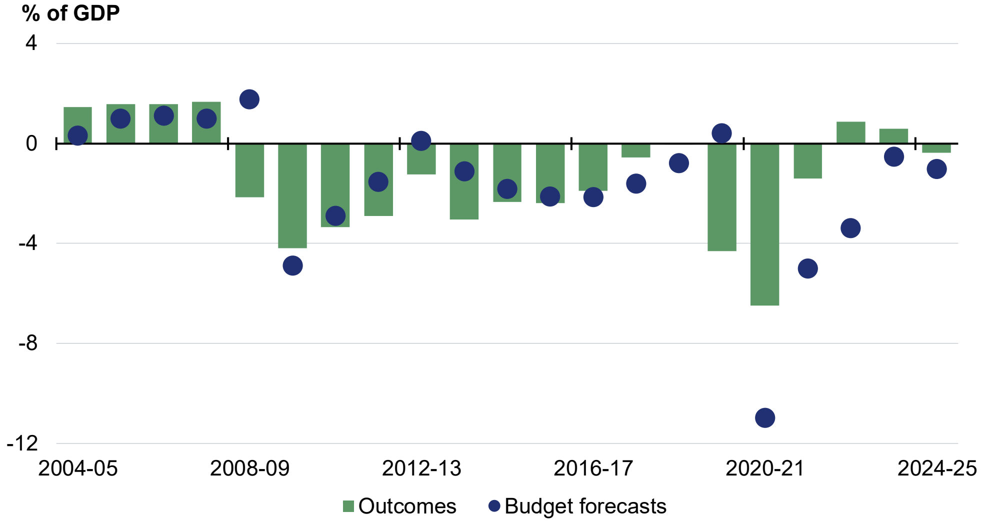
Source: Budget papers and Treasury.

Underlying cash balance

Underlying cash balance forecasting performance is driven by the forecast errors of total receipts and payments.

The underlying cash balance was a deficit of 0.4 per cent of GDP in 2024–25 rather than the forecast deficit of 1.0 per cent of GDP at the 2024–25 Budget (Chart 8.7). The underlying cash balance was $18.3 billion higher than forecast. The better-than expected underlying cash balance outcome in 2024–25 largely reflected higher-than-expected receipts ($18.5 billion), partially offset by higher-than-expected payments ($0.2 billion).

Chart 8.7: Comparison of forecasts and outcomes for underlying cash balance

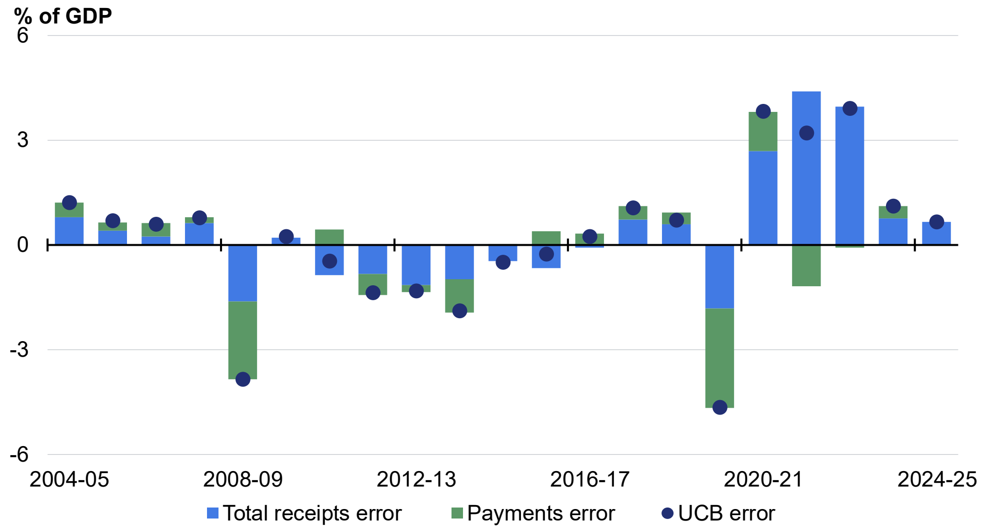


Source: Budget papers and Treasury.

In the past two decades, outside major downturns, the underlying cash balance forecast error largely reflected forecast errors of total receipts (Chart 8.8).

Large forecast errors for payments in 2008–09 and 2019–20 reflected unexpected government payment assistance during the Global Financial Crisis and COVID-19 pandemic. Overestimates of receipts tend to coincide with underestimates of payments during economic shocks, magnifying underlying cash balance forecast errors.

Chart 8.8: Total receipts, payments, and underlying cash balance forecast errors



Source: Budget papers and Treasury.

Assessing forecast uncertainty – confidence interval analysis

Confidence intervals illustrate the uncertainty around current forecasts based on the historical distribution of forecast errors. Confidence interval analysis assumes that future forecast errors are consistent with the distribution of past forecast errors.[1] Based on past forecasting performance, there is a 70 and 90 per cent probability that the actual outcome will lie within the 70 and 90 per cent confidence interval bands.

Future forecast errors may not have the same distribution as historical forecast errors. The large forecast errors in 2019–20 and 2020–21, related to the COVID-19 pandemic, are an example of events not previously captured in the historical error sample. Large disruptive events are difficult to predict and could occur again.

Economic uncertainty based on historical forecast errors

Average annualised growth in real GDP in the three years to 2027–28 is expected to be around 2 per cent. The 70 per cent confidence interval ranges from 1½ per cent to 2½ per cent. The 90 per cent confidence interval ranges from 1 per cent to 3 per cent (Chart 8.9).

Chart 8.9: Confidence intervals around real GDP growth rate forecasts

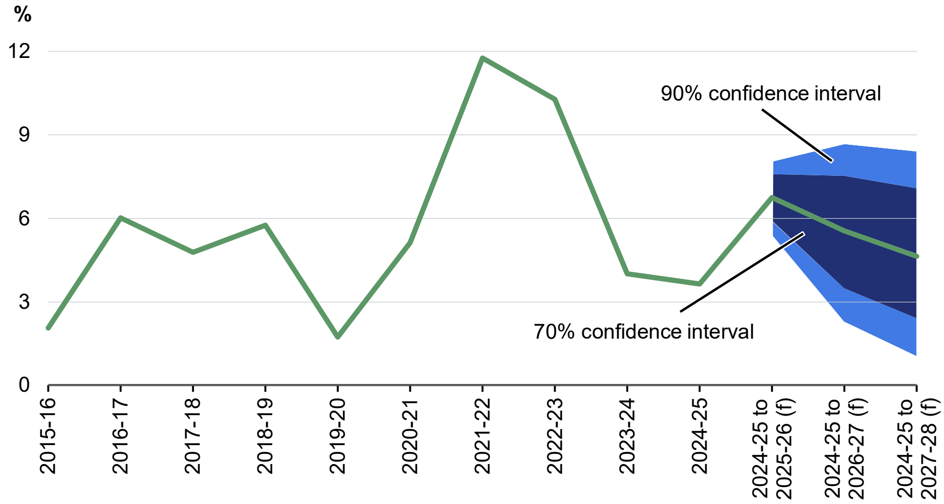
Note: The line shows the outcomes and the 2026–27 Budget forecasts. Annual growth rates are reported for the outcomes. Average annualised growth rates from 2024–25 are reported for 2025–26 onwards. (f) are forecasts. Confidence intervals are based on the root mean squared errors (RMSEs) of Budget forecasts from 1998–99 onwards, with outcomes based on December quarter 2025 National Accounts data.

Source: ABS Australian National Accounts: National Income, Expenditure and Product and Treasury.

1 See Treasury Working Paper: *Estimates of uncertainty around budget forecasts (2013).*

The confidence intervals around the nominal GDP forecasts are wider than those around the real GDP forecasts, reflecting the additional uncertainty around domestic prices and commodity prices. Average annualised growth in nominal GDP in the three years to 2027–28 is expected to be around 4¾ per cent, with the 70 per cent confidence interval ranging from 2½ per cent to 7 per cent. The 90 per cent confidence interval ranges from 1 per cent to 8½ per cent (Chart 8.10).

Chart 8.10: Confidence intervals around nominal GDP growth rate forecasts



Note: The line shows the outcomes and the 2026–27 Budget forecasts. Annual growth rates are reported for the outcomes. Average annualised growth rates from 2024–25 are reported for 2025–26 onwards. Confidence intervals are based on the root mean squared errors (RMSEs) of Budget forecasts from 1998–99 onwards and are a statistical assessment that does not take account of any change in circumstance in the economic outlook. (f) are forecasts.

Source: ABS Australian National Accounts: National Income, Expenditure and Product and Treasury.

Fiscal uncertainty based on historical forecast errors

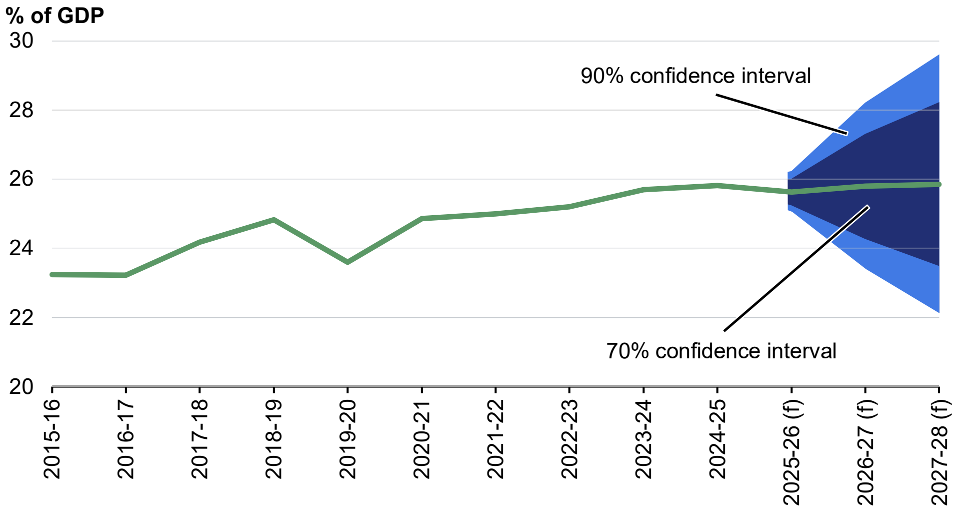
Fiscal estimates are based on economic and demographic forecasts as well as estimates of spending and revenue measures.

Historical variations caused by subsequent policy decisions not known at the time of forecast are excluded because these decisions do not reflect forecasting errors based on available information at the time of preparation. Payment estimates do not exclude the public debt interest associated with these subsequent policy decisions because this cannot be separately identified.

Total receipts

Total receipts (including GST) are expected to be around 25.8 per cent of GDP in 2026–27, with the 70 per cent confidence interval ranging from 24.3 per cent to 27.3 per cent of GDP. The 90 per cent confidence interval ranges from 23.4 per cent to 28.2 per cent in 2026–27. The uncertainty around receipts forecasts increases with time (Chart 8.11).

Chart 8.11: Confidence intervals around total receipts forecasts[(a)]



a) Includes Future Fund earnings from 2020–21 onwards.

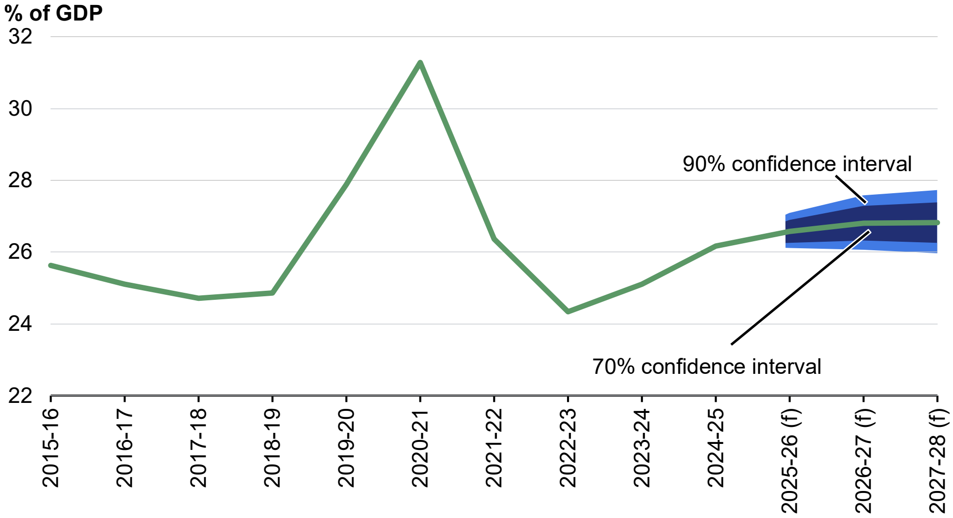
Note: The central line shows outcomes and the 2026–27 Budget forecasts. Confidence intervals use Root Mean Square Errors (RMSE) for Budget forecasts from the 1999–2000 Budget onwards. (f) are forecasts.

Source: Budget papers and Treasury.

Payments

The confidence interval for payments is narrower than receipts because there is greater certainty around payments forecasts. Payments (including GST) are expected to be around 26.8 per cent of GDP in 2026–27, with the 70 per cent confidence interval ranging from 26.3 per cent to 27.3 per cent of GDP. The 90 per cent confidence interval ranges from 26.0 per cent to 27.6 per cent in 2026–27 (Chart 8.12).

Chart 8.12: Confidence intervals around payments forecasts[(a)]



a) Includes GST payments.

Note: The central line shows outcomes and the 2026–27 Budget forecasts. Confidence intervals use Root Mean Square Errors (RMSE) for Budget forecasts from the 1999–2000 Budget onwards. (f) are forecasts.

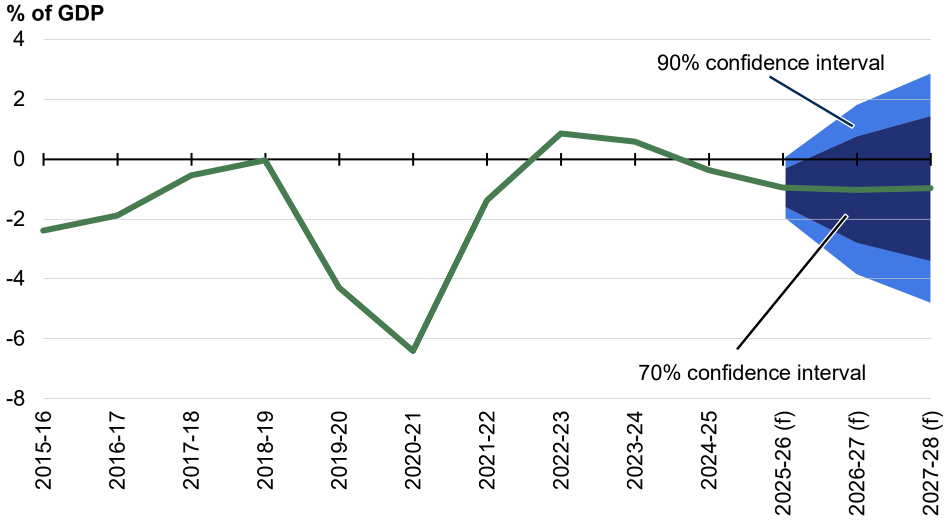
Source: Budget papers and Treasury.

Underlying cash balance

The underlying cash deficit in 2026–27 is expected to be 1.0 per cent of GDP, with the 70 per cent confidence interval ranging from a deficit of 2.8 per cent to a surplus of 0.8 per cent of GDP. The 90 per cent confidence interval ranges from a deficit of 3.8 per cent to a surplus of 1.8 per cent in 2026–27.

The uncertainty around underlying cash balance forecasts reflects forecast errors in receipts and payments which increase further out in time (Chart 8.13).

Chart 8.13: Confidence intervals around the underlying cash balance forecasts



Note: The central line shows outcomes and the 2026–27 Budget forecasts. Confidence intervals use Root Mean Square Errors (RMSE) for Budget forecasts from the 1999–2000 Budget onwards. (f) are forecasts.

Source: Budget papers and Treasury.

Assessing current forecasts through sensitivity analysis

Sensitivity analysis allows for an assessment of the impact of key assumptions. The following sensitivity analyses are considered due to their variability and importance for the Budget:[2]

- Higher oil prices in the estimates period.
- Higher and lower yields over the projection period.

For illustrative purposes, the upper and lower sensitivities are broadly symmetric, even where not equally probable.

Movements in oil prices

Crude oil prices directly influence the price of fuel products such as petrol, diesel and jet fuel that are used by Australian consumers and businesses (see *Statement 2: Economic Outlook; Box 2.1 Price impacts from the conflict in the Middle East*). Crude oil is also a key input into many products across the economy including plastics and fabrics. Elevated oil prices therefore pose upside risks to domestic inflation and downside risks to activity (see also *Statement 2: Economic Outlook; Box 2.2 Risks of a more severe Middle East conflict*).

The Budget forecasts assume the tapis oil price averages around US$100 per barrel across the June quarter 2026 before gradually declining to average around US$80 per barrel by the end of the June quarter of 2027. Table 8.1 demonstrates the impact of the oil price remaining elevated at the June quarter 2026 price for one additional quarter before following a similar trajectory as in the forecasts, returning to the Budget assumption by the end of the September quarter 2027. In keeping with the practice for sensitivity analyses, other assumptions, including for other commodity prices, are unchanged.

Table 8.1: Impact of oil prices remaining elevated for one additional quarter

	2025-26	2026-27	2027-28
Deviation in headline inflation (ppt)[(a)]	0.0	0.3	-0.3
Deviation in the level of nominal GDP ($b)	0.0	-1.0	-0.2

a) Through-the-year growth to the June quarter.

The economic response to the elevated oil price is estimated using a macroeconomic model. The higher oil price reduces household disposable income and increases input costs for businesses. This leads to an increase in inflation which unwinds as the oil price returns to the Budget assumption.

Fiscal impacts from this scenario are uncertain as oil prices can affect a wide range of payments and revenue items at different times. However, with other commodities prices

2 This year a sensitivity analysis of iron ore prices has not been included. The impact of changes in iron ore prices will be broadly similar to those published in the *2025–26 MYEFO*.

unchanged in the sensitivity, the overall impact on the Budget is likely to be minimal. While revenue increases associated with CPI may offset increases to payments from indexation, reduced economic activity flowing into lower nominal GDP would have a more negative impact on revenues than payments. For more information on the impact of oil price rises and the Middle East conflict on tax receipts, see *Statement 5; Box 5.1 Impact of the Middle East conflict on the revenue outlook*.

Movements in yields

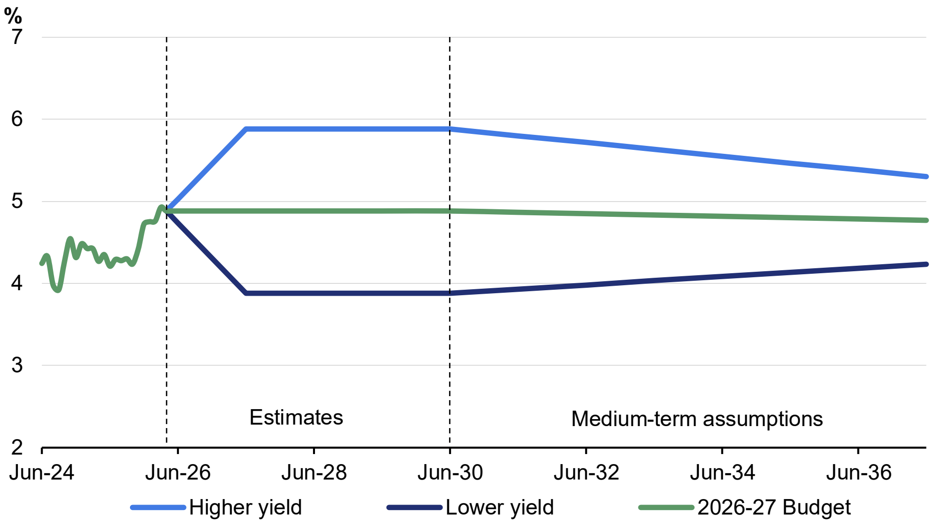
The cost of Government borrowing reflects yields on Australian Government Securities and the level of debt.

Given the uncertainty surrounding the global and domestic outlook for yields, Treasury makes the following technical assumptions:

- Over the forward estimates, government bond yields are fixed at rates observed prior to the Budget update.
- After the forward estimates, the 10-year bond yield converges linearly towards the long run nominal GDP growth rate over 15-years. This is broadly consistent with the long run approaches of comparable advanced economies. Other tenor yields are assumed to maintain their historical relativity to the 10-year bond yield.

The higher yield sensitivity analysis assumes bond yields transition to 100 basis points higher than baseline by 30 June 2027. Yields are then held constant over the remainder of the forward estimates to 2029–30, before linearly converging to the long run yield assumption of the nominal GDP growth rate over 15-years (Chart 8.14). The lower yield sensitivity analysis is symmetric. Other economic parameters are assumed to remain unchanged from baseline forecasts to isolate the direct impact on fiscal aggregates.

Chart 8.14: Baseline and alternative movements in the 10-year bond yield



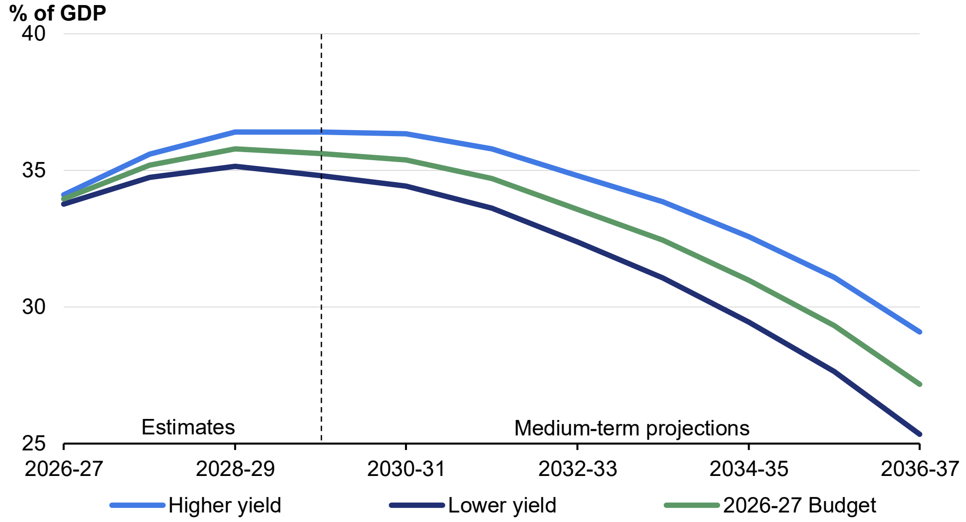
Source: Treasury.
Note: Actual yields as at the end of each calendar month up to March 2026.

Higher yields increase public debt interest payments and receipts earned on investments. As government interest bearing liabilities usually exceed interest bearing assets, higher yields lead to a deterioration in the underlying cash balance. Lower yields have the reverse effect, improving the underlying cash balance.

The higher yield assumption results in a deterioration to the underlying cash balance of 0.3 percentage points of GDP by 2036–37 and increases gross debt by 1.9 percentage points of GDP at 30 June 2037 (Chart 8.15).

The lower yield assumption results in an improvement to the underlying cash balance of 0.3 percentage points of GDP by 2036–37. Under the lower yield assumption, cumulative improvements to the underlying cash balance reduce gross debt by 1.8 percentage points of GDP at 30 June 2037.

Chart 8.15: Gross debt, impact of alternative yield assumptions



Source: Australian Office of Financial Management and Treasury.

Statement 9: Statement of Risks

A range of factors may influence the actual budget outcome in future years. The *Charter of Budget Honesty Act 1998* requires these factors to be disclosed in a statement of risks in each Budget and Mid-Year Economic and Fiscal Outlook. This Statement outlines general fiscal risks, specific contingent liabilities and specific contingent assets that may affect fiscal outcomes. Details of Australian Government loans estimated to exceed $200 million at 30 June 2026 are included at the conclusion of this Statement.

Statement 9 contents

Statement 9: Statement of Risks

Overview

The forward estimates of revenue and expenses in the 2026–27 Budget incorporate assumptions, forecasts, projections, and judgments based on the best information available at the time of publication.

Events that could affect fiscal outcomes include:

- changes in economic and other parameters, which may be driven by the evolution of, and responses to, domestic and global inflationary pressures, volatility in global commodity prices, instability stemming from international conflicts, and the challenges associated with the transition towards net zero emissions
- matters not included in the fiscal forecasts because of uncertainty about their timing, magnitude or likelihood
- the realisation of contingent liabilities or assets.

The revenue and expense estimates and projections published in the 2026–27 Budget are based on a range of economic and other parameters that are consistent with the domestic and international outlook detailed in *Statement 2: Economic Outlook*. Economic outcomes that differ from the parameters used in the Budget represent a material risk to the budget estimates. *Statement 8: Forecasting Performance and Sensitivity Analysis* examines the variance between estimates and actuals and explores the uncertainty and sensitivity of budget estimates.

As discussed in *Statement 2: Economic Outlook,* consequences of conflict in the Middle East poses a significant risk to the global economy through energy market disruption. Higher energy prices place pressure on inflation in Australia and other economies where inflation remains above target, but may improve Australia's terms of trade, as a major liquefied natural gas exporter. The uncertainty surrounding flow-on effects from conflict in the Middle East may impact the accuracy of the budget estimates.

Expenditure can differ from estimates for program specific reasons. Estimates of payments for demand-driven programs, such as payments related to Aged Care, Child Care or the NDIS, are highly dependent on estimates of the number of expected participants or beneficiaries and estimates of the cost of providing services to different cohorts of participants. Decisions made by courts, tribunals and other legal or statutory bodies (such as through the Fair Work Commission) can also affect the cost of activities funded by the Government. Significant variations in estimates are outlined in *Statement 3: Fiscal Strategy and Outlook*.

Revenue forecasting relies heavily on the observed relationships between the economy, tax bases and tax revenues. Such relationships may shift over time as the economy changes, presenting risk to the estimates. For example, the ability of entities to use tax losses to offset profits may continue to pose heightened challenges in estimating the profile for company and resource tax receipts. Revenue forecasts also incorporate costings for new policies that typically involve a degree of uncertainty.

The estimates and projections of revenue are also subject to general risks that can affect taxation collections. These risks include the ability of the tax system to keep pace with changes in the business environment, the potential for tax avoidance, pending court decisions and Australian Taxation Office rulings, and the uncertain outcomes of compliance programs. The manifestation of these risks may result in a shift in the composition of taxation collected from the various tax bases or a change in the size of the tax base.

Many entities rely on external revenue to fund the delivery of some of their services. Estimates included in the 2026–27 Budget for these entities reflect the latest information about the likely amount of external revenue they will raise. There are some common factors that affect the actual revenue collected by entities. Key among the common factors are the prevailing economic conditions, which can affect estimates for individual entities and for the budget as a whole.

The forward estimates in the 2026–27 Budget include the impact of all policy decisions, including those that remain unlegislated. This includes the impact of policy decisions that have been made but where negotiations remain underway or implementation details are still being finalised. There are risks to the fiscal position where legislation is not passed in time, where negotiations deliver outcomes that go beyond the funding offer or where final implementation details affect the timing or quantum of expected payments.

The risks associated with climate change

Over time, climate change is expected to have a significant impact on the budget, both in terms of risks and opportunities. The Government is managing these impacts by reducing emissions and supporting the economic opportunities presented by the net zero transition. However, there is still significant uncertainty about the trajectory of global greenhouse gas emissions and the impacts climate change will have on Australia.

Climate change can affect macroeconomic and fiscal outcomes in various ways. These include the physical impacts of climate change, the indirect impacts climate change will have on Australia's industry mix, and the impacts of policy responses in Australia and other countries to reduce emissions or adapt to the impacts of a changing climate. Each of these has the potential to affect receipts, payments, and the Government's balance sheet. They also have the potential to influence general economic outcomes, which may, in turn, affect budget outcomes.

This Statement sets out specific risks where they may have an impact on the budget in the budget year or over the forward estimates period. Some of these risks, such as those associated with extreme weather events and related flooding reinsurance pool and disaster recovery arrangements, are likely to be exacerbated by climate change over time. Other specific risks may emerge that will impact the budget beyond the forward estimates period.

Specialist direct Investment Vehicles

Successive Australian Governments have established Specialist direct Investment Vehicles (SIVs) to finance sectors of the economy to achieve policy outcomes. As at the 2026–27 Budget, there are eight SIVs: the Australian Infrastructure Financing Facility for the Pacific, the Australian Renewable Energy Agency, the Clean Energy Finance Corporation, Export Finance Australia, Housing Australia, the National Reconstruction Fund Corporation, the Northern Australia Infrastructure Facility and the Regional Investment Corporation. These SIVs have robust governance arrangements, including their own boards that make independent investment decisions balancing commercial and policy outcomes.

Details of each SIV are set out in Budget Paper No. 2 or Appendix A to the MYEFO when they are established and, where relevant, in the 'Government loans' section of this Statement, including the total value of loans issued by each entity. This Statement includes reference to specific risks associated with these SIVs at the time it is apparent that the impact of those risks associated with the investments exceed or are expected to exceed the materiality threshold of $20 million in any one year, or $50 million over the forward estimates period.

Specific risks to the budget

The budget is subject to contingent liabilities. Many of these reflect indemnities, including those relating to the Department of Defence, the Future Fund Management Agency and Future Fund Board of Guardians, and the Reserve Bank of Australia. The Australian Government has also issued guarantees, including those relating to guarantee schemes for the banking and financial sector, payments by Export Finance Australia, and the superannuation liabilities of the Commonwealth Bank prior to its sale. Other significant contingent liabilities relate to uncalled capital subscriptions and credit facilities to international financial institutions and legal cases concerning the Australian Government. The Government has robust and conservative strategies in place to reduce its potential exposure to these contingent liabilities.

Table 9.1 outlines how fiscal risks, assets and liabilities, and material contingent assets and liabilities, are disclosed in the Budget.

Table 9.2 summarises fiscal risks, contingent liabilities and contingent assets with a possible impact on the forward estimates greater than the materiality threshold of $20 million in any one year, or $50 million over the forward estimates period. Risks are detailed by portfolio after Table 9.2.

The Australian Government's annual consolidated financial statements and the annual financial statements of departments and other government entities also set out information on contingent liabilities and contingent assets.

The Government also makes direct loans for policy purposes. All loans contain some element of credit risk (that is, they will not be repaid in full) although, in many cases, this risk is small. Details of Government loans estimated to exceed $200 million at 30 June 2026 are included at the conclusion of this Statement.

Table 9.1: Disclosure of fiscal risks, contingent assets and contingent liabilities, and assets and liabilities in the Budget papers

Category	Type[(a)]	Disclosure
Fiscal Risks[(b)]	Fiscal Risks	Statement of Risks[(c)]
Contingent assets and contingent liabilities[(b)]	Significant contingent assets and liabilities considered remote	Statement of Risks[(c)]
	Unquantifiable contingent assets and liabilities that are improbable but not remote	Statement of Risks[(c)]
	Quantifiable contingent assets and liabilities that are improbable but not remote	Statement of Risks[(c)]
Assets and liabilities	Assets and liabilities that are probable and can be reliably measured	Balance sheet[(d)(e)]
	Assets and liabilities that are probable but have an uncertain timing or amount (provisions)	Balance sheet

a) Items that are described as probable have a 50 per cent or higher chance of occurrence.
b) Risks, assets and liabilities that are accounted for in the budget estimates are not disclosed in this Statement.
c) Only risks with a possible impact on the forward estimates greater than $20 million in any one year, or $50 million over the forward estimates period, are considered material and disclosed in this Statement.
d) Unearned income from charging guarantee fees is shown as a liability in the balance sheet.
e) Additional disclosure to increase transparency on loans over $200 million is included in this Statement.

Table 9.2: Summary of fiscal risks, contingent liabilities and contingent assets in the Statement of Risks

Agriculture, Fisheries and Forestry	Status
Contingent liabilities – unquantifiable	
Commonwealth liabilities in respect of matching payments to industries for research and development contributions	Unchanged
Emergency pest and disease response arrangements	Modified
Attorney-General's	**Status**
Contingent liabilities – unquantifiable	
Investor-state claims against the Australian Government	Modified
Native Title costs	Unchanged
Climate Change, Energy, the Environment and Water	**Status**
Fiscal Risks	
Australian Strategic Fuel Reserve	New
Snowy Hydro Limited	Unchanged
Significant but remote contingencies	
Snowy Hydro Limited – Board Members' indemnity	Unchanged
Snowy Hydro Limited – Termination of the Equity Subscription Agreements	Unchanged
Contingent liabilities – unquantifiable	
Gorgon liquefied natural gas and carbon dioxide storage project – long-term liability	Unchanged
Liability for costs incurred in a national liquid fuel emergency	Unchanged
Marinus Link Project – Shareholders' agreement	Unchanged
Murray Darling Basin Reform – risk assignment	Unchanged
Remediation of Jabiru Township	Unchanged
United States Strategic Petroleum Reserve Lease Agreement – indemnity under certain conditions	Removed
Contingent liabilities – quantifiable	
Capacity Investment Scheme	Modified
Contingent assets – quantifiable	
Capacity Investment Scheme	Unchanged
Defence	**Status**
Fiscal Risks	
Implementation of the nuclear-powered submarine program	Unchanged
Major operations of the Australian Defence Force in 2026–27	Unchanged
Significant but remote contingencies	
ADI Limited – Officers' and Directors' indemnities	Removed
Litigation	Unchanged
Remote Contingencies	Modified
Contingent liabilities – unquantifiable	
Cockatoo Island Dockyard	Removed
Land decontamination, site restoration and decommissioning of Defence assets	Unchanged
Employment and Workplace Relations	**Status**
Fiscal Risks	
Recovery of inappropriately claimed VET FEE-HELP payments from VET providers	Unchanged
Contingent liabilities – unquantifiable	
Compensation for unlawful decisions under the Targeted Compliance Framework	Unchanged
Contingent liabilities – quantifiable	
Parent Pathways service	Modified
Workforce Australia – Employment Fund	Modified

Table 9.2: Summary of fiscal risks, contingent liabilities and contingent assets in the Statement of Risks (continued)

Finance	Status
Fiscal Risks	
Defence Estate	New
Significant but remote contingencies	
Australian Naval Infrastructure Pty Ltd – Termination of the Equity Funding Agreement	Unchanged
Contingent liabilities – unquantifiable	
ASC Pty Ltd – Directors' and Executives' indemnities	Unchanged
ASC Pty Ltd – Guarantee of Indemnity from ASC in favour of ASC Shipbuilding Pty Limited	Removed
Australian Government general insurance fund – Comcover	Unchanged
Commonwealth Superannuation Corporation – immunity and indemnity	Modified
Finance owned estate	Modified
Future Fund Management Agency and Future Fund Board of Guardians – indemnity	Unchanged
Googong Dam	Unchanged
Indemnities for the Reserve Bank of Australia and private sector banks	Unchanged
Indemnities relating to other former asset sales, privatisations and information technology	Unchanged
Kenbi Land Claim No. 37, Cox Peninsula, Northern Territory	Unchanged
Foreign Affairs and Trade	**Status**
Fiscal Risks	
Export Finance Australia – National Interest Account	Modified
Contingent liabilities – quantifiable	
Export Finance Australia	Unchanged
Papua New Guinea National Rugby League Franchise	Unchanged
Health, Disability and Ageing	**Status**
Fiscal Risks	
Aged Care	Removed
National Disability Insurance Scheme	Modified
Contingent liabilities – unquantifiable	
Accommodation Payment Guarantee Scheme	Unchanged
Australian Red Cross Society – indemnities	Unchanged
Blood and blood products liability cover	Unchanged
CSL Ltd	Unchanged
Indemnities relating to vaccines	Modified
Medical Indemnity Exceptional Claims Schemes	Unchanged
Medical Rural Bonded Scholarship Waivers	Modified
mRNA manufacturing facility – indemnities	Unchanged
Contingent assets – unquantifiable	
Legal action seeking compensation	Unchanged
Home Affairs	**Status**
Fiscal Risks	
Regional processing arrangements	Unchanged
Third country reception arrangements	New
Significant but remote contingencies	
Indemnities relating to the Air Security Officer Capability	Unchanged

Table 9.2: Summary of fiscal risks, contingent liabilities and contingent assets in the Statement of Risks (continued)

Home Affairs (continued)	Status
Contingent liabilities – unquantifiable	
Australian victims of terrorism overseas payment	Unchanged
Claims against the Department of Home Affairs	New
Commonwealth Community Safety Order Scheme – Federation Funding Agreement – indemnity	Unchanged
Disaster Recovery	Unchanged
Contingent liabilities – unquantifiable	
Facilities, garrison, transferee arrivals and reception, and health services in the Republic of Nauru	Unchanged
Immigration detention services by state and territory governments	Unchanged
Immigration detention services contract (Secure Journeys)	Unchanged
Contingent assets – unquantifiable	
Civil penalty relating to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* – The Star Pty Limited and The Star Entertainment QLD Limited	Unchanged
Civil penalty relating to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* – Entain Group Pty Ltd	Unchanged
Industry, Science and Resources	**Status**
Fiscal Risks	
Government support for Whyalla Steelworks	Unchanged
Rehabilitation of the Ranger Uranium Mine	Unchanged
Significant but remote contingencies	
Liability for damages caused by space objects and certain high-power rocket activities	Unchanged
Decommissioning the Northern Endeavour and remediating the Laminaria and Corallina Oil Fields	Modified
Contingent liabilities – unquantifiable	
Australian Nuclear Science and Technology Organisation – asbestos contamination	Unchanged
Australian Nuclear Science and Technology Organisation – indemnity	Unchanged
Australian Nuclear Science and Technology Organisation – legacy waste management to final disposal	Modified
Barrow Island royalty variation	Removed
Former British nuclear test site at Maralinga	Unchanged
Land and building decontamination and site restoration for CSIRO property	Unchanged
Lindfield facility – asbestos contamination	Unchanged
Infrastructure, Transport, Regional Development, Communications, Sport and the Arts	**Status**
Fiscal Risks	
Australia Post's financial stability	Unchanged
Infrastructure Investment Program project slippage adjustment	Modified
Inland Rail – delivery	Modified
Significant but remote contingencies	
Inland Rail – Termination of the Equity Financing Agreement	Unchanged
Maritime Industry Finance Company Limited – Board Members' indemnity	Unchanged
Moorebank Intermodal Project – Glenfield Waste Site Easement	Unchanged

Table 9.2: Summary of fiscal risks, contingent liabilities and contingent assets in the Statement of Risks (continued)

Infrastructure, Transport, Regional Development, Communications, Sport and the Arts	Status
Significant but remote contingencies (continued)	
National Intermodal Corporation Limited – Termination of the Funding Agreement	Unchanged
NBN Co Limited – Termination of the Equity Funding Agreement	Unchanged
Telstra Financial Guarantee	Unchanged
Tripartite deeds relating to the sale of federal leased airports	Unchanged
WSA Co Limited – Board Members' indemnities	Unchanged
WSA Co Limited – Sydney Metro – Western Sydney Airport indemnity	Unchanged
WSA Co Limited – Termination of the Equity Subscription Agreement	Unchanged
Contingent liabilities – unquantifiable	
Australian Maritime Safety Authority – ship-sourced pollution incident costs	Unchanged
Aviation rescue and firefighting services potential per- and poly-fluoroalkyl substances contamination	Unchanged
Indemnity provided to the New South Wales Rural Fire Fighting Service in relation to the Jervis Bay Territory	Unchanged
Major sporting events	Modified
Moorebank Intermodal Project – Georges River rail crossing	Unchanged
Service Delivery Arrangement Indemnities – Indian Ocean Territories and Jervis Bay Territory	Unchanged
Prime Minister and Cabinet	**Status**
Contingent liabilities – quantifiable	
Indigenous Land and Sea Corporation – Voyages Indigenous Tourism Australia	Removed
Social Services	**Status**
Contingent liabilities – unquantifiable	
Matthew Chaplin v Secretary, Department of Social Services	Unchanged
Contingent assets – quantifiable	
National Redress Scheme	Unchanged
Treasury	**Status**
Fiscal Risks	
New Homes Bonus	New
Guarantee for Australia and New Zealand Banking Group Limited's Pacific Liabilities	Unchanged
Guarantee for the Asian Development Bank's Innovative Finance Facility	Unchanged
Significant but remote contingencies	
Asbestos Injuries Compensation Fund	Unchanged
Financial Claims Scheme	Unchanged
Guarantee for Housing Australia	Unchanged
Guarantees under the *Commonwealth Bank Sale Act 1995*	Unchanged
Reserve Bank of Australia – Guarantee	Unchanged
Contingent liabilities – unquantifiable	
Guarantee of a cyclone and related flooding reinsurance pool	Unchanged
Guarantees for housing	Unchanged
Indemnities for specialised external advisers during the COVID-19 pandemic	Unchanged
Small and Medium Enterprise (SME) Guarantee Scheme and SME Recovery Loan Scheme	Unchanged
Terrorism insurance – commercial cover	Unchanged
Contingent liabilities – quantifiable	
Australian Taxation Office – tax disputes	Unchanged
International financial institutions – uncalled capital subscriptions	Unchanged

Table 9.2: Summary of fiscal risks, contingent liabilities and contingent assets in the Statement of Risks (continued)

Treasury (continued)	Status
Contingent liabilities – quantifiable	
Australian Taxation Office – tax disputes	Unchanged
International financial institutions – uncalled capital subscriptions	Unchanged
International Monetary Fund – 16th General Review of Quota	Unchanged
International Monetary Fund – New Arrangements to Borrow & Bilateral Borrowing Agreement	Unchanged
International Monetary Fund – Poverty Reduction and Growth Trust	Unchanged
International Monetary Fund – Resilience and Sustainability Trust	Unchanged
Veterans' Affairs	**Status**
Fiscal Risks	
Defence Service Homes Insurance Scheme	Unchanged

Agriculture, Fisheries and Forestry

Contingent liabilities – unquantifiable

Commonwealth liabilities in respect of matching payments to industries for research and development contributions

Under the *Primary Industries Levies and Charges Disbursement Act 2024*, the Commonwealth provides matching contributions to encourage expenditure on research and development (R&D) and to increase the competitiveness and sustainability of industries within Australia. Matching contributions on eligible R&D are subject to an annual limit that is calculated based on the determined gross value of production (GVP) cap for the industries. There will be a R&D excess, which can be claimable in future years, where the cumulative R&D expenditure is more than the GVP cap. The Commonwealth's future liability in respect of the matching contributions is contingent on the GVP cap and is therefore unquantifiable.

Emergency pest and disease response arrangements

National emergency response arrangements for animal, plant and environmental pest and disease incursions are largely funded through cost-sharing agreements between Australian governments and affected agricultural industry bodies. Under the terms of the emergency response cost-sharing agreements, the Australian Government is typically liable for 50 per cent of the total government funding for a nationally agreed response to a pest or disease incursion. Funding is provided in the forward estimates for the Australian Government's contributions under the emergency response agreements, which are then paid to the state or territory governments undertaking relevant activities.

There are currently 14 national cost-shared emergency responses. Since the 2025–26 Budget, the Australian Government has committed funding to two new biosecurity responses: Red Dwarf Honey Bee in Western Australia and Asian Green Mussel in Queensland. All governments have signed the New National Management Agreement for High Pathogenicity Avian Influenza H5 in Wildlife, which establishes a national arrangement for governance and cost-sharing during a H5 bird flu incursion in wildlife.

The Australian, state and territory governments have developed a draft Aquatic Emergency Animal Disease Deed (the Deed) covering aquatic emergency animal diseases and have consulted prospective industry signatories. If the Deed is finalised, liabilities for the Australian Government could increase. The extent of these liabilities will depend on which parties sign the Deed and what emergency aquatic incursions occur that would be subject to the Deed arrangements.

Attorney-General's

Contingent liabilities – unquantifiable

Investor-state claims against the Australian Government

On 28 March 2023, the Commonwealth received a notice of arbitration from Singapore registered company Zeph Investments Pte Ltd (Zeph) concerning a dispute about the *Iron Ore Processing (Mineralogy Pty Ltd) Agreement Amendment Act 2020 (WA).* Zeph raised this claim under Chapter 11 (Investment) of the *Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area* (AANZFTA). Subsequently, the Commonwealth received three further notices of arbitration from Zeph. The first concerns a dispute about exploration permits held by Waratah Coal Pty Ltd (Waratah) in the Galilee Basin of Queensland. The second concerns a dispute about a coal mine proposed by Waratah in the Galilee Basin. The third concerns a dispute about a coal-fired power station proposed by Waratah in the Galilee Basin. Zeph raised each of these claims under Chapter 11 (Investment) of the AANZFTA.

On 26 September 2025, the tribunal in the first arbitration issued an award dismissing Zeph's claim. Zeph subsequently made applications to the Federal Supreme Court of Switzerland to have that award revised or set aside.

On 8 April 2026, entities associated with the Landbridge Group (Landbridge) filed a request for arbitration against the Commonwealth concerning the Port of Darwin. Landbridge raised this claim under Chapter 9 of the *China Australia Free Trade Agreement* and the *Convention on the Settlement of Investment Disputes Between States and Nationals of Other States.*

Should the Australian Government be unsuccessful in any of these proceedings, it may become liable for any compensation found to be payable. Any such potential liability cannot be quantified at this stage.

Native Title costs

The Government will likely be liable for potential compensation under the *Native Title Act 1993* in respect of compensable acts for which the Government is responsible. While the High Court's decision in the Timber Creek litigation (*Northern Territory v Griffiths et al* [2019] HCA 7) provides guidance on the principles for calculating compensation under the *Native Title Act 1993,* the Government's liability cannot be quantified owing to uncertainty about the number and effect of compensable acts, and the value of Native Title affected by those acts.

Climate Change, Energy, the Environment and Water

Fiscal Risks

Australian Strategic Fuel Reserve

The Government has committed up to $3.2 billion to establishing an Australian Strategic Fuel Reserve. The Reserve, alongside an increased Minimum Stockholding Obligation (MSO), would expand Australia's longer term fuel security and storage capacity, and increase Australia's fuel reserves to create longer-term resilience. The implementation of the Reserve and MSO uplift will be staged to allow market conditions to stabilise and ensure readiness of storage infrastructure, and may make use of a range of direct purchase, underwriting or finance arrangements. The budget impacts of the Reserve and MSO uplift are dependent on these implementation arrangements, which will be settled by the Government and reflected in a future Budget update.

Snowy Hydro Limited

The Government has committed to provide additional financial support to Snowy Hydro Limited to support the delivery of the Snowy 2.0 pumped hydro project and the Kurri Kurri Power Station. These projects will improve the security and reliability of the National Electricity Market by providing reliable, dispatchable power and large-scale energy storage. Project risks for Snowy 2.0 include potential construction delays, cost pressures and cash flow forecasts.

The Government continues to monitor these risks through engagement and oversight of Snowy Hydro Limited, including the Snowy 2.0 cost reassessment which was announced on 3 October 2025.

Significant but remote contingencies

Snowy Hydro Limited – Board Members' indemnity

The Government has provided an indemnity for some of the directors of Snowy Hydro Limited to protect them against certain claims relating to their employment as directors. This potential liability will remain until the indemnity agreements are varied or ceased.

Snowy Hydro Limited – Termination of the Equity Subscription Agreements

The Government will provide sufficient funding to cover costs and liabilities incurred by Snowy Hydro Limited for the delivery of Snowy 2.0, capped to the total remaining undrawn equity, in the event that the Commonwealth terminates the Equity Subscription Agreements between the Commonwealth and Snowy Hydro Limited.

Contingent liabilities – unquantifiable

Gorgon liquefied natural gas and carbon dioxide storage project – long-term liability

The Australian and Western Australian (WA) Governments have provided an indemnity to the Gorgon Joint Venture Partners (GJV) against independent third-party claims (relating to stored carbon dioxide) under common law, for loss or damage caused by the injection of carbon dioxide into the Dupuy Formation under Barrow Island, WA. Claims can only occur at least 15 years after the cessation of carbon dioxide injections. The project commenced in 2019 and has an expected life of around 40 years. The claims are subject to conditions similar to those set out in the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*.

The WA Government has indemnified the GJV and, subject to certain conditions being met, the Australian Government has indemnified the WA Government for 80 per cent of any amount determined to be payable under that indemnity.

Liability for costs incurred in a national liquid fuel emergency

The Australian Government has responsibility for the *Liquid Fuel Emergency Act 1984* (the Liquid Fuel Act). In addition, the Australian Government and state and territory governments have entered into an inter-governmental agreement (IGA) in 2006 in relation to a national liquid fuel emergency. Under the IGA, the Australian Government agrees to consult IGA parties on a likely shortage and, if necessary after those consultations, to advise the Governor-General to declare a national emergency under the Act.

The IGA contains three areas where the Australian Government may incur expenses in the event of a national liquid fuel emergency. These relate to the direct costs of managing a liquid fuel emergency and include the possibility of the Australian Government reimbursing the state and territory governments for costs arising from their responses, and potential compensation for industry arising from Australian Government directions under the Liquid Fuel Act.

Marinus Link Project – Shareholders' agreement

The Australian Government, along with the Victorian and the Tasmanian Governments, has invested in the joint venture entity Marinus Link Pty Ltd to deliver the Marinus Link project. On 1 August 2025, shareholder governments collectively reached a positive Final Investment Decision to proceed with Stage 1 of Marinus Link and, on 29 August 2025, Marinus Link Pty Ltd and the Clean Energy Finance Corporation reached Financial Close on the project's debt arrangements.

Early works have now commenced on the project, with major construction works expected to commence in mid-2026. There are ongoing risks as the project progresses, such as from the co-dependent North West Transmission Developments project. The Australian Government will continue to monitor these risks through engagement with the Tasmanian and Victorian Governments and ongoing oversight of Marinus Link Pty Ltd's activities.

In the event of winding up the project, shareholders may be required to contribute additional equity to meet any outstanding liabilities of Marinus Link Pty Ltd.

Under the shareholders' agreement, the Tasmanian Government has the option to sell some or all of its shares in Marinus Link Pty Ltd to the other shareholders. This option can only be exercised following the commencement of commercial operations of Stage 1 of the project, currently scheduled for 2030. While the Victorian Government has the first right of refusal to purchase these shares, the Australian Government is required to purchase the shares that the Victorian Government does not acquire. Any additional shares purchased would be expected to generate a return in line with the Australian Government's existing shareholding in the entity.

Murray Darling Basin Reform – risk assignment

The Government has committed to bridge the gap between the Baseline Diversion Limit and the Sustainable Diversion Limits in the Murray-Darling Basin Plan 2012 through water recovery. On 1 July 2019, the Sustainable Diversion Limits took effect. The *Water Act 2007* provides a risk assignment framework in which entitlement holders with reductions in water allocations, or changes in the reliability of water allocations (where the gap has not been bridged and an accredited water resource plan is in place), may be eligible for a payment from the Commonwealth.

The total cost of the operation of the risk assignment framework cannot be quantified at this time and remains a fiscal risk until the gap between the Baseline Diversion Limit and Sustainable Diversion Limits is fully bridged.

Remediation of Jabiru Township

The Australian Government, the Northern Territory Government, Gundjeihmi Aboriginal Corporation and Energy Resources of Australia Ltd signed a Memorandum of Understanding in 2019. The Memorandum of Understanding underpins the transfer of ownership of Jabiru to the Traditional Owners and related make good and rehabilitation arrangements. On 26 June 2021, the Australian Government officially returned ownership of Jabiru to the Traditional Owners. Before the handover, the Australian Government signed a Remediation and Indemnity Deed between representatives of the Traditional Owners in Jabiru and the Northern Land Council.

Under these agreements, the Australian Government's responsibilities include renewal or upgrading of some essential services infrastructure (stormwater, landfill and roads), managing contamination in Jabiru Lake, management or removal of hazardous materials and chemicals, replacing asbestos tiled roofs and improving housing stock, and other ecological remediation. Expenditure for the rehabilitation work will be shared between the Australian Government, Northern Territory Government and Energy Resources Australia.

Contingent liabilities – quantifiable

Capacity Investment Scheme

The Australian Government has announced it intends to enter into underwriting agreements under the Capacity Investment Scheme (CIS) for:

- six projects through the South Australia and Victoria tender, which are expected to generate 3.62 gigawatt hours (GWh) in storage capacity
- 19 projects through CIS Tender 1 – National Electricity Market (NEM) Generation, providing storage capacity of 3.56 GWh and generating 6.38 gigawatts of renewable energy to the NEM
- four projects through CIS Tender 2 – Wholesale Electricity Market (WEM) Dispatchable, in Western Australia, which are expected to have a combined capacity of around 2.6 GWh in storage capacity
- 16 projects through CIS Tender 3 – NEM Dispatchable, providing storage capacity of 4.13 gigawatts (GW)/15.37 gigawatt hours (GWh) in the NEM
- 20 projects through CIS Tender 4 – NEM Generation, generating 6.6 GW of renewable energy and providing storage capacity of 11.4 GWh in the NEM.
- seven projects through CIS Tender 5 – WEM Generation, generating 1.89 GW of renewable energy and providing storage capacity of 0.35 GW/2.10 GWh in the WEM
- three projects through CIS Tender 6 – WEM Dispatchable, providing storage capacity of 0.48 GW/3.68 GWh in the WEM.

Under the terms of these underwriting agreements, once the projects are built and operational, if the annual revenue earned by a project is below the agreed revenue floor, the Australian Government will pay the project operator 90 per cent of the revenue shortfall up to the agreed annual cap for 15 years. If annual revenue earned by a project exceeds the agreed ceiling, the project operator pays the Australian Government 50 per cent of revenue above the ceiling up to the agreed cap.

The Australian Government's maximum liability and estimated payments under these agreements are not for publication due to commercial sensitivities. While estimated payments are not for publication, they are reflected in the forward estimates from 2026–27. Final payments will depend on future electricity prices and the resulting impact on project revenues.

Any additional specific risks associated with this program will be reflected once further contracts are finalised and if it is determined that they meet the materiality threshold for inclusion.

Contingent assets – quantifiable

Capacity Investment Scheme

Performance securities are provided to the Government by project operators in the form of a financial guarantee under the terms of the Capacity Investment Scheme (CIS) agreements.

The Government may draw on a performance security in specific circumstances in accordance with the terms of the CIS contract. A performance security must be returned to the project operator within ten business days after the earlier date of commercial operations or termination.

At 30 June 2025, the Government held performance securities in the form of bank guarantees totalling $47.8 million.

Defence

Fiscal Risks

Implementation of the nuclear-powered submarine program

On 14 March 2023, the Australian Government, alongside the governments of the United Kingdom and the United States of America, announced the optimal pathway for the nuclear-powered submarine program for Australia under the AUKUS trilateral security partnership.

The Australian Government has agreed a number of measures to support the initial implementation of the nuclear-powered submarine program, which have been outlined in Budget papers since 2023–24.

The total costs associated with the program will depend on the details of design and production processes and commercial and other arrangements, including the provision of indemnities, which will be finalised between governments and delivery partners.

Major operations of the Australian Defence Force in 2026–27

The 2026–27 estimates for the Department of Defence (Defence) include the cost of major operations of the Australian Defence Force in 2026–27 in the Middle East and European regions, and to protect Australia's borders and offshore maritime interests. Funding for major Defence operations is considered and provisioned on a year-by-year basis.

Significant but remote contingencies

Litigation

The Department of Defence (Defence) is involved in a wide range of litigation and other claims for compensation and/or damages that may result in litigation where the matters are not able to be finalised by negotiation.

The litigation includes:

- common law liability claims, including for personal injury and property damage, investigations of Defence by Comcare and active prosecutions in relation to alleged breaches of the *Work Health and Safety Act 2011 (Cth)*
- claims seeking compensation for alleged loss or damage arising from Defence use of aqueous film forming foam that contained manmade per- and poly-fluoroalkyl (PFAS) substances
- claims received following reviews into the Australian Defence Force and Defence culture.

Claims may also arise from the disposal of assets to third parties where such assets contain hazardous materials, or components that have the potential to cause injury.

Remote contingencies

As at March 2026, the Department of Defence (Defence) carried 195 instances of quantifiable remote contingent liabilities valued at $5.4 billion and 486 instances of unquantifiable remote contingent liabilities.

Details of these significant but remote contingent liabilities are not given due to commercial and/or national security sensitivities.

Contingent liabilities – unquantifiable

Land decontamination, site restoration and decommissioning of Defence assets

The Department of Defence (Defence) has made a financial provision for the estimated costs involved in remediating contaminated land on the Defence estate where a legal or constructive obligation has arisen. For cases where these obligations do not exist, or these contingencies are unquantified, a provision has not been made.

Employment and Workplace Relations

Fiscal Risks

Recovery of inappropriately claimed VET FEE-HELP payments from VET providers

The Australian Government is undertaking compliance action, including court action, to recover VET FEE-HELP payments from VET providers where loans were issued inappropriately to students by providers. The Government legislated a remedy, VET FEE-HELP Student Redress, which commenced 1 January 2019 (and closed after five years on 31 December 2023) for VET FEE-HELP students who incurred debts under the VET FEE-HELP loan scheme following inappropriate conduct by VET providers. The Government will undertake recovery activities against VET providers in cases where the student was ineligible for a VET FEE-HELP loan.

There are financial risks to the Commonwealth in the event that it cannot recover payments from VET providers where they have closed or entered into administration or liquidation.

The financial risk to the Commonwealth is currently unquantifiable as it depends on the receipt and assessment of applications from students, as well as outcomes from the Government's investigations into VET providers' conduct.

Contingent liabilities – unquantifiable

Compensation for unlawful decisions under the Targeted Compliance Framework

Since 2020, some decisions to cancel social security payments under the Targeted Compliance Framework (TCF) have been found to be invalid. Individuals affected by these decisions may have experienced financial or other forms of detriment.

Affected individuals may be eligible for compensation through an application based process administered under the Scheme for Compensation for Detriment caused by Defective Administration (CDDA). The CDDA scheme would support individuals to receive compensation owing to defective administration of the TCF.

The total fiscal impact of these payments is currently unquantifiable, as it will depend on the number of applications received and the outcome of individual assessments.

Contingent liabilities – quantifiable

Parent Pathways service

Parent Pathways is a voluntary pre-employment service which commenced on 1 November 2024. Parent Pathways supports parents and carers of children under six to work towards their employment and education goals, while valuing the important role of caring for children.

Participants can access financial assistance through the Individual and Pooled Funds. The Individual Fund provides participants with financial assistance to build their skills and capabilities and to attend appointments or activities. A notional amount of $1,250 is credited to each participant's Individual Fund on their commencement in the service. Every 12 months unused credits will lapse, and a new $1,250 credit will be applied to the participant's Individual Fund. The Pooled Fund supplements the Individual Fund and supports a broad range of purchases for participants who are in most need of assistance. When a participant commences, $600 is allocated to the provider's Pooled Fund.

As the service commenced fully in early 2025 (allowing clients and services to transition from ParentsNext which ceased on 31 October 2024), providers are forecast to spend less than the value of the available credits, creating a surplus of credits that present a contingent liability. As at 31 January 2026, there was $35.8 million in unspent credits in the Individual and Pooled Fund notional banks.

Workforce Australia – Employment Fund

Since July 2022, with the introduction of Workforce Australia, contracted service providers and the Digital Services Contact Centre have had access to the Employment Fund, which can be used to purchase goods and services to help participants to get and keep a job.

- Providers accumulate an Employment Fund credit upon commencement of each participant in Workforce Australia Provider Services. This was reduced from $1,600 to $1,500 from 1 July 2025 as part of the 2024–25 Budget measure *Employment Services Reform – Supporting Jobseekers Through Paid Employment Pathways Package*. The Employment Fund credit remains at $1,600 for Broome Employment Services and Yarrabah Employment Services as these two services have different policy and program settings.

- Participants in Workforce Australia Online attract an Employment Fund credit, credited after a participant has been in Digital Services for two months. The credit amount reduced from $300 to $250 from 1 June 2024 as part of the 2024–25 Budget measure *Employment Services Reform – Rebasing the Digital Services Contact Centre Funding*. New credits were paused for the duration of the 2025 calendar year as part of the 2024–25 MYEFO measure *Temporarily Pausing Workforce Australia Online Employment Fund Credits* but recommenced from January 2026.

Currently, Employment Fund expenditure is expected to be less than the value of the available credits, creating an accumulating surplus of credits that present a contingent liability. As at 31 January 2026, there was $684.4 million in unspent Employment Fund Credits in the Workforce Australia Employment Fund notional bank (this includes Workforce Australia Online Employment Fund, Workforce Australia Services Employment Fund, Broome Employment Services Employment Fund and Yarrabah Employment Services Employment Fund).

Finance

Fiscal Risks

Defence Estate

Expected receipts from the divestment of selected properties in the Department of Defence (Defence) estate, based on initial Defence estimates, are reflected in the forward estimates. There are financial risks to the Commonwealth in the event that divestment of the properties results in lower-than-expected receipts. The quantum of this risk is not for publication due to commercial sensitivities and to avoid prejudicing the Commonwealth's negotiating position.

Significant but remote contingencies

Australian Naval Infrastructure Pty Ltd – Termination of the Equity Funding Agreement

The Government will provide sufficient funding to enable Australian Naval Infrastructure Pty Ltd (ANI) to meet the direct costs that may be incurred by ANI in the event that the Commonwealth terminates the Equity Funding Agreement entered into in October 2017 between the Commonwealth and ANI.

Contingent liabilities – unquantifiable

ASC Pty Ltd – Directors' and Executives' indemnities

In 2002, the Government provided former directors of the then Australian Submarine Corporation Pty Ltd, now known as ASC Pty Ltd (ASC), with indemnities for:

- any claim against them as a result of complying with ASC's obligations under the Process Agreement between the Electric Boat Corporation (EBC), the Government and ASC
- any claim against them as a result of complying with ASC's obligations under the Service Level Agreement between ASC, the Department of Defence, EBC and Electric Boat Australia
- any claims and legal costs arising from the directors acting in accordance with the board's tasks and responsibilities, as defined under the indemnity.

In 2018, the Government provided directors and senior executives of ASC with indemnities to mitigate personal risk and provide coverage for legal costs related to any legal proceedings that may arise in relation to the transaction to separate ASC Shipbuilding Pty Limited from ASC.

Australian Government general insurance fund – Comcover

The Department of Finance provides insurance and risk management services to Australian Government general government sector entities. Insurance liabilities are subject to potential revisions as the total number and size of claims covered is subject to unforeseen future events.

The Department of Finance takes all reasonable steps to ensure it has appropriate information regarding its claims exposure, including regularly updating estimates and parameters based on analysis of claim experience, actuarial calculations and other relevant factors.

Commonwealth Superannuation Corporation – immunity and indemnity

The *Governance of Australian Government Superannuation Schemes Act 2011* (the Governance Act) provides specific immunities for activities undertaken in good faith by directors and delegates of the Board of the Commonwealth Superannuation Corporation (CSC), provided these activities relate to the performance of their functions. Ancillary liability for individuals that contravene the *Financial Accountability Regime Act 2023* is considered separately.

Other than where not permitted by the *Superannuation Industry (Supervision) Act 1993*, the *Financial Accountability Regime Act 2023*, or regulations under those Acts, the Governance Act provides that any money that becomes payable by CSC in respect of an action, liability claim, or demand that relates to the superannuation schemes or funds for which it is responsible, is to be paid out of the relevant superannuation fund or, if there is no fund, the Consolidated Revenue Fund (CRF). Amounts paid from a superannuation fund are reimbursed to the fund from the CRF.

Finance owned estate

The Department of Finance owns and is responsible for managing properties in the Government's domestic non-Defence portfolio, including properties with materials containing asbestos and properties requiring remediation to ensure there is no threat to human health and the environment. A small number of properties may require remediation and are subject to further investigation.

Except for property at Lucas Heights in New South Wales, none of the properties with potential remediation issues has had a provision for remediation recognised, as neither the conditions for legal nor constructive obligations have been met, nor is a reliable estimate of the obligation currently possible. Finance maintains hazardous materials registers for its properties and takes the opportunity to remove materials containing asbestos and other contaminants via maintenance and project works where possible. The full extent of these materials is unknown and the cost to remediate cannot be quantified.

Future Fund Management Agency and Future Fund Board of Guardians – indemnity

The Government has provided certain staff members of the Future Fund Management Agency (the Agency) and the members (board members) of the Future Fund Board of Guardians (the Board) with deeds of indemnity. The indemnities are intended to cover liabilities in excess of the insurance cover (including Comcover) of the Board, its subsidiary entities and the Agency. Board members are indemnified for liabilities incurred arising out of an act, omission or breach of statutory duty by the Board or a board member that relates to the performance of the Board's functions or the exercise of the Board's powers or that relates to any act, omission or breach of statutory duty by a board member as a director or officer of a wholly-owned Australian subsidiary of the Board.

Certain Agency staff members are indemnified in connection with the performance of functions or the exercise of powers in their capacity as a director or officer of investee companies or subsidiaries of the Board. Subject to certain exceptions or qualifications, board members and Agency staff members are indemnified for amounts up to the value of the relevant funds.

Board members are not indemnified in respect of any liability owed by them to the Board or its subsidiary, or which results from a contravention of a civil penalty provision of the *Future Fund Act 2006* or the *Corporations Act 2001.* Agency staff members are not indemnified to the extent they are indemnified by the relevant investee company or subsidiary, in respect of any liability owed to the Board or the Commonwealth, or to the extent that they are granted and receive financial assistance under Appendix E of the *Legal Services Directions 2017*. Both board members and Agency staff members are not indemnified for any liability resulting from conduct they engage in other than in good faith, to the extent they recover a liability under a Directors and Officers insurance policy (including Comcover) or in respect of legal costs incurred by them in unsuccessfully defending or resisting criminal proceedings or proceedings regarding a contravention of a civil penalty provision.

Googong Dam

On 4 September 2008, a 150-year lease for Googong Dam was signed between the Australian Government and the Australian Capital Territory (ACT) Government. The Australian Government is liable to pay just terms compensation if the terms of the lease are breached by introducing new legislation or changing the *Canberra Water Supply (Googong Dam) Act 1974* in a way that impacts on the rights of the ACT. The lease includes a requirement for the Australian Government to undertake rectification of easements or any defects in title in relation to Googong Dam, and remediation of any contamination it may have caused to the site. It also gives an indemnity in relation to acts or omissions by the Australian Government.

Indemnities for the Reserve Bank of Australia and private sector banks

In accordance with government entities' contracts for transactional banking services, the Government has indemnified the Reserve Bank of Australia and contracted private sector banks against loss and damage arising from error or fraud by an entity, or transactions made by a bank with the authority of an entity.

Indemnities relating to other former asset sales, privatisations and information technology outsourcing projects

Ongoing and terminating indemnities have been given in respect of a range of asset sales, privatisations and information technology outsourcing projects that have been conducted by the Department of Finance and the former Office of Asset Sales and Commercial Support and its predecessors. The probability of an action being brought under one of these indemnities diminishes over time.

Details of indemnities in respect of other asset sales and privatisations have been provided in previous Budget and MYEFO papers, and previous Annual Reports of the Department of Finance and the Office of Asset Sales and Commercial Support.

Indemnified bodies are listed below. Apart from instances noted elsewhere, the Department of Finance does not currently expect any other action to be taken in respect of these indemnities.

Indemnified body	Year(s) raised
ADI Ltd	1998
Albury–Wodonga Development Corporation	2014
Australian Airlines	1991
Australian Industry Development Corporation	1996
Australian Multimedia Enterprise	1997
Australian National Rail Commission and National Rail Corporation Ltd	1997 and 2000
Australian River Co Ltd	1999
Australian Submarine Corporation Pty Ltd	2000
Bankstown Airport Ltd	2002
Camden Airport Ltd	2002
ComLand Ltd	2004
Commonwealth Accommodation and Catering Services	1988
Commonwealth Bank of Australia	1993 to 1996
Commonwealth Funds Management and Total Risk Management	1996 to 1997
Employment National Ltd	2003
Essendon Airport Ltd	2001
Federal Airports Corporation’s Airports	1995 to 1997
Health Insurance Commission	2000
Housing Loans Insurance Corporation Ltd	1996
Hoxton Park Airport Limited	2002
Medibank Private Limited	2014
National Transmission Network	1999
Sydney Airports Corporation Ltd	2001
Telstra	1996, 1999 and 2006
Wool International	1999

Kenbi Land Claim No. 37, Cox Peninsula, Northern Territory

On 5 December 2024, the Department of Finance, on behalf of the Commonwealth, finalised the transfer of the final Commonwealth parcels of land under Kenbi Land Claim No. 37 at Cox Peninsula, Northern Territory to the Traditional Owners. The Transfer of Deed Arrangement was agreed to and signed by the Commonwealth, the Northern Territory Government, the Northern Land Council and the Kenbi Land Trust, and included provisions of two uncapped indemnities and three warranties.

Under the *Public Governance, Performance and Accountability Act 2013,* the uncapped indemnities and warranties were granted by the Minister for Finance for the contingent liabilities that may arise from the Commonwealth's historic use and ownership of the site, including potential future health claims, resulting from contamination of the site.

Foreign Affairs and Trade

Fiscal Risks

Export Finance Australia – National Interest Account

There are five financing facilities under the Government's National Interest Account (NIA), administered by Export Finance Australia (EFA).

The Australian Infrastructure Financing Facility for the Pacific (AIFFP) started operation on 1 July 2019. The AIFFP can provide up to $4.55 billion in financing, including up to $1.55 billion in grants and the balance in loans and guarantees, to support high priority infrastructure development in Pacific countries and Timor-Leste. As at 28 February 2026, the Australian Government has agreed to provide loans and guarantees to support the development of 58 infrastructure projects in 12 countries. The maximum loan exposure was $1.1 billion, of which $260.9 million was outstanding.

The Critical Minerals Facility (CMF) was established on 28 September 2021 to provide finance to critical minerals projects in Australia where private sector finance is unavailable or insufficient. In the 2025–26 MYEFO, the Government expanded the CMF by $1.0 billion for the purposes of the Critical Minerals Strategic Reserve (CMSR) for a maximum aggregate exposure of $5.0 billion. The CMSR can provide price support, buy, sell, transport and selectively stockpile minerals. To date, the Government has agreed to provide a total of approximately $3.1 billion to support five projects under the CMF. As at 28 February 2026, $714.7 million was outstanding.

The Defence Export Facility (DEF) was established on 15 January 2018 to grow Australia's defence exports by helping to overcome difficulties in accessing private sector finance. The DEF has a maximum aggregate exposure of US$3.0 billion (approximately A$4.2 billion as at 28 February 2026). To date, three loans under the DEF have been agreed for a total signing value of A$228.0 million. The value of loans outstanding was A$141.6 million at 28 February 2026.

The Southeast Asia Investment Financing Facility (SEAIFF) was announced on 5 March 2024. The SEAIFF will provide up to $2.0 billion in loans, guarantees, equity and insurance for projects that would boost Australian trade and investment in Southeast Asia, particularly in support of the region's clean energy transition and infrastructure development. To date, the Government has agreed to provide a total of approximately $327.0 million to support three projects under the SEAIFF. The value of loans outstanding was $26.5 million at 28 February 2026.

On 28 March 2026, the Government announced that EFA will provide support to help secure fuel and fertiliser supply from international markets. Under the Fuel and Fertiliser Security Facility (FFSF), EFA is able to provide financial support including loans, equity, guarantees, insurance and price support to selectively stockpile fuel and fertiliser, to support the importation of fuel and fertiliser supply to cover uncontracted or additional fuel and fertiliser demand. The FFSF has been established with an exposure cap of US$5.0 billion (approximately A$7.5 billion) and the expected financial impact of initial transactions have been reflected in the forward estimates, although these are not for publication due to commercial sensitivities. The expected financial impacts of subsequent transactions will be reflected in the forward estimates as these are agreed by the Government.

The *Export Finance and Insurance Corporation Act 1991* was amended to enable EFA to finance domestic projects in the national interest where they are consistent with the Future Made in Australia National Interest Framework. The Government will be able to consider supporting projects on the National Interest Account through financing including debt or equity, where projects are unable to progress solely through commercial financing.

Contingent liabilities – quantifiable

Export Finance Australia

The Government guarantees the due payment of money that is, or may at any time become, payable by Export Finance Australia to anyone other than the Government. As at 28 February 2026, the Government's total contingent liability was $7.3 billion, comprising Export Finance Australia's liabilities to third parties ($5.8 billion) and Export Finance Australia's overseas investment insurance, contracts of insurance and guarantees ($1.5 billion). Of the total contingent liability, $3.6 billion relates to Export Finance Australia's Commercial Account and $3.7 billion relates to the National Interest Account.

Papua New Guinea National Rugby League Franchise

The Australian Government has agreed to support the Australian Rugby League Commission and NRL Bid 25 Ltd. to establish and support the operation of the Papua New Guinea National Rugby League franchise.

The support will include contingent liabilities for the Commonwealth. Details of these liabilities are not provided as they include commercial-in-confidence sensitivities.

Health, Disability and Ageing

Fiscal Risks

National Disability Insurance Scheme

The NDIS provides financial support to Australians with permanent and significant disability to build capacity, increase independence and establish stronger connections with their community.

As with other demand-driven programs, the estimated costs for the scheme are subject to adjustments to reflect observed changes in actual payments. Scheme projections are liable to change as significant reform initiatives are implemented and the scheme continues to mature. Reform initiatives may lead to revisions to forecasts of the number of scheme participants, the funds allocated in participant support packages, the payments by participants from those funds for supports, and the resourcing required by the National Disability Insurance Agency to effectively administer the scheme.

National Cabinet has acknowledged the need for continuing reforms to secure the future of the NDIS, ensuring it is sustainable and can continue to provide life-changing support to future generations of Australians with disability. States and territories have agreed to work with the Government to target annual cost increases to at or below five to six per cent, to ensure the longer–term sustainability of the scheme.

The *National Disability Insurance Scheme Amendment (Getting the NDIS Back on Track No. 1) Act 2024* commenced on 3 October 2024. Changes in the amending Act and subsequent amendments to NDIS rules and other legislative instruments have begun to moderate growth in scheme expenditure. Further moderation is expected from the implementation of reforms included in the 2026–27 Budget measure *Securing the National Disability Insurance Scheme for future generations* and the implementation of new framework planning, which will determine scheme participant plan budgets more consistently based on participant need.

The 2026–27 Budget estimates for the scheme are based on actual expenditure as at the end of December 2025 and updated projections from the NDIS Actuary.

Contingent liabilities – unquantifiable

Accommodation Payment Guarantee Scheme

The Accommodation Payment Guarantee Scheme guarantees the repayment of aged care residents' refundable accommodation payments (including refundable deposits and accommodation bonds) if the approved provider becomes insolvent or bankrupt and defaults on its refund obligations.

From 1 November 2025, under the newly commenced *Aged Care Act 2024*, aged care providers are required to retain two per cent of all new Refundable Accommodation Deposits annually, for a maximum of five years. This retained portion is non-refundable to residents and is excluded from the Government's Accommodation Payment Guarantee Scheme.

In return for the payment, the rights that the resident had to recover the amount from their approved provider are transferred to the Government so it can pursue the approved provider for the funds. In cases where the funds are unable to be recovered, the Government may levy all approved providers holding bonds, entry contributions and Refundable Accommodation Deposits to meet any shortfall.

Australian Red Cross Society – indemnities

Various deeds between the Australian Red Cross Society (the Red Cross) and the National Blood Authority in relation to the operation of Australian Red Cross Lifeblood and the development of principal manufacturing sites in Sydney and Melbourne, include certain indemnities and a limitation of liability in favour of the Red Cross. These indemnities cover defined sets of potential business, product and employee risks and liabilities. Certain indemnities for specific risk events that operate within the term of the relevant deed are capped and must meet specified pre-conditions. Other indemnities and the limitation of liability only operate in the event of the expiry and non-renewal, or the earlier termination, of the relevant deed relating to the operation of the Red Cross or the cessation of funding for the principal sites, and only within a certain scope. All indemnities are also subject to appropriate limitations and conditions, including those in relation to mitigation, contributory fault, and the process of handling relevant claims.

Blood and blood products liability cover

The National Managed Fund (NMF) was established by a Memorandum of Understanding between the Government, Australian Red Cross Lifeblood (Lifeblood) and state and territory governments to cover potential future claims in relation to the supply of blood and blood products by Lifeblood. The NMF provides for liabilities incurred by Lifeblood where other available mitigation or cover is not available. Under certain conditions, the Government and the state and territory governments may jointly provide indemnity for Lifeblood through a cost-sharing arrangement for claims, both current and potential, regarding personal injury and loss or damage suffered by a recipient of certain blood products. If there are insufficient funds in the NMF to cover claim costs, the Jurisdictional Blood Committee will consider a report provided by the National Funds Manager to determine the level of additional funds required. The Government's share of any additional liability is limited to 63 per cent of agreed net costs.

CSL Ltd

CSL Limited (CSL) is indemnified against claims made by individuals who contract specified infections from specified products and against employees contracting asbestos-related injuries. CSL has unlimited cover for most events that occurred before the sale of CSL on 1 January 1994, but has more limited cover for a specified range of events that occurred during the operation of the Plasma Fractionation Agreement from 1 January 1994 to 31 December 2004. Where alternative cover was not arranged by CSL, the Government may have a contingent liability.

The National Fractionation Agreement for Australia with CSL Behring (Australia) Pty Ltd (a subsidiary of CSL), which has operated since 1 January 2018, includes a requirement that the National Blood Authority make a defined payment to CSL Behring (Australia) Pty Ltd in certain circumstances only, in the event that the volume of plasma supplied annually to CSL Behring (Australia) Pty Ltd is less than a specified amount.

Indemnities relating to vaccines

The Government has provided indemnities to a manufacturer of a smallpox/monkeypox vaccine held by the Government, covering possible adverse events that could result from the use of the vaccine in an emergency situation. Indemnities have also been provided to a manufacturer of pandemic and pre-pandemic influenza vaccines for the supply or future supply of influenza vaccines under certain conditions (including H1N1 and H5N1). Indemnities have been provided to suppliers of COVID-19 vaccines, for which the Government has entered into Advance Purchasing Agreements, covering certain liabilities that could result from the use of the vaccines. These agreements relate to vaccines from AstraZeneca Pty Ltd, Pfizer Inc, Moderna Switzerland GmbH and Novavax, Inc.

Medical Indemnity Exceptional Claims Scheme

Under the Medical Indemnity Exceptional Claims Scheme, the Government assumes liability for any damages payable against practitioners practising in a medical profession that exceed a specified level of cover provided by the practitioner’s medical indemnity insurer (currently $20 million). It also provides legacy cover for claims against allied health professionals if the claim incident occurred before 1 July 2020.

From 1 July 2020, the Government moved the coverage of eligible allied health professionals (including registered only midwives) to a new scheme. Coverage for allied health professionals in excess of a specified level of cover provided by the professional’s medical indemnity insurer (currently $20 million) now sits under the Allied Health Exceptional Claims Scheme.

These arrangements apply to payouts either related to a single large claim or to multiple claims that in aggregate exceed the cover provided by the medical practitioner’s or allied health professional’s medical indemnity insurer, for claims notified under contract-based cover since 2003.

Medical Rural Bonded Scholarship Waivers

The Department of Health, Disability and Ageing is using debt waivers to address the creation of statutory debts by participants of the Medical Rural Bonded Scholarship Scheme who inadvertently breached contractual arrangements. In 2025–26, the Department of Health, Disability and Ageing waived $61.7 million in statutory debts. The potential total value of the waivers cannot yet be quantified.

mRNA manufacturing facility – indemnities

The Commonwealth has entered into a strategic partnership with Moderna Australia Pty Ltd (Moderna) to establish domestic mRNA vaccine manufacturing capacity and capability. Under the agreement between the Commonwealth and Moderna, the Commonwealth may enter into a pandemic vaccine advance purchase agreement with Moderna for locally manufactured mRNA vaccines in certain circumstances where an infectious disease pandemic is declared. Moderna will also have the capacity to supply the Commonwealth with non-pandemic vaccines through a non-pandemic vaccine supply agreement.

The Commonwealth does provide indemnities to Moderna under these arrangements to cover certain liabilities that could result from the implementation of the arrangement.

There are also indemnities provided by Moderna in favour of the Commonwealth for certain liabilities, which reflect risk sharing between the parties and are intended to limit financial exposure to the Government.

Contingent assets – unquantifiable

Legal action seeking compensation

The Commonwealth is engaged in legal action against Otsuka to recover compensation for losses associated with the delayed listing of generic brands of aripiprazole on the Pharmaceutical Benefits Scheme. The Commonwealth is claiming that this is due to interim injunctions granted to Otsuka in unsuccessful patent litigation, which had the effect of delaying statutory and price disclosure related price reductions for this drug.

Home Affairs

Fiscal Risks

Regional processing arrangements

Under a Memorandum of Understanding (MoU) between Australia and the Republic of Nauru on the Enduring Regional Processing Capability in the Republic of Nauru, the Australian Government supports the Government of Nauru to provide support and services to transitory persons residing in Nauru. Any significant changes in the number of transitory persons, provision of services under the MoU, relevant litigation or legislative changes may incur a cost or generate cost reductions which are unquantifiable at this time.

Third country reception arrangements

Under a Memorandum of Understanding (MoU) between Australia and the Republic of Nauru on the Third Country Reception Arrangement, the Australian Government supports the Government of Nauru to settle and fully integrate persons received under the terms of the MoU. Any significant changes in the number of settled persons, the arrangements that underpin those services, relevant litigation or legislative changes may incur a cost or generate cost reductions which are unquantifiable at this time.

Significant but remote contingencies

Indemnities relating to the Air Security Officer Capability

The Government has provided an indemnity to two Australian airlines connected with agreements to allow Air Security Officers on board their aircraft. The indemnities are limited to $2 billion per incident. The indemnity only applies where the airline(s) can establish that loss, damage or claim resulted from an act by an Air Security Officer, under or in connection with the Air Security Officer capability. The indemnity applies to the extent that any loss, damage or claim is not covered by existing relevant insurance policies held by the airline.

Contingent liabilities – unquantifiable

Australian victims of terrorism overseas payment

The *Social Security Amendment (Supporting Australian Victims of Terrorism Overseas) Act 2012* amended the *Social Security Act 1991* to create a scheme to provide financial assistance to Australian residents who are victims of an overseas terrorist act that has been declared by the Prime Minister. The scheme commenced on 22 January 2013. Under the scheme, Australian residents who are harmed (primary victims) or whose close family member dies (secondary victims) as a direct result of a declared terrorist act are eligible to claim one-off payments of up to $75,000. As acts of terrorism are unpredictable, and the declaration of overseas terrorists acts discretionary, the cost of the scheme is unquantifiable.

Claims against the Department of Home Affairs

The Department of Home Affairs is involved in a wide range of litigation and other claims for damages or compensation.

Litigation before the courts raises potentially significant but unquantifiable contingent liabilities. In addition to generally being unquantifiable, disclosure of estimated compensation (where known) could prejudice the Commonwealth’s position in litigation or settlement negotiations.

Commonwealth Community Safety Order Scheme – Federation Funding Agreement – indemnity

The Department of Home Affairs has negotiated arrangements for the Community Safety Order Scheme and, on behalf of the Commonwealth, entered into a Federation Funding Agreement (FFA) with New South Wales (NSW) that ended on 30 June 2025. An extension to the FFA covering the period from 1 July 2025 to 30 June 2026 is currently being finalised. The FFA provides for the delivery of services including evidence collection, specialist legal support, accommodation (in prison) and case management support for offenders in the community.

The accommodation component of the services is governed by a housing agreement that stipulates baseline detention under a Community Safety Detention Order. The housing agreement indemnifies NSW, and each of its employees, officers and agents, for all costs reasonably sustained or incurred in the operation of the housing agreement.

Disaster Recovery

The Government provides funding to states and territories through the jointly-funded Commonwealth-State Disaster Recovery Funding Arrangements (DRFA) to assist with natural disaster relief and recovery costs. A state or territory may make a claim if a natural disaster occurs and relief and recovery expenditure for that event meets the thresholds set out in the DRFA.

The forward estimates for the DRFA include preliminary estimates of costs for past events, based on the best information available at the time of preparation. Preliminary estimates of the cost of disaster relief and recovery and the timing of expenditure are subject to change. The total cost of relief and recovery from past events may not be completely realised for several years. The cost of DRFA funding for future disasters is unquantifiable and is not included in the forward estimates.

For major disasters, the Government may approve payments to individuals, such as the Australian Government Disaster Recovery Payment (AGDRP) and Disaster Recovery Allowance (DRA). As natural disasters and their impacts are unpredictable, the cost of these payments for future disasters is unquantifiable and is not included in the forward estimates.

The full impact of recent events across the 2025–26 higher risk weather season is unknown. Any assistance provided under the DRFA, AGDRP or DRA may have further impacts on expenditure that are currently unquantifiable.

Facilities, garrison, transferee arrivals and reception, and health services in the Republic of Nauru

The Department of Home Affairs entered into two contracts for the provision of services and facilities in the Republic of Nauru in relation to regional processing arrangements with the following entities:

- Management & Training Corporation Pty Ltd (MTC), which commenced on 1 October 2022, for the provision of facilities, garrison and transferee arrival and reception services. The contract includes a provision that limits MTC's liability to the Commonwealth to a maximum of $200 million in aggregate for the term of the contract. The limitation of liability does not apply to loss arising from claims in relation to death or bodily injury, disease or illness of any person caused by MTC's breach of contract, negligent act or omission, wilful default, or breach of law. The limitation of liability also does not apply to loss arising from: criminal acts, malicious damage or wilful default of the service provider or its subcontractors; statutory penalties; breach of privacy legislation; breach of confidentiality; third party claims in relation to infringement of intellectual property rights; or claims brought by third parties to the extent they are caused by the breach of contract, wilful default, or negligence of the service provider.

- International Health and Medical Services Pty Ltd (IHMS), which commenced on 13 August 2022, for the provision of health services in the Republic of Nauru. The contract includes a provision that limits IHMS' liability to the Commonwealth with an indemnity limit of no less than $45 million in respect of each and every occurrence, and in respect of product liability only, and in the aggregate for all occurrences arising during any 12-month policy period. The limitation of liability does not apply to loss arising from claims in relation to death or bodily injury, disease or illness (including mental health) of any person caused by IHMS' breach of contract, negligent act or omission, wilful default, or breach of law. The limitation of liability also does not apply to loss arising from: criminal acts, malicious damage or wilful default of the service provider or its subcontractors; statutory penalties; liability that cannot be excluded at law; breach of privacy legislation; breach of confidentiality; third party claims in relation to infringement of intellectual property rights; or claims brought by third parties to the extent they are caused by the breach of contract, wilful default, or negligence of the service provider.

Immigration detention services by state and territory governments

The Department of Home Affairs has negotiated arrangements with some state and territory governments for the provision of various services (including health, corrective and policing services) to immigration detention facilities and people in immigration detention.

Some jurisdictions have indemnities from the Australian Government for the provision of these services. The agreements below provide indemnities relating to any damage or loss incurred by state and territory governments arising out of, or incidental to, the provision of services under these agreements.

Jurisdiction	Service Stream	Details
Christmas Island	Health	$5 million per claim or event
NSW	Corrections	Uncapped – with a risk rating assessment, no more than $30 million per event
	Police	$5 million per claim or event
QLD	Police	$5 million per claim or event
SA	Police	$5 million per claim or event
VIC	Police	$5 million per claim or event
WA	Police	$5 million per claim or event
NT	Corrections	$5 million per claim or event

The Department of Home Affairs negotiates arrangements as necessary for the provision of corrective services. The indemnity provided to state and territory governments under these arrangements is no more than $30 million per event.

The table above sets out all known current agreements with confirmed indemnity liability in accordance with the *Public Governance, Performance and Accountability Act 2013.*

Immigration detention services contract (Secure Journeys)

The Department of Home Affairs entered into a new contract with Secure Journeys Pty Ltd (Secure Journeys) commencing on 16 November 2024, to deliver immigration detention services at facilities in Australia on behalf of the Government. The contract limits Secure Journeys' total liability to the Commonwealth under the contract to a maximum of $300 million. The limitation of liability does not apply to specific events defined under the contract – including loss arising from claims in relation to death, bodily injury, disease or illness (including mental illness) of any person; statutory penalties; and breach of Commonwealth or State privacy legislation.

Contingent assets – unquantifiable

Civil penalty relating to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* – The Star Pty Limited and The Star Entertainment QLD Limited

On 30 November 2022, the Australian Transaction Reports and Analysis Centre applied to the Federal Court of Australia for a civil penalty order against The Star Pty Limited and The Star Entertainment QLD Limited for alleged serious contraventions of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* including failures to properly assess money laundering and terrorism financing risks, and failures to undertake appropriate customer due diligence. The matter remains ongoing and any potential penalties are unquantifiable at this time.

Civil penalty relating to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* – Entain Group Pty Ltd

On 16 December 2024, the Australian Transaction Reports and Analysis Centre (AUSTRAC) applied to the Federal Court of Australia for a civil penalty order against Entain Group Pty Ltd (Entain) for alleged serious and systemic non-compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act).

AUSTRAC alleges that Entain failed to comply with obligations under the AML/CTF Act, including failure to develop and maintain a compliant anti-money laundering program and failure to properly assess money laundering and terrorism financing risks. The matter remains ongoing and the outcome is unknown, including whether any penalties will be imposed by the Court and, if so, the quantum of any penalties.

Industry, Science and Resources

Fiscal Risks

Government support for Whyalla Steelworks

On 19 February 2025, the South Australian Government appointed an administrator to OneSteel Manufacturing Pty Ltd. On 20 February 2025, the Australian and South Australian Governments announced joint support of $2.4 billion to stabilise and secure the long-term future of Whyalla Steelworks, including up to $1.9 billion for the transformation of the steelworks. The Australian Government's funding contribution for immediate on the ground support and initial contribution to the administration process are reflected in the budget estimates, as is the commitment of up to $500 million of the Green Iron Investment Fund to support the long-term transformation of the steelworks. The Commonwealth made a further contribution of $145.5 million to the administration process as reflected in the 2025–26 MYEFO.

Rehabilitation of the Ranger Uranium Mine

The Government approved the Ranger Uranium Mine (Ranger) in the late 1970s. Energy Resources of Australia Ltd (ERA) was authorised to mine uranium at Ranger until 2021 and is required to rehabilitate the site to achieve an environmental condition similar to adjacent areas. Pursuant to the agreement between the Government and the Northern Land Council, the Government would be responsible for carrying out rehabilitation works at the Ranger site should ERA fail to complete the works. ERA has provided a rehabilitation security to the Government to cover the expected costs of rehabilitation should it be called upon.

The rehabilitation security is revalued periodically based on estimated rehabilitation costs at a point in time, and ERA may be required to provide further security if necessary, following a revaluation. The security currently reflects valuation assumptions as at March 2020. Recent assessments of the costs of rehabilitation work undertaken by ERA indicate that the potential costs have increased significantly following the last security valuation in March 2020 and that, at present, the security held by the Government would not be sufficient to rehabilitate the site should the Government be required to do so. The Government acknowledges the uncertainty in costing rehabilitation works beyond 2027, as well as the compulsory acquisition of the company by its major shareholder, Rio Tinto, which impacts the timing of the next security valuation. Until the security can be valued in light of the cost uncertainties being experienced by ERA and the timing for finalisation of the compulsory acquisition, the difference between the expected rehabilitation costs and the security held by the Government represents a fiscal risk to the budget.

Significant but remote contingencies

Liability for damages caused by space objects and certain high-power rocket activities

Under the United Nations Convention on International Liability for Damage Caused by Space Objects, the Government may be liable to pay compensation for damage caused on the surface of the earth or to aircraft in flight by space objects or high-powered rockets launched from Australia, or by Australian nationals overseas. For activities approved under the *Space (Launches and Returns) Act 2018* (the Act) the Government also accepts liability for damage suffered by Australian nationals, to a maximum value of $3 billion above an insured level.

To address this risk, in order to have a space object or high-power rocket activity authorised under the Act, the responsible party is required to insure against, or take financial responsibility for, damage to third parties. The amount of insurance or financial responsibility is capped at $100 million.

The Act provides for amounts lower than $100 million depending on the risk profile of the activity. A maximum probable loss methodology is also available to calculate the amount of insurance or financial responsibility.

Decommissioning the Northern Endeavour and remediating the Laminaria and Corallina Oil Fields

On 31 March 2022, Petrofac Facilities Management Limited (Petrofac) was engaged to deliver Phase One of the decommissioning of the Northern Endeavour. This work focused on disconnecting the floating production storage and offtake facility (FPSO) from the Laminaria and Corallina Oil Fields (Fields) and associated sub-sea equipment, temporary suspension of the wells and preparing the FPSO for recycling. The FPSO was successfully disconnected in September 2025 and is now being transported to the Modern American Recycling Services (MARS) facility in Denmark for recycling and disposal. The contract with Petrofac remains in place until October 2026 with the only remaining work scope being the monitoring and maintenance of the Fields.

As part of the conditions for recycling the FPSO in Denmark, the Australian Government has provided a financial guarantee to the Danish Government to cover the costs of completing the recycling of the FPSO in the event that it cannot be completed by MARS.

The Australian Government has obtained protection and indemnity, facility damage and control of well insurance, and taken out membership with oil spill response agencies. These limit the Australian Government's potential risk and financial exposure. The risk of an incident is remote. The wells are temporarily suspended and the FPSO has been disconnected and removed from the operational area. A change to the operational risk profile may occur when permanent plug and abandonment activities commence, with the timing of this subject to the outcome of future procurement activities.

The Australian Government has committed to decommission the Northern Endeavour facility and remediating the Fields. The remaining cost to finalise Phase One activities, including the recycling of the FPSO, is taken into account in the forward estimates. However, costs for the subsequent phases of the decommissioning – the permanent plug and abandonment of the wells (Phase Two) and the removal of subsea infrastructure (Phase Three), which are estimated to commence over the forward estimates period – are not able to be fully quantified until procurement activities for those Phases have been completed. Actual costs associated with Northern Endeavour decommissioning will be recovered through the *Offshore Petroleum (Laminaria and Corallina Decommissioning Cost Recovery Levy) Act 2022*.

Contingent liabilities – unquantifiable

Australian Nuclear Science and Technology Organisation – asbestos contamination

The Australian Nuclear Science and Technology Organisation site contains asbestos in several buildings and in the soil at the Lucas Heights campus. Although there is potential for claims to be made in relation to asbestos-related diseases, the potential costs have not been assessed and are unquantifiable contingencies.

Australian Nuclear Science and Technology Organisation – indemnity

The Minister for Industry and Science has renewed a Deed of Indemnity between the Government and the Australian Nuclear Science and Technology Organisation (ANSTO) under which the Government formally agreed to indemnify ANSTO and ANSTO officers from any loss or liability arising from claims caused by ionising radiation. This deed will remain in place until March 2035.

Australian Nuclear Science and Technology Organisation – legacy waste management to final disposal

The Australian Nuclear Science and Technology Organisation has accumulated, and will continue to accumulate, radioactive waste for which final disposal arrangements are currently unfunded. Most of this waste has arisen from the production of nuclear medicine. This waste will require further characterisation to determine its composition, classification, and the associated costs and timing required for its management through to final disposal.

Spent nuclear fuel generated from the operation of the Open-Pool Australian Lightwater reactor has also accumulated and will require future reprocessing and storage. At present, there are insufficient reliable cost estimates to determine the future costs associated with the reprocessing of this spent fuel.

The future responsibility and costs associated with the management, storage, reprocessing, and disposal of radioactive waste and spent fuel are still to be determined and could have a material financial impact.

Former British nuclear test site at Maralinga

The Australian Government is responsible for 14 unlimited indemnities relating to the Maralinga Rehabilitation Project (1995–2000). In November 2009, the Australian Government agreed to the handback of the former nuclear test site – Maralinga Section 400 – to the site's Traditional Owners, Maralinga Tjarutja. Under the terms of the *2009 Maralinga Nuclear Test Site Handback Deed,* the Australian Government has indemnified the Maralinga Tjarutja people and the South Australian Government in respect of claims arising from test site contamination.

Land and building decontamination and site restoration for CSIRO property

The Commonwealth Scientific and Industrial Research Organisation has made a financial provision for the estimated costs in restoring and decontaminating land where a legal or constructive obligation has arisen. For cases where there is no legal or constructive obligation, the potential costs have not been assessed and are unquantifiable contingencies.

Lindfield facility – asbestos contamination

The measurement facility at Lindfield NSW contains asbestos in several buildings and in the soil. The costs of potential long-term management options cannot be accurately quantified at this time.

Infrastructure, Transport, Regional Development, Communications, Sport and the Arts

Fiscal Risks

Australia Post's financial stability

Australia Post is a Government Business Enterprise wholly owned by the Government. After two years of losses, Australia Post reported a pre-tax profit of $18.8 million in 2024–25. The operating environment is impacted by declining letter volumes and stronger parcels competition. This reflects the way in which digitisation of the global and national economy is changing how people and businesses use postal and related services. Australia Post does not receive financial support from the Government but is required to meet a range of Community Service Obligations.

On 6 December 2023, the Government announced a package of reforms to enable Australia Post to boost productivity, increase its focus on parcel delivery services, and improve financial sustainability. The Government is monitoring the implementation of these reforms to assess whether they are achieving meaningful financial benefits as intended.

Infrastructure Investment Program project slippage adjustment

The Infrastructure Investment Program includes a general slippage adjustment and a separate, temporary fuel and other materials disruption slippage adjustment.

The general slippage adjustment is to take account of historical experience, including the timing of states claiming payments against milestones and the complexity of delivery. In the 2026–27 Budget, the adjustment is set at $1.7 billion in 2025–26, 2026–27 and 2027–28, $1.6 billion in 2028–29 and $1.3 billion in 2029–30 and is unwound over 2030–31 to 2035–36. A general slippage adjustment was implemented in previous Budget rounds, including the 2025–26 MYEFO.

A temporary fuel and other materials disruption slippage adjustment has been applied in the 2026–27 Budget to recognise the impact of the Middle East conflict on the availability of key materials for the delivery of projects and the Australian Government needing to work with the states and territories to manage those impacts. This adjustment is set at $2.0 billion in 2026–27, $1.6 billion in 2027–28, $0.5 billion in 2028–29 and is unwound over 2030–31 to 2035–36.

As the adjustments do not affect the Australian Government's commitments to individual states and territories, there is an equivalent financial risk to the Australian Government should the states and territories meet all current project milestones.

Inland Rail – delivery

In April 2023, the Government released the findings of the Independent Review of Inland Rail (the Review) and agreed to the 19 recommendations in full or in principle. The Review assessed the project's scope, schedule and cost. The Review recommended the Government work with independent specialists to review the cost, scope, engineering and schedule of the project. This independent cost assurance has identified that the estimated cost to complete Inland Rail would be significantly higher than the available funding.

Inland Rail Pty Ltd continues to prioritise the delivery of sections from Beveridge to Parkes.

Significant project delivery risks remain, including securing jurisdictional support, cost and scheduling pressures, engineering, hydrology and localised land contamination challenges, and realising revenues.

Significant but remote contingencies

Inland Rail – Termination of the Equity Financing Agreement

The Government will provide sufficient funding to cover all costs and liabilities incurred by the Australian Rail Track Corporation (ARTC) and Inland Rail Pty Ltd for delivery of Inland Rail to Parkes in the event the Commonwealth terminates the Equity Financing Agreement between the Commonwealth and the ARTC.

Maritime Industry Finance Company Limited – Board Members' indemnity

Indemnities for Maritime Industry Finance Company Limited (MIFCO) board members were provided to protect them against civil claims relating to their employment and conduct as directors. MIFCO was placed into voluntary liquidation in November 2006 and was deregistered on 24 April 2008. The indemnity is not time-limited and continues even though the company has been liquidated. Until the indemnity agreements are varied or ended, they will remain as contingent and unquantifiable liabilities.

Moorebank Intermodal Project – Glenfield Waste Site Easement

The Government has provided an indemnity to cover all costs and liabilities that may be incurred by the grantor (the private sector owner of the Glenfield Waste Site) of any easement for the rail spur going across the Glenfield Waste Site, to the extent such costs or liabilities are caused or contributed to by the Commonwealth or its agents.

National Intermodal Corporation Limited – Termination of the Funding Agreement

The Government has provided an indemnity to cover all costs and liabilities that may be incurred by the National Intermodal Corporation Limited (National Intermodal) if the Commonwealth terminates the Funding Agreement between the Commonwealth and National Intermodal.

NBN Co Limited – Termination of the Equity Funding Agreement

The Government is required to cover all costs and liabilities that may be incurred by NBN Co Limited if the Commonwealth terminates the Equity Funding Agreement between the Commonwealth and NBN Co Limited.

Telstra Financial Guarantee

The Government has provided Telstra Corporation Limited (Telstra) a guarantee in respect of NBN Co's financial obligations under the Definitive Agreements (the Agreements). The Agreements were amended on 14 December 2014. The guarantee was not amended at that time and it continues in force in accordance with its terms in respect of the amended Agreements. The liabilities under the Agreements between Telstra and NBN Co arise progressively during the roll-out of the National Broadband Network as Telstra's infrastructure is accessed and Telstra's customers are disconnected from its copper and Hybrid Fibre Coaxial cable networks. The Government is only liable in the event NBN Co does not pay an amount when due under the Agreements. As at 31 December 2025, NBN Co liabilities covered by the Telstra guarantee were estimated at $11.4 billion.

The guarantee will terminate when the following conditions are met:

- NBN Co achieves specified credit ratings for a period of two continuous years
- the company is capitalised by the Commonwealth to the agreed amount
- the Communications Minister declares, under *the National Broadband Network Companies Act 2011*, that, in his or her opinion, the National Broadband Network should be treated as built and fully operational. This declaration was made on 11 December 2020.

Tripartite deeds relating to the sale of federal leased airports

The tripartite deeds between the Government, the airport lessee company and financiers, amend airport head leases to provide for limited step-in rights for financiers in circumstances where the Government terminates the head lease to enable the financiers to correct the circumstances that triggered such a termination event. The tripartite deeds may require the Government to pay financiers compensation as a result of terminating the head lease, once all Government costs have been recovered. The Government's contingent liabilities are considered to be unquantifiable and remote.

WSA Co Limited – Board Members' indemnities

The Government has provided an indemnity to the inaugural directors of WSA Co Limited (WSA Co) to protect them against certain claims relating to their role as directors. Unless the indemnity agreements are varied or ended, they cease to apply from the date the Commonwealth has fully satisfied its obligations to subscribe for equity in WSA Co pursuant to the WSA Co Equity Subscription Agreement.

WSA Co Limited – Sydney Metro – Western Sydney Airport indemnity

The Government has provided an indemnity to cover liabilities that may be incurred by WSA Co Limited related to the integration of the Sydney Metro – Western Sydney Airport project (delivered by the New South Wales Government) with the Western Sydney International (Nancy-Bird Walton) Airport, to the extent such liabilities are established in the Airport-Rail Integration Deed.

WSA Co Limited – Termination of the Equity Subscription Agreement

The Government is required to cover all costs and liabilities that may be incurred by WSA Co Limited if the Commonwealth terminates the Equity Subscription Agreement between the Commonwealth and WSA Co Limited.

Contingent liabilities – unquantifiable

Australian Maritime Safety Authority – ship-sourced pollution incident costs

In the normal course of operations, shipowners are liable for clean-up costs arising from ship-sourced marine pollution incidents. The Australian Maritime Safety Authority (AMSA) is responsible for ensuring that clean-up operations commence immediately and, in all circumstances, seeks to recover these costs from ship owners. Where a polluter cannot be identified, or where costs cannot be fully recovered, AMSA bears the residual liability.

AMSA maintains a pollution response financial capability to support clean-up expenditure pending recovery. This capability recognises that response costs are incurred immediately, while recoveries typically occur over a longer period. The capability is supported by liquid investment reserves of $10 million.

Where costs exceed AMSA's pollution response financial capability, costs are met by the Government. Given the unpredictable nature, scale, and timing of ship-sourced pollution incidents, it is not possible to estimate the amounts of any payments that may be required.

Aviation rescue and firefighting services potential per- and poly-fluoroalkyl substances contamination

The Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts (DITRDCSA) has identified a number of sites in Australia potentially contaminated with per- and poly-fluoroalkyl substances (PFAS), which were contained in firefighting foams.

PFAS contaminants do not naturally break down in the environment, and several have been listed on the Stockholm Convention as persistent contaminants. Australian health and environmental agencies have set a range of standards for environmental protection and precautionary health measures.

Up to 37 airport sites are potentially contaminated with PFAS (20 federally-leased airports and 17 regional airports), which relate to the Government's provision of firefighting services. DITRDCSA is undertaking PFAS investigations at these airports to understand the risks and develop management plans for any identified PFAS contamination. These investigations are funded under DITRDCSA's $130.5 million PFAS Airports Investigation Program (the Program). Airservices Australia (Airservices) is continuing to implement the National PFAS Management Program, which includes ongoing PFAS investigations at 18 airport sites. The costs of potential long-term management options cannot be accurately quantified at this time.

For Commonwealth-owned airports that are leased on a long-term basis, airport lessee companies are responsible for environmental management of their airport sites. Airport leases indemnify the Commonwealth in relation to damages or injury to the environment, including in respect of costs and claims arising due to such damages or injury. However, these leases do not indemnify Airservices, as it is a corporate Commonwealth entity. The Commonwealth is not indemnified for 16 airports (which are privately or local government owned) in the Program's scope because the Commonwealth is not a party to any lease deed at these airports. The costs of potential long-term management options cannot be quantified at this time.

A number of Airport Lessee Companies have requested that Airport Environment Officers (AEOs) issue remedial orders to Airservices for PFAS contamination under the *Airports (Environment Protection) Regulations 1997*. Two Environmental Remedial Orders have been issued to Airservices, directing it to undertake specified remedial work at Launceston and Canberra airports, within a set timeframe. AEOs are also actively considering regulatory action at Brisbane, Moorabbin and Sydney Airports.

Brisbane Airport Corporation has commenced legal proceedings in the Queensland Supreme Court against Airservices concerning legacy PFAS contamination from Airservices' use of firefighting foams containing PFAS at the airport. Perth Airport Pty Ltd has also commenced legal proceedings against Airservices in relation to PFAS contamination in the Federal Court. Potential costs relating to these matters are unquantifiable at this time.

Indemnity provided to the New South Wales Rural Fire Fighting Service in relation to the Jervis Bay Territory

The Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts (DITRDCSA) engages the New South Wales Rural Fire Service (NSW RFS) to provide fire management in the Jervis Bay Territory (JBT). To provide these services, the NSW RFS requires the Australian Government to provide an uncapped indemnity against any actions or claims resulting from the actions of the NSW RFS while providing fire management services in the JBT. The indemnity covers the same period of time for which NSW RFS is engaged to provide the fire management services. The likelihood of an event occurring that may result in a liability for the Australian Government is assessed as unlikely. The risk of a liability is mitigated through a range of risk management measures, including the *Jervis Bay Territory Rural Fires Ordinance 2014*, the establishment of a JBT Emergency Management Committee (EMC), a fire management plan prepared and implemented by the EMC, NSW RFS staff training and professional qualifications and DITRDCSA actively managing the Service Level Agreement with the NSW RFS.

Major sporting events

Brisbane 2032 Olympic and Paralympic Games – On 21 July 2021, the International Olympic Committee selected Brisbane to host the 2032 Olympic and Paralympic Games. On 19 August 2025, the Australian Government and the Queensland Government signed a revised bilateral agreement on matters of shared interest, including a capped capital contribution towards the Games venue infrastructure by the Australian Government. The Australian Government has also committed to provide a range of guarantees to the International Olympic Committee for provision of government services in support of Brisbane hosting the Games. The financial implications of this support are not quantifiable at this time.

2027 Rugby World Cup and 2029 Women's Rugby World Cup – On 12 May 2022, World Rugby selected Australia as the host of the 2027 Rugby World Cup and the 2029 Women's Rugby World Cup. In addition to the financial assistance provided in the 2022–23 March Budget to support event delivery and legacy programs, the Government has committed to provide services and support (such as security commitments and visa processing for participants and support staff). The financial implication of this additional support is not quantifiable at this time.

Moorebank Intermodal Project – Georges River rail crossing

The Australian Government has provided an indemnity to cover costs and liabilities that may be incurred by New South Wales arising under the *Native Title Act 1993 (Cth)* associated with the rail bridge over the Georges River to the Moorebank Intermodal Terminal. The likelihood of costs being incurred is considered remote and potential costs are unquantifiable.

Service Delivery Arrangement Indemnities – Indian Ocean Territories and Jervis Bay Territory

Since 1992, the Australian Government has entered into Service Delivery Arrangements with the Western Australian (WA) Government for the provision of services to the Indian Ocean Territories of Christmas Island and the Cocos (Keeling) Islands. The Australian Government has provided certain indemnities for the WA Government and its respective officers, agents, contractors and employees against civil claims relating to their employment and conduct as officers.

The Australian Capital Territory (ACT) Government provides services to the Jervis Bay Territory under a Memorandum of Understanding. The Australian Government has provided certain indemnities for the ACT Government authorities and officials in relation to the delivery of services to the Jervis Bay Territory.

The likelihood of an event occurring that may result in a liability for the Australian Government has been assessed as remote and the risks are currently mitigated through the training and professional qualifications of the staff of these entities and the existence of systems, processes and standards for the delivery of services.

Social Services

Contingent liabilities – unquantifiable

Matthew Chaplin v Secretary, Department of Social Services

On 6 November 2025, the High Court of Australia granted Mr Chaplin (represented by Victoria Legal Aid) special leave to appeal the Full Federal Court's decision in *Chaplin v Secretary, Department of Social Services* [2025] FCAFC 89 (*Chaplin case*). Costs associated with the appeal (if any) are not quantifiable until the matter is determined by the Court or otherwise resolved. The contingent liability is partially mitigated by the *Social Security and Other Legislation Amendment (Technical Changes No. 2) Act 2025,* which validates the historical practice of income apportionment and provides for a hierarchy of methodologies to be followed in the calculation of debts involving pre-7 December 2020 employment income.

Contingent assets – quantifiable

National Redress Scheme

The *National Redress Scheme for Institutional Child Sexual Abuse Act 2018* supports people who experienced institutional child sexual abuse by providing a monetary payment and facilitating access to counselling and psychological services and a direct personal response from the institution determined to be responsible for the abuse. The Department of Social Services (DSS) administers the National Redress Scheme. In this capacity, DSS makes the monetary payment to the survivor and then recovers this amount from the responsible institution.

As at 31 March 2026, DSS has an administered quantifiable contingent asset of $1,027.4 million in relation to the probable recovery from responsible institutions of monetary payments that may be made to survivors. The value is based on applications that have been referred to an independent decision maker for assessment and average payment values.

As at 31 March 2026, DSS has an administered quantifiable contingent liability of $712.9 million in relation to applications made under the National Redress Scheme that have been referred to an independent decision maker for assessment. The amount is based on the number of applications and average payment values.

Treasury

Fiscal risks

New Homes Bonus

In December 2023, the Australian Government established the New Homes Bonus program, which provides for incentive payments to states and territories (states) to deliver an additional 200,000 homes above the 1 million homes target agreed under the National Housing Accord in 2022. The Australian Government's committed to provide up to $3.0 billion in 2029–30 in incentive payments should states sign the agreement and meet their targets. The forward estimates reflect incentive payments based on projected dwelling completions.

Guarantee for Australia and New Zealand Banking Group Limited's Pacific Liabilities

The Commonwealth has provided a 10-year limited guarantee to Australia and New Zealand Banking Group Limited (ANZ) to secure its long-term commitment to the Pacific. The guarantee transfers certain risks associated with eligible liabilities related to ANZ's Pacific operations to the Commonwealth. The guarantee can only be called on for certain events that result in a loss for ANZ. The Commonwealth's maximum liability is capped at $2.0 billion. The guarantee will support ANZ to maintain and enhance its current retail banking services in the Pacific, and deliver financial literacy and inclusion programs, supporting the ongoing connectivity of the Pacific region and Timor-Leste to the Australian and global financial systems.

Guarantee for the Asian Development Bank's Innovative Finance Facility

The Australian Government has committed to enter into a 25-year guarantee capped at US$200 million (approximately A$283.6 million as at 5 March 2026) with the Asian Development Bank (ADB) to support its Innovative Finance Facility for Climate in Asia and the Pacific (the ADB facility). The ADB facility will support climate mitigation and adaptation finance projects of sovereign nations identified by ADB in the Asia and Pacific region.

The guarantee transfers a portion of risk associated with sovereign nations' default from the ADB facility to the Australian Government. The guarantee will only be called on in the event of a sovereign nation defaulting on a project under the ADB facility.

Significant but remote contingencies

Asbestos Injuries Compensation Fund

In February 2016, the Commonwealth agreed to assume one third of the default risk associated with a $320 million New South Wales (NSW) Government loan to the Asbestos Injuries Compensation Fund (AICF), contingent on all states and territories agreeing to assume the remaining default risk. States and territories agreed to assume the remaining default risk following the publication of the 2016–17 Budget.

The AICF provides compensation to Australian asbestos disease related claims against former subsidiaries of the James Hardie Group and is funded on an ongoing basis through contributions from the James Hardie Group. NSW provided a $320 million loan facility in 2010 to enable AICF to continue to pay compensation as lump sums, rather than in instalments.

The AICF remains a contingent liability until 2030 or until the NSW loan facility to the AICF is removed, whichever comes first.

Financial Claims Scheme

The Financial Claims Scheme (the Scheme) provides depositors of authorised deposit-taking institutions (ADIs) and claimants against general insurers with timely access to their funds in the event of a financial institution failure.

Under the *Banking Act 1959*, the Scheme provides a mechanism for making payments to depositors under the Government's guarantee of deposits in ADIs. Payments are capped at $250,000 per account holder per ADI. The estimated total value of deposits eligible for coverage under the Scheme was $1.46 trillion at 31 December 2025.

Under the *Insurance Act 1973*, the Scheme provides a mechanism for making payments to eligible beneficiaries with a valid claim against a failed general insurer. It is not possible to estimate the amounts of any eventual payments that may be required in relation to general insurance claims.

In the unlikely event of an ADI or general insurer failure, which requires the triggering of the Scheme, any payments made under the Scheme would be recovered through the liquidation of the failed institution. If there was a shortfall in the amount recovered through the liquidation of the failed institution, a levy could be applied to the relevant industry to recover the difference between the amount expended and the amount recovered in the liquidation.

The Australian Prudential Regulation Authority (APRA) is responsible for the administration of the Scheme. Under the Scheme, any payments to account holders with eligible protected accounts or eligible claimants would be made from APRA's Financial Claims Scheme Special Account. Under the legislation, upon declaration by the Minister in relation to a specified ADI, up to $20 billion per institution would be available to meet the Scheme payments and up to $100 million per institution for administration costs.

Guarantee for Housing Australia

The Government guarantees the due payment of money payable by Housing Australia to anyone other than the Government.

The Housing Australia Board must not allow Housing Australia to enter into a transaction that would result in its total guaranteed commitments, and any outstanding amount borrowed from the Government, to exceed $44 billion, unless approved by the Government.

Guarantees under the *Commonwealth Bank Sale Act 1995*

Under the *Commonwealth Bank Sale Act 1995*, the Government guarantees various superannuation and other liabilities of the Commonwealth Bank of Australia. As at 31 December 2025, the Commonwealth Bank of Australia holds no attributed liabilities and $4.37 billion is attributable to liabilities of the Commonwealth Bank officers' Superannuation.

Reserve Bank of Australia – Guarantee

The Government guarantees the liabilities of the Reserve Bank of Australia (RBA), measured as the RBA's total liabilities excluding capital, reserves, and Australian Government deposits. The principal component of the RBA's liabilities consists of exchange settlement balances.

As at 25 February 2026, exchange settlement balances amount to $182.9 billion, and the total guarantee is $303.2 billion.

Contingent liabilities – unquantifiable

Guarantee of a cyclone and related flooding reinsurance pool

The Government provides an annually reinstated Government guarantee to the Australian Reinsurance Pool Corporation (ARPC) of $10 billion, or a larger amount if required, to support a reinsurance pool for the impact of cyclones and related flooding on eligible insured properties. The guarantee took effect from 1 July 2022, and may be called upon in the event of a large cyclone and related flooding, or in a year with a high number of cyclones and related flooding, to ensure the ARPC can pay all liabilities.

The reinsurance pool is designed to be cost neutral to Government over time, based on the predicted cost and frequency of cyclone events. The estimated value and range of calls on the guarantee is unquantifiable due to significant uncertainty in the frequency and severity of cyclones and the resulting losses.

Guarantees for housing

On 1 October 2025, the Government expanded the 5% Deposit Scheme (the Scheme) (formerly the Home Guarantee Scheme) by uncapping places under all streams, removing the income caps, and increasing property price caps. The Scheme comprises the **General Stream** and the **Single Parent Stream**.

The General Stream (formerly the **First Home Guarantee** and the **First Home Loan Deposit Scheme**) is designed to support eligible first home buyers, and non-first home buyers who have not owned a property in Australia within the past ten years, to build or purchase a home by providing a guarantee to participating lenders for up to 15 per cent of the property purchase value.

The **Single Parent Stream** (formerly the **Family Home Guarantee)** is designed to support single parents and single legal guardians with dependents seeking to enter, or re-enter, the housing market by providing a guarantee to participating lenders for up to 18 per cent of the property purchase value.

The following programs previously operated under the Home Guarantee Scheme but have now concluded. Guarantees previously issued under these programs remain active.

The **New Home Guarantee** was designed to support eligible first home buyers seeking to build a new home or purchase a newly built home by providing a guarantee to participating lenders for up to 15 per cent of the property purchase value. The New Home Guarantee concluded on 30 June 2022.

The **Regional First Home Buyer Guarantee** was designed to support regional eligible first home buyers and non-first home buyers who have not owned a property in Australia within the past ten years, to build or purchase a home in a regional location by providing a guarantee to participating lenders of up to 15 per cent of the property purchase value (subject to a minimum deposit of five per cent). The Regional First Home Buyer Guarantee commenced on 1 October 2022 and concluded on 30 September 2025.

For the four programs listed above, the Government guarantees the liabilities as they arise. Guaranteed liabilities arise where a lender's loss is covered by the guarantee. The lender then makes a claim against the guarantee and Housing Australia assesses the claim. Given liabilities under the Scheme are met by a standing appropriation, Housing Australia is not required to maintain capital and reserves to meet the liabilities associated with these programs.

Indemnities for specialised external advisers during the COVID-19 pandemic

The Government has provided indemnities for certain specialised external advisers engaged to provide advice on emerging markets issues related to COVID-19. Indemnities were provided to mitigate personal risk and provide coverage for costs related to any legal proceedings that may arise in relation to the provision of that advice.

The indemnities apply for the period of engagement as advisers and for claims that are notified within 12 years after cessation of the adviser's engagement. Until the indemnity agreements are varied or expire, they will remain as contingent and unquantifiable liabilities. The last indemnity agreement will expire in April 2034.

Small and Medium Enterprise (SME) Guarantee Scheme and SME Recovery Loan Scheme

The Government provided support for SMEs during the COVID-19 pandemic through guaranteeing loans issued by participating lenders. This support was provided under a number of schemes.

The **Coronavirus Small and Medium Enterprises (SME) Guarantee Scheme** provided a guarantee of 50 per cent of the eligible loan amount for eligible SMEs and the **Show Starter Loan Scheme** provided a guarantee of 100 per cent of the eligible loan amount for the arts and entertainment businesses, with both schemes closing for new loans on 30 June 2021.

The **SME Recovery Loan Scheme**, an expansion and extension of the Coronavirus SME Guarantee Scheme, provided a guarantee of up to 80 per cent of the eligible loan amount, and was initially available to applicants from 1 April 2021 until 31 December 2021.

The SME Recovery Loan Scheme was extended from 1 January 2022 to 30 June 2022, and during this period the Government provided a guarantee of 50 per cent of the eligible loan amount.

Under each of the above schemes, the Government guaranteed to pay an approved lender in the event of default by SMEs. Although all schemes have closed to new loans, the risk to the Australian Government remains until the final claim date for SME Recovery Loan Scheme on 30 September 2033.

Terrorism insurance – commercial cover

The *Terrorism and Cyclone Insurance Act 2003* established a scheme for terrorism insurance covering damage to commercial property, including associated business interruption and public liability (extended in 2017 to mixed-use and high-value residential buildings). The Australian Reinsurance Pool Corporation (ARPC) uses reinsurance premiums paid by insurers to meet its administrative expenses, to maintain a pool of funds and to purchase reinsurance to help meet future claims. The Government guarantees to pay any liabilities of the ARPC, however the responsible Minister (or delegate) must declare a reduced payout rate to insured entities if the Government's liability would otherwise exceed $10 billion.

Contingent liabilities – quantifiable

Australian Taxation Office – tax disputes

The Australian Taxation Office is regularly involved in a range of dispute resolution processes, including litigation, relating to tax disputes.

Details of the outcome of dispute resolution processes remain uncertain until a court ruling is made and/or an agreement is reached with the taxpayer. Accordingly, in most cases it is not possible to reliably estimate the likely financial impact of current disputes. The aggregate value of tax in dispute, for which a provision has not been made, was estimated to be $15.1 billion at 30 September 2025.

Outcomes of dispute resolution processes are included in the Commissioner of Taxation's Annual Report each year. This may include disputes resolved through objections, settlements and court and tribunal decisions. It may also include amounts owed by taxpayers that are subject to dispute but not finalised.

International financial institutions – uncalled capital subscriptions

The Government has held an uncalled capital subscription in the International Bank for Reconstruction and Development (IBRD) since 1947. As at 5 March 2026, Australia's uncalled capital subscription to the IBRD was around US$4.4 billion (approximately A$6.2 billion).

The Government has held an uncalled capital subscription in the European Bank for Reconstruction and Development (EBRD) since 1991. As at 5 March 2026, Australia's uncalled capital subscription to the EBRD was around EUR237.5 million (approximately A$391.0 million).

The Government has held an uncalled capital subscription in the Asian Development Bank (ADB) since 1966. As at 5 March 2026, Australia's uncalled capital subscription to the ADB was around US$7.0 billion (approximately A$10.0 billion).

The Government has held an uncalled capital subscription in the Multilateral Investment Guarantee Agency (MIGA) since 1999. As at 5 March 2026, Australia's uncalled capital subscription to the MIGA was around US$26.5 million (approximately A$37.5 million).

The Government has held an uncalled capital subscription in the Asian Infrastructure Investment Bank (AIIB) since 2015. As at 5 March 2026, Australia's uncalled capital subscription to the AIIB was around US$3.0 billion (approximately A$4.2 billion).

International Monetary Fund – 16th General Review of Quota

The Government has consented to a 50 per cent increase to its International Monetary Fund (IMF) quota. Under the agreement, Australia's quota will increase from Special Drawing Rights (SDR) 6.6 billion (approximately A$12.7 billion as at 5 March 2026) to SDR 9.9 billion (approximately A$19.1 billion as at 5 March 2026). This increase maintains Australia's voting power at the IMF and share of any future SDR allocation, and increases access to fund financing.

The timing of the implementation of the quota increase and the accompanying required contribution is uncertain and is subject to conditions, including consent by members representing 85 per cent of the existing quota. 25 per cent of the increase, SDR 821.6 million (approximately A$1.6 billion as at 5 March 2026), will be made in foreign currency (in consultation with the IMF) and the remainder will be covered by Australian dollar denominated promissory notes. If the IMF Quota increase is implemented, it will be largely offset by reductions in Australia's other IMF commitments.

International Monetary Fund – New Arrangements to Borrow & Bilateral Borrowing Agreement

Australia has made a line of credit available to the International Monetary Fund (IMF) under its New Arrangements to Borrow since 1998. This is a contingent loan to help ensure that the IMF has the resources available to maintain stability in the global economy.

On 19 July 2024, a renewal of the New Arrangements to Borrow was adopted by a decision of the IMF's Executive Board. The Government has completed the required domestic processes and the arrangement is effective from 1 January 2026 to 31 December 2030 under the *International Monetary Agreements Act 1947*. As at 5 March 2026, the value of Australia's New Arrangements to Borrow credit arrangement is around Special Drawing Rights (SDR) 4.4 billion (approximately A$8.6 billion). If the IMF quota increase is implemented, the value of Australia's contribution will decrease by around SDR 0.7 billion to around SDR 3.7 billion (approximately A$7.2 billion as at 5 March 2026).

Australia has also made available around SDR 2.0 billion (approximately A$3.8 billion as at 5 March 2026) through a contingent bilateral loan to the IMF, known as a Bilateral Borrowing Agreement (the Agreement). This is on terms consistent with other bilateral loans and note purchase agreements between the IMF and other contributing countries. The Agreement will be drawn upon by the IMF only if needed to supplement the IMF's quota and New Arrangements to Borrow resources, and any drawings on loans would be repaid in full, with interest. On 20 November 2024, the Australian Government finalised an extension of the Agreement through to 31 December 2027, building on an earlier extension agreed in 2023. If the IMF quota increase is implemented before 31 December 2027, the Agreement will be allowed to expire.

International Monetary Fund – Poverty Reduction and Growth Trust

The Government has entered into agreements to make a line of credit available to the International Monetary Fund (IMF) under the Poverty Reduction and Growth Trust (the Trust) through to 31 December 2029. The Trust provides concessional financial support to low-income countries to help them achieve, maintain, or restore a stable and sustainable macroeconomic position. Poverty Reduction and Growth Trust funds are drawn upon by the IMF as needed and will be repaid in full, with interest.

Through these agreements, the Government has made available Special Drawing Rights (SDR) 1 billion (approximately A$1.9 billion as at 5 March 2026) to loan to the IMF under the Trust. It is estimated SDR 671.4 million (approximately A$1.3 billion as at 5 March 2026) will be available to the IMF under the Trust at 30 June 2026.

International Monetary Fund – Resilience and Sustainability Trust

On 11 October 2022, the Government entered into an agreement to make a line of credit of Special Drawing Rights (SDR) 760 million (approximately A$1.5 billion as at 5 March 2026) available to the International Monetary Fund (IMF) under the Resilience and Sustainability Trust through to 30 November 2030. The Resilience and Sustainability Trust will provide affordable long-term financing to help vulnerable countries build resilience and sustainability to address risks stemming from climate change and pandemic preparedness. Resilience and Sustainability Trust line of credit funds are drawn upon by the IMF as needed and will be repaid in full, with interest.

It is estimated SDR 622.3 million (approximately A$1.2 billion as at 5 March 2026) will be available to the IMF under the Resilience and Sustainability Trust at 30 June 2026.

Veterans’ Affairs

Fiscal Risks

Defence Service Homes Insurance Scheme

The Defence Service Homes Insurance Scheme (DSH Insurance) was established in 1919 under the *Defence Service Homes Act 1918*. DSH Insurance offers a home building insurance product to eligible serving Australian Defence Force members, veterans and widow(er)s.

As experienced across the general insurance industry, DSH Insurance’s financial performance can vary from year to year, affected by the number of insurable weather events that occur.

If the higher frequency of catastrophic weather events experienced recently in Australia continues, there remains a risk that additional Government contributions could be required to maintain DSH Insurance capital reserves.

DSH Insurance maintains a reinsurance program to recover the losses suffered from severe weather events. The recoveries vary for each program based on the deductible amount that must be retained by DSH Insurance. At its current settings, DSH Insurance has revenue to budget for two reinsurance claims per year, without impacting its budgeted capital reserves.

Government loans

Loans are recorded as financial assets. Accordingly, the amounts advanced and repaid do not normally affect the budget aggregates of fiscal balance and underlying cash balance. Loans that are concessional (lower than market interest rate) or are agreed to be written off, result in an impact on the fiscal balance.

All loans contain some element of credit risk that they will not be repaid in full, although in many cases this risk is small. Table 9.3 summarises Government loans estimated to exceed $200 million at 30 June 2026.

Table 9.3: Summary of Australian Government loans meeting the materiality threshold

Portfolio	Loan amount[a] ($m)	Borrower	Interest rate	Term	Status[b]
Agriculture, Fisheries and Forestry					
Drought-related and farm finance concessional loans – Agriculture	114	State Governments (that through their delivery agencies, on-lend to eligible farm businesses	Various	10 years	Removed
Farm Investment Loans, Drought Loans, AgriStarter Loans, AgBiz Drought Loans and, AgRebuild, Drought Hardship Loans and Marine Recovery Loans	3,163	Eligible Australian farm businesses and related small businesses, through the Regional Investment Corporation	5.18 per cent	Up to 10 years	Modified
Climate Change, Energy, the Environment					
Clean Energy Finance Corporation	4,120	Approved entities undertaking clean energy technology projects	Approximately 4.6 per cent weighted average on loans funded	Various	Unchanged
Education					
Higher Education Loan Program	40,804	Eligible higher education students	The lower of WPI or CPI growth	10.2 years (average)	Unchanged
Employment and Workplace Relations					
Australian Apprenticeship Support Loans Program	789	Eligible VET students	The lower of WPI or CPI growth	Various	Unchanged
VET Student Loans Program	2,900	Eligible diploma and above students	The lower of WPI or CPI growth	2.8 years (average)	Unchanged
Finance					
Defence Housing Australia Loan	295	Defence Housing Australia	Various	Various	Removed
Snowy Hydro Limited Loan	1,600	Snowy Hydro Limited	Floating + margin	5 years	Unchanged

Table 9.3: Summary of Australian Government loans meeting the materiality threshold (continued)

Portfolio	Loan amount[(a)] ($m)	Borrower	Interest rate	Term	Status[(b)]
Foreign Affairs and Trade					
Government support for PsiQuantum Pty Ltd	184	PsiQuantum Pty Ltd and PsiQuantum Corporation	Commercial-in-confidence	Commercial-in-confidence	Unchanged
Telstra acquisition of Digicel Pacific	2,100	Telstra	Commercial-in-confidence	Various	Unchanged
Industry, Science and Resources					
National Reconstruction Fund Corporation	1,250	Various	Various	Various	Unchanged
Infrastructure, Transport, Regional					
Northern Australia Infrastructure Facility Loans	1,917	Northern Australia jurisdictions (Western Australia, Queensland or the Northern Territory) for on-lending to project proponents. The NAIF Investment Mandate Direction 2023 additionally allows for provision of financial assistance directly to other entities	Various	Various	Unchanged
Rex Airlines	168	Regional Express Airlines	Commercial-in-confidence	Various	Removed
WestConnex Stage 2 Concessional Loan	2,431	WCX M5 Finco Pty Ltd	3.36 per cent	19 years	Unchanged

Table 9.3: Summary of Australian Government loans meeting the materiality threshold (continued)

Portfolio	Loan amount[a] ($m)	Borrower	Interest rate	Term	Status[b]
Prime Minister and Cabinet					
Indigenous home ownership, business development and assistance	1,418	Eligible Indigenous persons	6.24 per cent	Up to 32 years	Unchanged
Social Services					
Home Equity Access Scheme	837	Eligible older Australians	3.95 per cent	Various	Unchanged
Student Financial Supplement Scheme	83	Eligible Youth Allowance (student), Austudy and ABSTUDY Living Allowance recipients	The lower of WPI or CPI growth	Various	Removed
Student Start-up Loan	821	Eligible Youth Allowance (student), Austudy and ABSTUDY Living Allowance recipients	The lower of WPI or CPI growth	Various	Unchanged
Treasury					
100,000 homes for first home buyers - loans	57	State and territory	0 per cent	Various	Modified
Affordable Housing Bond Aggregator	754	Housing Australia	Commonwealth cost of borrowing	Various	Unchanged
Commonwealth-State financing arrangements – housing and specific purpose capital	1,004	State and Northern Territory governments	4 to 5 per cent	Up to 30 June 2042	Unchanged
Treasury (continued)					
International Monetary Fund – Poverty	670	International Monetary	IMF SDR interest	Various	Modified
International Monetary Fund – Resilience and Sustainability Trust	309	International Monetary Fund	IMF SDR interest rate	Approximately 8 years	Unchanged
Loan Agreement between the Australian Government and the Government of Indonesia	768	Government of Indonesia	Commonwealth cost of borrowing plus 0.5 per cent	15 years	Unchanged
Loan Agreements between the Australian Government and the Government of Papua New Guinea	1,515	Government of Papua New Guinea	Various	Various	Modified

a) Loan amount is the estimated loan program amounts outstanding as at 30 June 2026 in $ million.
b) Status of loan items are considered ‘unchanged’ unless there are modifications to respective interest rates and/or loan term.

Agriculture, Fisheries and Forestry

Farm Investment Loans, Drought Loans, AgriStarter Loans, AgBiz Drought Loans, AgRebuild, Drought Hardship Loans and Marine Recovery Loans

The Regional Investment Corporation currently delivers six loan products. Four loan products are available to farm businesses: Farm Investment Loans, Drought Loans, AgriStarter Loans and Drought Hardship Loans (opened 31 March 2026). In addition, AgBiz Drought Loans are available for small businesses, and Marine Recovery Loans (opened 6 May 2026), are available for wild-catch fishing and aquaculture businesses. AgRebuild Loans (North Queensland flood) closed on 30 June 2020.

The total fair value of Farm Investment Loans, Drought Loans, AgriStarter Loans, AgBiz Drought Loans, and AgRebuild Loans is estimated to be $3.2 billion at 30 June 2026.

The Farm Investment, Drought, AgriStarter, Drought Hardship, Marine Recovery and AgBiz Drought loan products provide concessional loans to eligible businesses in financial need that are considered financially viable in the long term (additional criteria apply for each product). All products are for farm businesses, except for AgBiz Drought Loans which are for small businesses that provide primary production related goods and services for drought affected farm businesses and Marine Recovery Loans which are for wild-catch fishing and aquaculture businesses affected by the marine harmful algal bloom off the coast of South Australia.

As at 1 February 2026, the variable interest rate was 5.18 per cent for the Farm Investment, Drought, AgriStarter, AgBiz Drought, AgRebuild loan products and new Drought Hardship and Marine Recovery Loans. Interest rates are typically revised on a 6-monthly basis in line with any material changes to the Australian Government 10-year bond rate where a material change is taken to be a movement of more than ten basis points (0.1 per cent).

Loans have a maximum term of ten years, except for the new Drought Hardship Loan which has a maximum term of five years.

Climate Change, Energy, the Environment and Water

Clean Energy Finance Corporation

The Clean Energy Finance Corporation (CEFC) has developed a portfolio of loans and investments across the spectrum of clean energy technologies, as required by the *Clean Energy Finance Corporation Act 2012* and the *Clean Energy Finance Corporation Investment Mandate Direction 2023* (the Investment Mandate), comprising the General Portfolio, Rewiring the Nation Fund and Specialised Investment Funds.

The CEFC's Rewiring the Nation Fund is delivering concessional finance, including loans, for projects that support grid transformation. The CEFC's Specialised Investment Funds portfolio of loans consists of the Clean Energy Innovation Fund, the Advancing Hydrogen Fund, the Powering Australia Technology Fund and the Household Energy Upgrades Fund.

The CEFC has predominantly made loans as a co-financier either jointly or in consortiums with private sector financial institutions. Interest rates vary with a current average expected return on loans already funded of approximately 4.6 per cent. Loans have various maturity dates, with an expected weighted average remaining maturity at 30 June 2026 of approximately four years in the General Portfolio and Specialised Investment Funds, and 19 years in the Rewiring the Nation Fund. The value of loans contracted and outstanding (excluding bonds and equities) is estimated to total $4.1 billion at 30 June 2026.

Education

Higher Education Loan Program

The Higher Education Loan Program (HELP) is an income-contingent loan program that assists eligible higher education students with the cost of their student contribution amounts and tuition fees.

The fair value of HELP debt outstanding is estimated to be $40.8 billion at 30 June 2026. The fair value takes into account the concessionality of HELP loans and makes an allowance for debt not expected to be repaid. The fair value includes the impacts of the 2024–25 MYEFO measure *Building Australia's Future – A fairer deal for students*, as the relevant legislation received Royal Assent on 2 August 2025.

There were 2,962,650 HELP debtors as at 30 June 2025. The repayment term of a HELP debt can only be determined for people who have fully repaid their debt. As at the end of June 2025, the average time taken to repay HELP debts was 10.2 years.

Employment and Workplace Relations

Australian Apprenticeship Support Loans Program

The Australian Apprenticeship Support Loans Program (formerly Trade Support Loans Program) is an income-contingent, concessional loan program that assists eligible Australian apprentices by providing financial support of up to $25,983 (for 2025–26) to assist with the costs of living, learning and undertaking an apprenticeship, and helping apprentices to focus on completing a qualification listed on the Australian Apprenticeships Priority List.

An eligible apprentice can access up to $866.17 per month in the first year of their apprenticeship, $649.58 per month in the second year, $433.08 per month in the third year, and $216.50 per month in the fourth year.

The fair value of the Australian Apprenticeship Support Loans debt outstanding is estimated to be $788.7 million at 30 June 2026. The fair value takes into account the concessionality of Australian Apprenticeship Support Loans and makes an allowance for debt not expected to be repaid. The fair value includes the impacts of the 2024–25 MYEFO measure *Building Australia's Future – a fairer deal for students* as the relevant legislation received Royal Assent on 2 August 2025.

VET Student Loans Program

The VET Student Loans Program (VSL) is an income contingent loan program that assists eligible tertiary education students with the cost of their fees when undertaking approved higher-level VET courses (diploma and above).

The fair value of both VET-FEE HELP debt and VSL debt outstanding is estimated to be $2.9 billion at 30 June 2026. The fair value takes into account the concessionality of VSL loans and makes an allowance for debt not expected to be repaid. The fair value includes the impacts of the 2024–25 MYEFO measure *Building Australia's Future – a fairer deal for students* as the relevant legislation received Royal Assent on 2 August 2025.

There were 134,774 VSL debtors as at 30 June 2025. The repayment term of a post 1 July 2019 VSL debt can only be determined for people who have fully repaid their debt. ATO data for the 2024–25 period indicates the average time to repay a VSL debt in full is 2.8 years.

Finance

Snowy Hydro Limited Loan

Snowy Hydro Limited (SHL) executed a debt facility with the Department of Finance and the Department of Climate Change, Energy, the Environment and Water for funding for the Snowy 2.0 project. Interest rates are floating plus a margin, with interest paid quarterly and the principal due in full after five years. SHL's projected cash flows are sufficient to service the loan which is expected to be refinanced by the private sector at maturity. SHL is a wholly owned Commonwealth company and a Government Business Enterprise owned by the Government that owns and operates the Snowy Mountains hydro-electric scheme.

Foreign Affairs and Trade

Government support for PsiQuantum Pty Ltd

In the 2024–25 Budget, the Government agreed to a financing package of equity and loans through Export Finance Australia on the National Interest Account to PsiQuantum Corporation and its wholly owned Australian subsidiary to support the construction and operation of quantum computing capabilities and associated investment in industry and research development in Brisbane. The package is part of a joint investment with the Queensland Government. The value of outstanding loans is estimated to be US$125 million (A$183.6 million) at 30 June 2026, with further loan funding of A$275.0 million still to be drawn down.

Telstra acquisition of Digicel Pacific

The Government provided Telstra a financing package through Export Finance Australia for Telstra's acquisition of Digicel Pacific. Telstra now owns and operates Digicel Pacific. This package includes debt and equity, including securities designed to secure the Government a long-term return. The value of outstanding loans is estimated to be US$1.4 billion (approximately A$2.1 billion) at 30 June 2026.

Industry, Science and Resources

National Reconstruction Fund Corporation

The *National Reconstruction Fund Corporation Act 2023* (NRFC Act) commenced on 18 September 2023, establishing the National Reconstruction Fund Corporation (NRFC) to facilitate increased flows of finance into priority areas of the Australian economy.

The NRFC offers loans and guarantees and makes equity investments in priority areas of the economy consistent with the NRFC Act and the associated instrument.

The NRFC makes a range of investments, including in emerging technologies and technically complex projects that carry higher risk. There are also risks inherent in investing in a large and diverse portfolio of financial assets. In practice, this involves some short-term volatility in the NRFC's returns, including the possibility of credit losses across the portfolio. In the 2025–26 MYEFO, the Government committed to the introduction of three new sub-funds, the Economic Resilience Program, Net Zero Fund and Forestry Growth Fund, all of which will offer finance at a more concessional rate than the NRFC's general portfolio. All three sub-funds are expected to commence in 2026–27. Investments through these sub-funds will add to the NRFC's large and diverse portfolio of financial assets.

The NRFC Board develops the NRFC's investment portfolio with an appropriate risk tolerance relative to the National Reconstruction Fund priority areas as required by the *National Reconstruction Fund Corporation (Investment Mandate) Direction 2026* and the *National Reconstruction Fund Corporation (Priority Areas) Declaration 2026.*

Infrastructure, Transport, Regional Development, Communications, Sport and the Arts

Northern Australia Infrastructure Facility Loans

The Northern Australia Infrastructure Facility (NAIF) is a financing facility established by the Government under the *Northern Australia Infrastructure Facility Act 2016*. The primary purpose of the NAIF is to provide loans or alternative financing mechanisms to infrastructure projects. The infrastructure that NAIF can finance is wide ranging and includes assets that facilitate the establishment or enhancement of business activity or increase economic activity in a region. To be eligible for a loan from the NAIF, project proponents must meet the mandatory criteria outlined in the NAIF Investment Mandate.

The Government has agreed to extend the NAIF investment period by a further ten years to 30 June 2036. The extension is intended to provide long-term certainty and enable NAIF to continue supporting the financing of infrastructure projects that drive economic development across northern Australia. A Bill to implement this extension was introduced to Parliament in March 2026.

WestConnex Stage 2 Concessional Loan

The WestConnex concessional loan is a $2 billion loan facility provided to deliver WestConnex Stage 2. The concessional loan enabled Stage 2 to be brought forward, allowing Stages 1 and 2 to proceed in parallel. This resulted in significant time savings compared to the original approach where these stages progressed in sequence.

WestConnex Stage 2 includes the King Georges Road Interchange Upgrade (completed in 2016) and construction of new twin tunnels from Kingsgrove to a new St Peters interchange, providing motorway connections to Alexandria and Mascot, the M4-M5 Link (completed in January 2023) and the Sydney Gateway.

The concessional loan agreement requires that the loan be repaid between September 2029 and July 2034.

Prime Minister and Cabinet

Indigenous home ownership, business development and assistance

Indigenous Business Australia delivers flexible loans with concessional interest rates to improve Indigenous home ownership across Australia, including in remote Indigenous communities. Indigenous Business Australia also provides concessional interest rate business loans and business support to increase Indigenous ownership of small-to-medium-sized enterprises and support their sustainability and growth.

The fair value of outstanding loans for Indigenous home ownership and business development and assistance is estimated to total $1.4 billion at 30 June 2026.

Social Services

Home Equity Access Scheme

The Home Equity Access Scheme (HEAS) is a voluntary arrangement which allows eligible older Australians to receive a non-taxable loan from the Government. The loan can be paid as regular fortnightly instalments or capped lump sum advance payments, or both, for people of Age Pension age who meet certain residency criteria and own suitable real estate in Australia.

Any amount received under HEAS, and any interest and costs accrued, is attributed as a debt against real estate assets provided as collateral by the participant. The loan can be paid back at any time or is recovered on the sale of the secured real estate or from the person's estate. Additionally, since 1 July 2022, a No Negative Equity Guarantee applies to HEAS loans, limiting the recoverable debt to the equity in the property used to secure the loan.

The fair value of HEAS loans outstanding is estimated to be $837.0 million at 30 June 2026.

Student Start-up Loan

The Student Start-up Loan (SSL) is a voluntary income-contingent loan for student payment (Youth Allowance (student), Austudy and ABSTUDY Living Allowance) recipients undertaking higher education. Introduced on 1 January 2016, the SSL is paid a maximum of twice a year and each SSL payment is valued at $1,349 (in 2026). The SSL is repayable under similar arrangements to Higher Education Loan Program (HELP) debts. Students are required to start repaying their SSL once they earn over $67,000 (for 2025–26), and only after they have repaid any HELP and VET student loan debt. When it commenced, the SSL was initially for new student payment recipients undertaking higher education. From 1 July 2017, with the closure of the Student Start-up Scholarship, the SSL has become available to all eligible student payment recipients undertaking higher education.

The fair value of the SSL is estimated to be $820.9 million at 30 June 2026 based on the fair value assessment by the Australian Government Actuary. The fair value includes the impacts of the 2024–25 MYEFO measure *Building Australia's Future – A fairer deal for students*, as the relevant legislation received Royal Assent on 2 August 2025.

Treasury

100,000 homes for first home buyers – loans

The Government has committed to offer $8.0 billion in zero-interest loans, primarily to support state and territory governments to deliver up to 100,000 homes for first home buyers. These homes will be delivered consistent with the Government's announcement on 13 April 2025. Arrangements with the states and territories are being negotiated under the Federal Financial Relations Framework. The value of outstanding advances to states and territories is estimated to be $57.2 million at 30 June 2026.

Affordable Housing Bond Aggregator

The Government has made available a $4 billion line of credit for the Housing Australia Affordable Housing Bond Aggregator. The provision of funds will be in accordance with the *Housing Australia Act 2018*. The line of credit is ongoing, and funds borrowed will be repaid with interest. The value of outstanding advances issued to Housing Australia from the line of credit is estimated to be $753.7 million at 30 June 2026.

Commonwealth-State financing arrangements – housing and specific purpose capital

From 1945 to 1989, the Government made concessional advances to state and Northern Territory governments under Commonwealth–state financing arrangements for housing and for specific purpose capital. The advances were concessional fixed-rate loans to be repaid over 53 years, with the last loans maturing in 2042. Annual payments, comprising both interest and principal repayment, are made to the Commonwealth. The amortised value of the advances is estimated to be $1.0 billion at 30 June 2026 (principal value of $1.1 billion).

International Monetary Fund – Poverty Reduction and Growth Trust

The Australian Government has entered into two agreements to make an aggregate line of credit worth Special Drawing Rights (SDR) 1 billion (expected value of approximately A$2.0 billion at 30 June 2026) available to the International Monetary Fund (IMF) under the Poverty Reduction and Growth Trust (PRGT) through to 31 December 2029.

The PRGT provides concessional financial support to low-income countries to help them achieve, maintain, or restore a stable and sustainable macroeconomic position. PRGT funds are drawn upon by the IMF as needed and will be repaid in full, with interest.

The value of loans outstanding to Australia is estimated to be SDR 328.6 million (approximately A$670.4 million) at 30 June 2026.

International Monetary Fund – Resilience and Sustainability Trust

On 11 October 2022, the Australian Government entered into an agreement to make a Special Drawing Rights (SDR) 760 million (expected value of approximately A$1.6 billion at 30 June 2026) line of credit available to the International Monetary Fund (IMF) under the Resilience and Sustainability Trust's Loan Account through to 30 November 2030. The Resilience and Sustainability Trust Loan Account provides affordable long-term financing to help vulnerable countries build economic resilience and sustainability to address the risks stemming from climate change and pandemics. Resilience and Sustainability Trust Loan Account funds are drawn upon by the IMF as needed and will be repaid in full, with interest. It is estimated that SDR 159.4 million (approximately A$308.8 million) will be drawn down at 30 June 2026, leaving SDR 600.6 million (approximately A$1.2 billion) available to the IMF under the Resilience and Sustainability Trust.

Additionally, on 11 October 2022, the Australian Government entered into an agreement to lend SDR 152 million (expected value of approximately A$310.1 million at 30 June 2026) to the Resilience and Sustainability Trust Deposit Account through to 30 November 2050, and SDR 15.2 million (expected value of approximately A$31.0 million at 30 June 2026) to the Resilience and Sustainability Trust Reserve Account through to liquidation of the Trust.

Resilience and Sustainability Trust Deposit Account funds will be repaid in full, with interest. Resilience and Sustainability Trust Reserve Account funds will be repaid on liquidation of the trust and will not accrue interest.

These additional contributions will enable the IMF to build sufficient reserves over time to manage risks associated with Resilience and Sustainability Trust lending such as potential late payments.

Loan Agreement between the Australian Government and the Government of Indonesia

On 12 November 2020, Australia entered into a $1.5 billion loan agreement with Indonesia. This agreement is part of multilateral action to support Indonesia led by the Asian Development Bank and includes the Asian Infrastructure Investment Bank, the Japan International Cooperation Agency and the German state-owned KfW Development Bank.

The funds are being used to support Indonesia's COVID-19 response and recovery, including social protection initiatives and health system development.

Loan Agreements between the Australian Government and the Government of Papua New Guinea

The Australian Government has entered into several loan agreements with the Government of Papua New Guinea (PNG). These loans have been made to support budget sustainability to assist in the delivery of core government services and to support economic reforms under multilateral development programs, including International Monetary Fund programs. The loans include:

- US$400 million (approximately A$558 million) in 2020–21, which included refinancing of the US$300 million short-term loan made in 2019–20 and a further A$140 million loan for budget support, including PNG's response to COVID-19

- A$650 million in 2021–22, provided in response to a request from the PNG Prime Minister for further support to meet required expenditure in the PNG Government's 2021 Budget, including on the health and economic response to the COVID-19 pandemic

- A$750 million in 2022–23, provided in response to a request from the PNG Treasurer for financial assistance to enable the PNG Government to meet required expenditure in its 2022 Budget

- A$600 million in 2023–24, in response to a request from the PNG Prime Minister to support PNG to meet its estimated 2023 budget financing shortfall

- A$570 million in 2024–25, in response to a request from the PNG Government to meet its estimated 2024 budget financing shortfall.

Statement 10: Australian Government Budget Financial Statements

Consistent with the *Charter of Budget Honesty Act 1998* (the Charter), the Government has produced a set of financial statements for the Australian Government general government sector (GGS), the public non-financial corporations (PNFC) sector, the total non-financial public sector (NFPS) and the public financial corporations (PFC) sector. The financial statements comply with both the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) and Australian Accounting Standards (AAS), with departures disclosed. These statements are:

- an operating statement, including other economic flows, which shows net operating balance and net lending/borrowing (fiscal balance)
- a balance sheet, which shows net worth, net financial worth, net financial liabilities and net debt
- a cash flow statement, which includes the calculation of the underlying cash balance.

In addition to these general purpose statements, notes to the financial statements are required. These notes include a summary of accounting policies, disaggregated information and other disclosures required by AAS.

The statements reflect the Government's policy that the ABS GFS remains the basis of budget accounting policy, except where AAS is applied because it provides a better conceptual basis for presenting information of relevance to users of public sector financial reports.

The Australian, state and territory governments have an agreed framework – the Uniform Presentation Framework (UPF) – for the presentation of government financial information on a basis broadly consistent with the Australian Accounting Standard AASB 1049. The financial statements are consistent with the requirements of the UPF.

Statement 10 contents

Statement 10: Australian Government Budget Financial Statements

Table 10.1: Australian Government general government sector operating statement

		Estimates				
		2025-26	2026-27	2027-28	2028-29	2029-30
	Note	$m	$m	$m	$m	$m
Revenue						
Taxation revenue	3	716,622	756,283	775,492	800,955	845,780
Sales of goods and services	4	22,213	23,821	24,939	25,066	25,094
Interest income	5	10,216	11,224	11,697	12,433	13,339
Dividend and distribution income	5	7,591	7,805	8,338	9,134	9,904
Other	6	16,439	16,195	15,822	15,884	16,031
Total revenue		**773,081**	**815,328**	**836,287**	**863,473**	**910,148**
Expenses						
Gross operating expenses						
Wages and salaries(a)	7	31,790	33,406	32,886	32,674	32,652
Superannuation	7	9,287	9,443	9,534	9,806	10,206
Depreciation and amortisation	8	13,888	14,771	15,151	15,682	16,171
Supply of goods and services	9	232,351	242,121	244,748	252,551	259,733
Other operating expenses(a)	7	16,018	14,265	15,484	17,309	17,770
Total gross operating expenses		*303,334*	*314,007*	*317,803*	*328,022*	*336,531*
Superannuation interest expense	7	14,803	15,884	16,336	16,708	17,092
Interest expenses	10	38,310	43,364	48,806	51,533	55,720
Current transfers						
Current grants	11	224,901	236,419	246,885	256,592	267,920
Subsidy expenses		19,424	19,733	19,500	19,715	20,796
Personal benefits	12	171,296	181,397	191,416	200,086	213,775
Total current transfers		*415,621*	*437,548*	*457,801*	*476,392*	*502,491*
Capital transfers	11					
Mutually agreed write-downs		13,206	2,517	2,639	2,770	2,898
Other capital grants		26,790	19,942	20,273	20,648	18,995
Total capital transfers		*39,996*	*22,459*	*22,912*	*23,418*	*21,893*
Total expenses		**812,063**	**833,262**	**863,659**	**896,074**	**933,727**
Net operating balance		**-38,982**	**-17,934**	**-27,371**	**-32,601**	**-23,579**
Other economic flows – included in operating result						
Net write-downs of assets		-7,578	-10,495	-12,564	-12,048	-12,847
Assets recognised for the first time		570	408	429	449	467
Actuarial revaluations		1,433	-99	-106	-112	-118
Net foreign exchange gains		84	-151	0	0	0
Net swap interest received		562	14	9	0	0
Market valuation of debt		24,015	-14,354	-13,232	-12,157	-10,950
Other gains/(losses)		13,884	10,819	11,500	12,271	13,084
Total other economic flows – included in operating result		**32,969**	**-13,859**	**-13,965**	**-11,597**	**-10,364**
Operating result(b)		**-6,012**	**-31,793**	**-41,336**	**-44,198**	**-33,943**

Table 10.1: Australian Government general government sector operating statement (continued)

	Note	Estimates 2025-26 $m	2026-27 $m	2027-28 $m	2028-29 $m	2029-30 $m
Non-owner movements in equity						
Revaluation of equity investments		-433	-169	0	0	0
Actuarial revaluations		-1,771	-240	-240	-238	-235
Other economic revaluations		92	163	2,106	175	2,747
Total other economic flows - included in equity		**-2,111**	**-246**	**1,866**	**-63**	**2,512**
Comprehensive result - Total change in net worth		**-8,124**	**-32,039**	**-39,470**	**-44,261**	**-31,431**
Net operating balance		**-38,982**	**-17,934**	**-27,371**	**-32,601**	**-23,579**
Net acquisition of non-financial assets						
Purchases of non-financial assets		24,487	26,014	26,662	26,360	27,733
less Sales of non-financial assets		446	141	2,246	1,389	3,159
less Depreciation		13,888	14,771	15,151	15,682	16,171
plus Change in inventories		1,005	884	916	900	944
plus Other movements in non-financial assets		0	0	0	0	0
Total net acquisition of non-financial assets		**11,158**	**11,986**	**10,181**	**10,188**	**9,348**
Fiscal balance (Net lending/borrowing)(c)		**-50,139**	**-29,920**	**-37,552**	**-42,789**	**-32,927**

a) Consistent with the ABS GFS classification, other employee related expenses are classified separately from wages and salaries under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

b) Operating result under AAS.

c) The term fiscal balance is not used by the ABS.

Table 10.2: Australian Government general government sector balance sheet

		Estimates				
		2025-26	2026-27	2027-28	2028-29	2029-30
	Note	$m	$m	$m	$m	$m
Assets						
Financial assets						
Cash and deposits		73,677	63,669	67,839	69,962	71,879
Advances paid	13	72,420	88,350	100,936	113,722	123,233
Investments, loans and placements	14	261,106	271,315	278,493	289,210	300,983
Other receivables	13	96,739	106,461	113,137	119,665	127,025
Equity investments						
Investments in other public sector entities		51,763	59,299	64,048	67,162	69,606
Equity accounted investments		6,762	6,829	6,832	6,832	6,810
Investments - shares		127,854	135,852	144,719	155,250	164,413
Total financial assets		*690,320*	*731,775*	*776,003*	*821,802*	*863,948*
Non-financial assets	15					
Land		15,576	15,712	15,884	15,653	15,681
Buildings		54,872	56,515	58,259	57,949	57,555
Plant, equipment and infrastructure		124,227	131,694	140,534	150,544	161,878
Inventories		13,586	14,029	14,487	14,914	15,373
Intangibles		15,851	17,258	17,195	16,457	15,823
Investment properties		225	225	225	226	226
Biological assets		5	5	5	5	5
Heritage and cultural assets		13,195	13,213	13,232	13,242	13,252
Assets held for sale		40	35	35	35	35
Other non-financial assets		6	6	6	6	6
Total non-financial assets		*237,582*	*248,693*	*259,864*	*269,032*	*279,835*
Total assets		**927,902**	**980,469**	**1,035,867**	**1,090,833**	**1,143,783**
Liabilities						
Interest bearing liabilities						
Deposits held		416	416	416	416	416
Government securities		910,584	987,626	1,063,702	1,147,053	1,214,034
Loans	16	32,987	33,670	34,340	34,424	34,360
Lease liabilities		19,215	18,243	17,574	16,517	15,087
Total interest bearing liabilities		*963,202*	*1,039,955*	*1,116,032*	*1,198,411*	*1,263,897*

Table 10.2: Australian Government general government sector balance sheet (continued)

		Estimates				
		2025-26	2026-27	2027-28	2028-29	2029-30
	Note	$m	$m	$m	$m	$m
Provisions and payables						
Superannuation liability	17	317,789	326,908	336,151	344,125	352,061
Other employee liabilities	17	97,182	99,429	102,443	106,515	110,636
Suppliers payables	18	14,124	14,444	16,763	18,785	19,635
Personal benefits payables	18	4,840	4,860	4,534	4,929	5,401
Subsidies payables	18	632	612	612	612	612
Grants payables	18	6,204	5,819	6,278	6,348	5,995
Other payables	18	6,747	6,359	6,263	6,179	6,149
Provisions	18	132,078	129,016	133,196	135,596	141,493
Total provisions and payables		*579,596*	*587,447*	*606,239*	*623,088*	*641,982*
Total liabilities		**1,542,798**	**1,627,403**	**1,722,272**	**1,821,499**	**1,905,879**
Net worth(a)		**-614,895**	**-646,934**	**-686,404**	**-730,666**	**-762,096**
Net financial worth(b)		*-852,477*	*-895,627*	*-946,268*	*-999,698*	*-1,041,931*
Net financial liabilities(c)		*904,240*	*954,927*	*1,010,316*	*1,066,859*	*1,111,537*
Net debt(d)		*555,999*	*616,621*	*668,765*	*725,518*	*767,803*

a) Net worth equals total assets minus total liabilities.
b) Net financial worth equals total financial assets minus total liabilities.
c) Net financial liabilities equals total liabilities less financial assets other than investments in other public sector entities.
d) Net debt is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).

Table 10.3: Australian Government general government sector cash flow statement[(a)]

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Cash receipts from operating activities					
Taxes received	699,529	737,101	756,961	782,898	826,240
Receipts from sales of goods and services	21,760	23,299	24,847	25,024	25,042
Interest receipts	9,329	9,636	9,696	10,056	10,538
Dividends, distributions and income tax equivalents	7,630	7,768	8,304	9,098	9,868
Other receipts	21,313	20,117	20,777	19,883	19,912
Total operating receipts	**759,562**	**797,922**	**820,586**	**846,959**	**891,600**
Cash payments for operating activities					
Payments to employees(b)	-50,824	-53,690	-54,309	-54,578	-55,415
Payments for goods and services	-228,322	-241,434	-242,742	-249,997	-258,264
Grants and subsidies paid	-272,284	-284,106	-290,202	-299,657	-307,795
Interest paid	-27,058	-29,566	-36,364	-38,026	-42,264
Personal benefit payments	-171,517	-182,086	-191,860	-200,248	-213,861
Other payments(b)	-12,544	-12,000	-12,150	-13,331	-13,745
Total operating payments	**-762,549**	**-802,882**	**-827,627**	**-855,838**	**-891,344**
Net cash flows from operating activities	**-2,987**	**-4,960**	**-7,041**	**-8,878**	**256**
Cash flows from investments in non-financial assets					
Sales of non-financial assets	210	176	2,281	1,424	3,194
Purchases of non-financial assets	-22,676	-23,900	-23,429	-24,242	-25,973
Net cash flows from investments in non-financial assets	**-22,466**	**-23,724**	**-21,149**	**-22,818**	**-22,779**
Net cash flows from investments in financial assets for policy purposes	**-19,629**	**-32,544**	**-23,334**	**-22,785**	**-15,704**
Net cash flows from investments in financial assets for liquidity purposes	**-3,899**	**-5,371**	**-2,683**	**-6,281**	**-6,642**
Cash receipts from financing activities					
Borrowing	291,910	808,451	936,667	1,020,484	1,005,163
Other financing	9,863	123	70	11	3
Total cash receipts from financing activities	**301,773**	**808,574**	**936,736**	**1,020,495**	**1,005,166**
Cash payments for financing activities					
Borrowing	-243,840	-747,312	-875,411	-954,779	-956,206
Other financing	-14,147	-4,670	-2,950	-2,830	-2,173
Total cash payments for financing activities	**-257,987**	**-751,982**	**-878,361**	**-957,609**	**-958,379**
Net cash flows from financing activities	**43,786**	**56,592**	**58,375**	**62,886**	**46,787**
Net increase/(decrease) in cash held	**-5,196**	**-10,007**	**4,169**	**2,123**	**1,917**

Table 10.3: Australian Government general government sector cash flow statement (continued)[(a)]

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
GFS cash surplus(+)/deficit(-)(c)	**-25,453**	**-28,684**	**-28,189**	**-31,696**	**-22,524**
plus Principal payments of lease liabilities(d)	-2,831	-2,858	-2,810	-2,749	-2,735
Equals underlying cash balance(e)	**-28,284**	**-31,542**	**-31,000**	**-34,445**	**-25,259**
plus Net cash flows from investments in financial assets for policy purposes	-19,629	-32,544	-23,334	-22,785	-15,704
Equals headline cash balance	**-47,913**	**-64,086**	**-54,333**	**-57,230**	**-40,963**

a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.
b) Consistent with the ABS GFS classification, other employee related payments are classified separately from wages and salaries under other payments.
c) GFS cash surplus/deficit equals net cash flows from operating activities and investments in non-financial assets.
d) Principal payments of lease liabilities, which are financing cash payments, are deducted in the calculation of the underlying cash balance to maintain consistency of measure following the implementation of AASB 16.
e) The term underlying cash balance is not used by the ABS.

Table 10.4: Australian Government public non-financial corporations sector operating statement

	Estimates	
	2025-26	2026-27
	$m	$m
Revenue		
Grants and subsidies	183	100
Sales of goods and services	24,165	25,137
Interest income	45	33
Other	69	70
Total revenue	**24,462**	**25,340**
Expenses		
Gross operating expenses		
Wages and salaries(a)	5,539	5,367
Superannuation	661	672
Depreciation and amortisation	4,514	4,889
Supply of goods and services	12,287	12,395
Other operating expenses(a)	877	908
Total gross operating expenses	*23,879*	*24,230*
Interest expenses	2,349	2,601
Other property expenses	151	106
Current transfers		
Tax expenses	119	49
Total current transfers	*119*	*49*
Total expenses	**26,499**	**26,987**
Net operating balance	**-2,038**	**-1,646**
Other economic flows	**-1,249**	**-924**
Comprehensive result - Total change in net worth excluding contribution from owners	**-3,287**	**-2,570**
Net acquisition of non-financial assets		
Purchases of non-financial assets	13,454	12,608
less Sales of non-financial assets	455	460
less Depreciation	4,514	4,889
plus Change in inventories	11	-1
plus Other movements in non-financial assets	20	6
Total net acquisition of non-financial assets	**8,517**	**7,264**
Fiscal balance (Net lending/borrowing)(b)	**-10,554**	**-8,910**

a) Consistent with the ABS GFS classification, other employee related expenses are classified separately from wages and salaries under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

b) The term fiscal balance is not used by the ABS.

Table 10.5: Australian Government public non-financial corporations sector balance sheet

	Estimates	
	2025-26	2026-27
	$m	$m
Assets		
Financial assets		
Cash and deposits	1,252	2,457
Investments, loans and placements	918	843
Other receivables	6,792	6,859
Equity investments	390	415
Total financial assets	*9,352*	*10,573*
Non-financial assets		
Land and other fixed assets	87,849	94,147
Other non-financial assets(a)	4,468	4,566
Total non-financial assets	*92,318*	*98,713*
Total assets	**101,670**	**109,286**
Liabilities		
Interest bearing liabilities		
Deposits held	0	0
Advances received and loans	42,921	46,277
Lease liabilities	14,628	14,762
Total interest bearing liabilities	*57,549*	*61,039*
Provisions and payables		
Superannuation liability	7	7
Other employee liabilities	2,023	2,047
Other payables	6,795	7,000
Other provisions(a)	1,048	1,161
Total provisions and payables	*9,874*	*10,214*
Total liabilities	**67,423**	**71,253**
Shares and other contributed capital	**34,247**	**38,033**
Net worth(b)	**34,247**	**38,033**
Net financial worth(c)	*-58,071*	*-60,680*
Net debt(d)	*55,379*	*57,739*

a) Excludes the impact of commercial taxation adjustments.

b) Under AASB 1049, net worth equals total assets minus total liabilities. Under the ABS GFS, net worth equals total assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

c) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. Under the ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

d) Net debt is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits and investments, loans and placements).

Table 10.6: Australian Government public non-financial corporations sector cash flow statement[(a)]

	Estimates	
	2025-26	2026-27
	$m	$m
Cash receipts from operating activities		
Receipts from sales of goods and services	26,451	28,734
Grants and subsidies received	37	152
GST input credit receipts	148	90
Other receipts	53	35
Total operating receipts	**26,688**	**29,011**
Cash payments for operating activities		
Payments to employees(b)	-6,021	-6,024
Payments for goods and services	-14,337	-15,471
Interest paid	-2,675	-2,990
GST payments to taxation authority	-407	-545
Distributions paid	-154	-106
Other payments(b)	-1,072	-901
Total operating payments	**-24,666**	**-26,037**
Net cash flows from operating activities	**2,022**	**2,975**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	243	460
Purchases of non-financial assets	-12,028	-11,111
Net cash flows from investments in non-financial assets	**-11,785**	**-10,651**
Net cash flows from investments in financial assets for policy purposes	**-4**	**0**
Net cash flows from investments in financial assets for liquidity purposes	**113**	**32**
Net cash flows from financing activities		
Borrowing (net)	3,985	3,208
Other financing (net)	4,552	5,641
Net cash flows from financing activities	**8,537**	**8,849**
Net increase/(decrease) in cash held	**-1,115**	**1,205**
Cash at the beginning of the year	**2,368**	**1,252**
Cash at the end of the year	**1,252**	**2,457**
GFS cash surplus(+)/deficit(-)(c)	**-9,762**	**-7,676**
plus Principal payments of lease liabilities(d)	-406	-609
Adjusted GFS cash surplus(+)/deficit(-)(d)	**-10,168**	**-8,285**

a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.
b) Consistent with the ABS GFS classification, other employee related payments are classified separately from wages and salaries under other payments.
c) GFS cash surplus/deficit equals net cash flows from operating activities and investments in non-financial assets.
d) Principal payments of lease liabilities, which are financing cash payments, are deducted in the calculation of the GFS cash surplus/deficit to maintain consistency of measure following the implementation of AASB 16.

Table 10.7: Australian Government total non-financial public sector operating statement

	Estimates	
	2025-26	2026-27
	$m	$m
Revenue		
Taxation revenue	716,215	756,056
Sales of goods and services	44,105	46,721
Interest income	10,200	11,062
Dividend and distribution income	7,443	7,701
Other	16,490	16,245
Total revenue	**794,455**	**837,784**
Expenses		
Gross operating expenses		
Wages and salaries(a)	37,304	38,741
Superannuation	9,948	10,115
Depreciation and amortisation	18,402	19,660
Supply of goods and services	242,440	252,332
Other operating expenses(a)	16,898	15,175
Total gross operating expenses	*324,993*	*336,024*
Superannuation interest expense	14,803	15,884
Interest expenses	40,599	45,770
Current transfers		
Current grants	224,901	236,419
Subsidy expenses	19,174	19,470
Personal benefits	171,296	181,397
Total current transfers	*415,371*	*437,286*
Capital transfers	39,854	22,402
Total expenses	**835,619**	**857,366**
Net operating balance	**-41,164**	**-19,581**
Other economic flows	**29,715**	**-14,489**
Comprehensive result - Total change in net worth	**-11,449**	**-34,070**
Net acquisition of non-financial assets		
Purchases of non-financial assets	37,864	38,571
less Sales of non-financial assets	900	601
less Depreciation	18,402	19,660
plus Change in inventories	1,016	883
plus Other movements in non-financial assets	20	6
Total net acquisition of non-financial assets	**19,598**	**19,199**
Fiscal balance (Net lending/borrowing)(b)	**-60,762**	**-38,780**

a) Consistent with the ABS GFS classification, other employee related expenses are classified separately from wages and salaries under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

b) The term fiscal balance is not used by the ABS.

Table 10.8: Australian Government total non-financial public sector balance sheet

	Estimates	
	2025-26	2026-27
	$m	$m
Assets		
Financial assets		
Cash and deposits	74,929	66,126
Advances paid	70,792	83,826
Investments, loans and placements	261,985	272,119
Other receivables	102,531	112,153
Equity investments	137,508	147,318
Total financial assets	*647,745*	*681,542*
Non-financial assets		
Land and other fixed assets	309,186	325,141
Other non-financial assets	20,367	21,867
Total non-financial assets	*329,552*	*347,007*
Total assets	**977,298**	**1,028,550**
Liabilities		
Interest bearing liabilities		
Deposits held	416	416
Government securities	910,584	987,626
Advances received and loans	74,240	75,384
Lease liabilities	33,843	33,005
Total interest bearing liabilities	*1,019,084*	*1,096,431*
Provisions and payables		
Superannuation liability	317,795	326,914
Other employee liabilities	99,205	101,476
Other payables	38,840	38,415
Other provisions	132,754	129,763
Total provisions and payables	*588,594*	*596,568*
Total liabilities	**1,607,678**	**1,693,000**
Net worth(a)	**-630,380**	**-664,450**
Net financial worth(b)	*-959,932*	*-1,011,457*
Net debt(c)	*611,378*	*674,360*

a) Under AASB 1049, net worth equals total assets minus total liabilities. Under the ABS GFS, net worth equals total assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

b) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. Under the ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

c) Net debt is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).

Table 10.9: Australian Government total non-financial public sector cash flow statement[(a)]

	Estimates	
	2025-26	2026-27
	$m	$m
Cash receipts from operating activities		
Taxes received	699,441	737,105
Receipts from sales of goods and services	43,685	47,232
Interest receipts	9,297	9,457
Dividends, distributions and income tax equivalents	7,479	7,664
Other receipts	21,277	19,971
Total operating receipts	**781,180**	**821,429**
Cash payments for operating activities		
Payments to employees(b)	-56,819	-59,683
Payments for goods and services	-238,420	-252,573
Grants and subsidies paid	-272,232	-283,836
Interest paid	-29,655	-32,343
Personal benefit payments	-171,517	-182,086
Other payments(b)	-13,501	-12,892
Total operating payments	**-782,145**	**-823,415**
Net cash flows from operating activities	**-965**	**-1,985**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	454	636
Purchases of non-financial assets	-34,704	-35,011
Net cash flows from investments in non-financial assets	**-34,251**	**-34,375**
Net cash flows from investments in financial assets for policy purposes	**-13,124**	**-23,293**
Net cash flows from investments in financial assets for liquidity purposes	**-3,786**	**-5,339**
Net cash flows from financing activities		
Borrowing (net)	50,614	61,452
Other financing (net)	-4,799	-5,262
Net cash flows from financing activities	**45,815**	**56,190**
Net increase/(decrease) in cash held	**-6,311**	**-8,803**
Cash at the beginning of the year	**81,240**	**74,929**
Cash at the end of the year	**74,929**	**66,126**
GFS cash surplus(+)/deficit(-)(c)	**-35,216**	**-36,360**
plus Principal payments of lease liabilities(d)	-3,237	-3,467
Adjusted GFS cash surplus(+)/deficit(-)(d)	**-38,452**	**-39,827**

a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.
b) Consistent with the ABS GFS classification, other employee related payments are classified separately from wages and salaries under other payments.
c) GFS cash surplus/deficit equals net cash flows from operating activities and investments in non-financial assets.
d) Principal payments of lease liabilities, which are financing cash payments, are deducted in the calculation of the GFS cash surplus/deficit to maintain consistency of measure following the implementation of AASB 16.

Table 10.10: Australian Government public financial corporations sector operating statement

	Estimates	
	2025-26	2026-27
	$m	$m
Revenue		
Grants and subsidies	279	295
Sales of goods and services	1,702	1,835
Interest income	9,609	8,874
Other	7	8
Total revenue	**11,598**	**11,012**
Expenses		
Gross operating expenses		
Wages and salaries(a)	469	453
Superannuation	49	55
Depreciation and amortisation	60	63
Supply of goods and services	1,411	1,717
Other operating expenses(a)	102	99
Total gross operating expenses	*2,092*	*2,386*
Interest expenses	9,990	9,526
Other property expenses	40	244
Current transfers		
Tax expenses	13	12
Total current transfers	*13*	*12*
Total expenses	**12,134**	**12,168**
Net operating balance	**-536**	**-1,156**
Other economic flows	**1,390**	**3,481**
Comprehensive result - Total change in net worth excluding contribution from owners	**853**	**2,325**
Net acquisition of non-financial assets		
Purchases of non-financial assets	209	0
less Sales of non-financial assets	0	0
less Depreciation	60	63
plus Change in inventories	-103	0
plus Other movements in non-financial assets	0	0
Total net acquisition of non-financial assets	**46**	**-63**
Fiscal balance (Net lending/borrowing)(b)	**-582**	**-1,094**

a) Consistent with the ABS GFS classification, other employee related expenses are classified separately from wages and salaries under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

b) The term fiscal balance is not used by the ABS.

Table 10.11: Australian Government public financial corporations sector balance sheet[(a)]

	Estimates	
	2025-26	2026-27
	$m	$m
Assets		
Financial assets		
Cash and deposits	1,140	1,205
Investments, loans and placements	386,003	392,440
Other receivables	334	334
Equity investments	1,871	1,676
Total financial assets	*389,348*	*395,655*
Non-financial assets		
Land and other fixed assets	835	826
Other non-financial assets(b)	50	49
Total non-financial assets	*885*	*875*
Total assets	**390,232**	**396,529**
Liabilities		
Interest bearing liabilities		
Deposits held	364,808	364,808
Borrowing	9,923	13,609
Total interest bearing liabilities	*374,730*	*378,417*
Provisions and payables		
Superannuation liability	0	0
Other employee liabilities	211	213
Other payables	12,257	12,270
Other provisions(b)	4,833	4,989
Total provisions and payables	*17,302*	*17,473*
Total liabilities	**392,032**	**395,889**
Shares and other contributed capital	**-1,800**	**640**
Net worth(c)	**-1,800**	**640**
Net financial worth(d)	*-2,685*	*-235*
Net debt(e)	*-12,412*	*-15,228*

a) Assumes no valuation or currency movement.
b) Excludes the impact of commercial taxation adjustments.
c) Under AASB 1049, net worth equals total assets minus total liabilities. Under the ABS GFS, net worth equals total assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.
d) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. Under the ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.
e) Net debt is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits and investments, loans and placements).

Table 10.12: Australian Government public financial corporations sector cash flow statement[a]

	Estimates	
	2025-26	2026-27
	$m	$m
Cash receipts from operating activities		
Receipts from sales of goods and services	1,864	1,828
Grants and subsidies received	279	295
GST input credit receipts	4	5
Interest receipts	9,139	8,833
Other receipts	160	35
Total operating receipts	**11,447**	**10,995**
Cash payments for operating activities		
Payments to employees(b)	-513	-510
Payments for goods and services	-1,244	-1,973
Interest paid	-10,047	-9,237
GST payments to taxation authority	0	0
Distributions paid	-56	-255
Other payments(b)	-101	-97
Total operating payments	**-11,961**	**-12,071**
Net cash flows from operating activities	**-514**	**-1,076**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	0	0
Purchases of non-financial assets	-147	0
Net cash flows from investments in non-financial assets	**-147**	**0**
Net cash flows from investments in financial assets for policy purposes	**-1,218**	**-3,704**
Net cash flows from investments in financial assets for liquidity purposes(c)	**28,145**	**1,060**
Net cash flows from financing activities		
Borrowing and deposits received (net)(c)	-31,543	3,691
Other financing (net)	5,080	94
Net cash flows from financing activities	**-26,463**	**3,785**
Net increase/(decrease) in cash held	**-197**	**65**
Cash at the beginning of the year	**1,337**	**1,140**
Cash at the end of the year	**1,140**	**1,205**
GFS cash surplus(+)/deficit(-)(d)	**-661**	**-1,076**
plus Principal payments of lease liabilities(e)	-34	-3
Adjusted GFS cash surplus(+)/deficit(-)(e)	**-695**	**-1,079**

a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.
b) Consistent with the ABS GFS classification, other employee related payments are classified separately from wages and salaries under other payments.
c) Assumes no cash flows associated with valuation or currency movements.
d) GFS cash surplus/deficit equals net cash flows from operating activities and investments in non-financial assets.
e) Principal payments of lease liabilities, which are financing cash payments, are deducted in the calculation of the GFS cash surplus/deficit to maintain consistency of measure following the implementation of AASB 16.

Notes to the general government sector financial statements

Note 1: External reporting standards and accounting policies

The *Charter of Budget Honesty Act 1998* (the Charter) requires that the Budget be based on external reporting standards and that departures from applicable external reporting standards be identified.

The external standards used for Budget reporting purposes are:

- the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) publication, *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2015* (cat. no. 5514.0), which is based on the International Monetary Fund (IMF) accrual GFS framework

- the Australian Accounting Standards (AAS), issued by the Australian Accounting Standards Board (AASB), which includes International Financial Reporting Standards as adopted in Australia for use by the not-for-profit sector and specific standards such as AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049).

The financial statements have been prepared on an accrual basis that complies with both the ABS GFS and AAS, except for departures disclosed at Note 2. A more detailed description of the AAS and the ABS GFS frameworks, in addition to definitions of key terms used in these frameworks, can be found in Appendix A. Detailed accounting policies, as well as a set of notes and other disclosures as required by AAS, are disclosed in the Australian Government Consolidated Financial Statements.

Fiscal reporting focuses on the general government sector (GGS). The GGS provides public services that are mainly non-market in nature and for the collective consumption of the community, or involve the transfer or redistribution of income. These services are largely financed through taxes and other compulsory levies. This sector comprises all government departments, offices and some other bodies. In preparing financial statements for the GGS, all material transactions and balances between entities within the GGS have been eliminated.

The Government's key fiscal aggregates are based on the ABS GFS concepts and definitions, including the ABS GFS cash surplus/deficit and net financial worth. AASB 1049 requires the disclosure of other ABS GFS fiscal aggregates, including the net operating balance, net lending/borrowing (fiscal balance) and net worth. In addition to these ABS GFS aggregates, the Uniform Presentation Framework (UPF) requires disclosure of net debt, net financial worth and net financial liabilities.

AASB 1049 and the UPF also provide a basis for reporting the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors and the total non-financial public sector (NFPS).

AASB 1049 requires disaggregated information, by ABS GFS function, for expenses and total assets to be disclosed where they are reliably attributable. The ABS GFS does not require total assets to be attributed to functions. In accordance with the ABS GFS, disaggregated information for expenses and net acquisition of non-financial assets by function is disclosed in *Statement 6: Expenses and Net Capital Investment*. In accordance with the UPF, purchases of non-financial assets by function are also disclosed in *Statement 6*.

AASB 1055 *Budgetary Reporting* requires major variances between original budget estimates and outcomes to be explained in the financial statements. Explanations of variances in fiscal balance, revenue, expenses, net capital investment, cash flows, net debt, net financial worth and net worth since the 2025–26 Budget are disclosed in the *Pre-election Economic and Fiscal Outlook 2025* (PEFO), *Mid-Year Economic and Fiscal Outlook 2025–26* (MYEFO), and *Statement 3: Fiscal Strategy and Outlook*, with decisions taken since the 2025–26 MYEFO disclosed in Budget Paper No. 2 *Budget Measures 2026–27*. All policy decisions taken between the 2025–26 Budget and the 2025–26 MYEFO are disclosed in PEFO or Appendix A of MYEFO.

Details of the Australian Government's fiscal risks, contingent liabilities and assets, and government loans are disclosed in *Statement 9: Statement of Risks*.

Note 2: Departures from external reporting standards

The Charter requires that departures from applicable external reporting standards be identified. The major differences between AAS and the ABS GFS treatments of transactions are outlined in Table 10.13.

AASB 1049 requires AAS measurement of items to be disclosed on the face of the financial statements with reconciliation to the ABS GFS measurement of key fiscal aggregates, where different, in notes to the financial statements. Only one measure of each aggregate has been included on the face statements to avoid confusion.

Further information on the differences between the two systems is provided in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2015* (cat. no. 5514.0).

Table 10.13: Major differences between AAS and ABS GFS

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Circulating coins – seigniorage	The profit between the cost and sale of circulating coins (seigniorage) is treated as revenue.	Circulating coins is treated as a liability, and the cost of producing the coins is treated as an expense.	AAS
Valuation of loans	Changes in the valuation of loans are treated as a revenue or an expense. In some circumstances recognition as a revenue or an expense is delayed until the loan ends or is transferred.	Changes in the valuation of loans (excluding mutually agreed write-downs) are treated as an 'other economic flow'.	ABS GFS
Leases	Right of use assets and lease liabilities are recognised on the balance sheets for leases that were previously accounted for as operating expense.	The distinction between operating leases and finance leases is continued for lessees.	AAS
Concessional loans	Concessional elements are treated as an expense on initial recognition and unwound over the loan term.	Concessional elements are treated as an 'other economic flow'.	AAS
Investment in other public sector entities	Valued at fair value in the balance sheet as long as it can be reliably measured, otherwise net assets is used.	Unlisted entities are valued based on their net assets in the balance sheet.	AAS
Provision for restoration, decommissioning and make-good	Capitalised when the asset is acquired.	Capitalised when make-good activity takes place.	AAS
Renewable Energy Certificates (RECs)	The issuance and registration of RECs is considered to be an administrative function and does not result in the recognition of assets or liabilities and, consequently, no revenue or expenses are recognised.	The issuance and registration of RECs is considered to be government financial transactions resulting in the recognition of assets, liabilities, revenue and expenses.	AAS
Dividends paid by public corporations	Treated as an equity distribution. Equity distributions are treated as a distribution of profits, as opposed to an expense.	Dividends are treated as an expense.	ABS GFS
Dividends paid by the Reserve Bank of Australia	Dividends are recognised in the year profit was earned.	Dividends are recognised when the Treasurer makes a determination.	AAS

Table 10.13: Major differences between AAS and ABS GFS (continued)

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
National Disability Insurance Scheme (NDIS) revenue	Funding contributions by the state and territory governments to NDIS are treated as sales of goods and services revenue. In-kind disability services provided by the state and territory governments are treated as other revenue.	Funding contributions by the state and territory governments to NDIS are treated as grants revenue. In-kind disability services provided by the state and territory governments are treated as sales of goods and services revenue.	AAS
Commercial tax effect accounting assets and liabilities	Corporations in the PNFC and PFC sectors record tax expenses on a commercial basis.	Deferred tax assets and liabilities are reversed so that corporations record tax expenses on a consistent basis to the Australian Taxation Office.	ABS GFS
Regional Broadband Scheme	The revenue from the levy on internet service providers (ISPs) and the associated subsidy expense to NBN Co for the provision of regional broadband services are recorded separately on a gross basis.	The revenue from the levy on ISPs and the associated subsidy expense to NBN Co are recorded on a net basis.	AAS
Fiscal aggregates differences			
Net worth of PNFC and PFC sectors	Calculated as assets less liabilities.	Calculated as assets less liabilities less shares and other contributed capital.	AAS
Net financial worth of PNFC and PFC sectors	Calculated as financial assets less total liabilities.	Calculated as financial assets less total liabilities less shares and contributed capital.	AAS
Classification differences			
Prepayments	Treated as a non-financial asset.	Treated as a financial asset.	ABS GFS
Spectrum sales	Recognise non-financial asset sale for fiscal balance when licences take effect, which may be after the auction of licences, as this is regarded as the point at which control is transferred. Recognise cash at the time of receipt.	Recognise non-financial asset sale for fiscal balance at time of auction as this is regarded as the point at which control is transferred. Recognise cash at the time of receipt.	AAS
Classification of Australian Government funding of non-government schools	Direct grants to states and territories made in accordance with bilateral agreements with the Commonwealth and consistent with section 96 of the Constitution.	Personal benefit payments – indirect included in goods and services expenses.	AAS

Note 3: Taxation revenue by type

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Individuals and other withholding taxes					
Gross income tax withholding	317,700	333,600	351,100	369,600	393,900
Gross other individuals and trusts	95,500	100,100	103,300	107,900	120,400
less: Refunds	40,400	42,800	46,800	49,700	55,100
Total individuals and other withholding tax	372,800	390,900	407,600	427,800	459,200
Fringe benefits tax	5,560	5,830	6,060	6,360	6,780
Company tax	151,300	157,000	154,600	150,600	153,900
Superannuation fund taxes	33,050	31,590	31,240	32,340	34,590
Petroleum resource rent tax	1,670	1,950	1,620	1,550	1,240
Income taxation revenue	**564,380**	**587,270**	**601,120**	**618,650**	**655,710**
Goods and services tax	100,750	109,150	113,820	120,700	127,030
Wine equalisation tax	1,060	1,170	1,210	1,250	1,300
Luxury car tax	1,160	1,110	1,070	1,120	1,160
Excise and Custom duty					
Petrol	6,320	7,720	7,850	7,980	8,080
Diesel	14,960	18,820	19,670	20,520	21,420
Other fuel products	1,500	1,720	1,750	1,780	1,830
Tobacco	4,130	3,560	3,020	2,530	2,140
Beer	2,720	2,830	2,920	3,010	3,120
Spirits	3,270	3,300	3,330	3,360	3,380
Other alcoholic beverages(a)	1,840	1,920	1,990	2,070	2,150
Other customs duty(b)	1,910	1,850	1,430	960	1,020
less: Refunds and drawbacks	1,940	730	730	730	730
Total excise and customs duty	34,710	40,990	41,230	41,480	42,410
Major bank levy	1,940	2,040	2,120	2,210	2,320
Agricultural levies	673	671	710	737	727
Visa application charges	4,668	6,181	6,742	6,989	7,095
Other taxes	7,281	7,700	7,470	7,819	8,029
Mirror taxes	1,060	1,112	1,168	1,229	1,286
less: Transfers to states in relation to mirror tax revenue	1,060	1,112	1,168	1,229	1,286
Mirror tax revenue	0	0	0	0	0
Indirect taxation revenue	**152,242**	**169,013**	**174,372**	**182,305**	**190,070**
Taxation revenue	**716,622**	**756,283**	**775,492**	**800,955**	**845,780**
Memorandum:					
Total excise	*27,960*	*33,670*	*34,890*	*36,130*	*37,410*
Total customs duty	*6,750*	*7,320*	*6,340*	*5,350*	*5,000*
Capital gains tax(c)	*33,600*	*34,200*	*34,000*	*34,600*	*35,900*

a) ‘Other alcoholic beverages’ are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

b) ‘Other customs duty’ includes duty paid on textiles, clothing and footwear, passenger motor vehicles and other imports that are not subject to excise equivalent duty.

c) ‘Capital gains tax’ is part of gross other individuals and trusts, company tax and superannuation fund taxes.

Note 3(a): Taxation revenue by source

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Taxes on income, profits and capital gains					
Income and capital gains levied on individuals	378,360	396,730	413,660	434,160	465,980
Income and capital gains levied on enterprises	186,020	190,540	187,460	184,490	189,730
Total taxes on income, profits and capital gains	**564,380**	**587,270**	**601,120**	**618,650**	**655,710**
Taxes on employers' payroll and labour force	1,935	1,741	1,723	1,811	1,784
Taxes on the provision of goods and services					
Sales/goods and services tax	102,970	111,430	116,100	123,070	129,490
Excises and levies	28,633	34,341	35,600	36,867	38,137
Taxes on international trade	6,750	7,320	6,340	5,350	5,000
Total taxes on the provision of goods and services	**138,353**	**153,091**	**158,040**	**165,287**	**172,627**
Taxes on the use of goods and performance of activities	11,954	14,180	14,609	15,207	15,659
Total taxation revenue	**716,622**	**756,283**	**775,492**	**800,955**	**845,780**

Note 4: Sales of goods and services revenue

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Sales of goods	1,863	1,747	1,912	1,967	1,952
Rendering of services	17,062	18,560	19,651	19,635	19,582
Lease rental	431	429	467	481	500
Fees from regulatory services	2,856	3,085	2,908	2,983	3,060
Total sales of goods and services revenue	**22,213**	**23,821**	**24,939**	**25,066**	**25,094**

Note 5: Interest and dividend and distribution revenue

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Interest from other governments					
State and territory debt	8	6	3	2	1
Housing agreements	57	53	48	43	38
Total interest from other governments	**65**	**58**	**51**	**44**	**39**
Interest from other sources					
Advances	807	1,298	1,735	2,104	2,393
Deposits	3,359	2,965	2,717	2,686	2,819
Indexation of HELP receivable and other student loans	1,115	1,368	1,195	1,238	1,337
Other	4,870	5,535	5,999	6,361	6,751
Total interest from other sources	**10,151**	**11,166**	**11,646**	**12,389**	**13,300**
Total interest	**10,216**	**11,224**	**11,697**	**12,433**	**13,339**
Dividends and distributions					
Dividends from other public sector entities	173	117	248	585	859
Other dividends and distributions	7,418	7,688	8,090	8,550	9,045
Total dividends and distributions	**7,591**	**7,805**	**8,338**	**9,134**	**9,904**
Total interest and dividend and distribution revenue	**17,807**	**19,029**	**20,035**	**21,567**	**23,243**

Note 6: Other sources of non-taxation revenue

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Industry contributions	114	111	120	134	137
Royalties	653	644	533	450	367
Seigniorage	56	62	59	51	51
Other	15,617	15,379	15,110	15,249	15,476
Total other sources of non-taxation revenue	**16,439**	**16,195**	**15,822**	**15,884**	**16,031**

Note 7: Employee and superannuation expense

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Wages and salaries expenses	**31,790**	**33,406**	**32,886**	**32,674**	**32,652**
Other operating expenses					
Leave and other entitlements	4,124	4,199	4,223	4,144	4,171
Separations and redundancies	137	121	124	86	85
Workers compensation premiums and claims	8,622	6,745	7,871	9,649	9,992
Other	3,134	3,199	3,266	3,431	3,521
Total other operating expenses	**16,018**	**14,265**	**15,484**	**17,309**	**17,770**
Superannuation expenses					
Superannuation	9,287	9,443	9,534	9,806	10,206
Superannuation interest cost	14,803	15,884	16,336	16,708	17,092
Total superannuation expenses	**24,090**	**25,327**	**25,871**	**26,514**	**27,298**
Total employee and superannuation expense	**71,898**	**72,998**	**74,241**	**76,497**	**77,719**

Note 8: Depreciation and amortisation expense

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Depreciation					
Specialist military equipment	5,086	5,619	5,845	6,064	6,272
Buildings	4,366	4,546	4,757	4,755	4,856
Other infrastructure, plant and equipment	3,151	3,203	3,214	3,523	3,718
Heritage and cultural assets	60	64	63	63	63
Other	10	9	10	10	10
Total depreciation(a)	**12,674**	**13,440**	**13,888**	**14,416**	**14,920**
Total amortisation	**1,214**	**1,331**	**1,263**	**1,266**	**1,251**
Total depreciation and amortisation expense	**13,888**	**14,771**	**15,151**	**15,682**	**16,171**
Memorandum:					
Depreciation relating to right of use assets					
Specialist military equipment	*39*	*39*	*39*	*39*	*39*
Buildings	*2,543*	*2,558*	*2,533*	*2,498*	*2,559*
Other infrastructure, plant and equipment	*321*	*310*	*296*	*289*	*293*
Other	*10*	*9*	*10*	*10*	*10*
Total depreciation of right of use assets	***2,913***	***2,916***	***2,878***	***2,836***	***2,901***

a) Includes depreciation of right of use (leased) assets, resulting from implementation of AASB 16.

Note 9: Supply of goods and services expense

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Supply of goods and services	56,419	56,874	54,272	56,358	58,864
Lease expenses	138	153	150	146	143
Personal benefits – indirect	165,068	174,460	179,832	185,790	190,787
Health care payments	7,737	8,046	7,911	7,775	7,475
Other	2,989	2,588	2,584	2,481	2,464
Total supply of goods and services expense	**232,351**	**242,121**	**244,748**	**252,551**	**259,733**

Note 10: Interest expense

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Interest on debt					
Government securities(a)	27,619	31,876	36,911	41,855	46,863
Loans	169	210	231	235	247
Other	1,149	1,163	1,014	1,036	1,069
Total interest on debt	**28,937**	**33,250**	**38,156**	**43,126**	**48,179**
Interest on lease liabilities	**543**	**536**	**544**	**546**	**522**
Other financing costs	**8,829**	**9,578**	**10,106**	**7,861**	**7,019**
Total interest expense	**38,310**	**43,364**	**48,806**	**51,533**	**55,720**

a) Public debt interest estimates are calculated using the contract interest rates incurred on existing Australian Government Securities (AGS), previously referred to as Commonwealth Government Securities, when issued and on technical assumptions, based on prevailing market interest rates across the yield curve, for yields on future AGS issuance.

Note 11: Current and capital grants expense

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Current grants expense					
State and territory governments	182,664	191,166	201,845	211,667	222,474
Private sector	5,330	5,721	5,105	5,516	5,960
Overseas	5,631	4,846	5,106	5,366	5,018
Non-profit organisations	13,958	14,396	13,388	13,046	13,309
Multi-jurisdictional sector	14,274	14,769	15,207	15,839	16,339
Other	3,044	5,521	6,234	5,157	4,820
Total current grants expense	**224,901**	**236,419**	**246,885**	**256,592**	**267,920**
Capital grants expense					
Mutually agreed write-downs	13,206	2,517	2,639	2,770	2,898
Other capital grants					
State and territory governments	20,656	15,850	16,129	15,803	14,755
Local governments	1,091	805	1,127	1,120	947
Non-profit organisations	1,323	1,075	889	1,184	677
Private sector	195	213	308	660	652
Multi-jurisdictional sector	4	35	73	38	0
Overseas	70	120	0	0	0
Other	3,450	1,843	1,747	1,843	1,964
Total capital grants expense	**39,996**	**22,459**	**22,912**	**23,418**	**21,893**
Total grants expense	**264,896**	**258,878**	**269,797**	**280,010**	**289,813**

Note 12: Personal benefits expense

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Social welfare - assistance to the aged	65,315	68,727	71,651	74,460	77,020
Assistance to veterans and dependants	4,441	4,219	4,107	4,078	4,079
Assistance to people with disabilities	37,519	39,677	41,443	43,106	44,813
Assistance to families with children	32,936	34,465	35,440	36,031	36,642
Assistance to the unemployed	17,641	18,304	17,864	17,662	18,069
Student assistance	2,884	3,044	3,276	3,451	3,646
Other welfare programs	1,022	1,115	1,648	1,657	1,663
Financial and fiscal affairs	1,186	977	908	918	917
Vocational and industry training	417	345	355	435	463
Other	7,936	10,524	14,722	18,288	26,462
Total personal benefits expense	**171,296**	**181,397**	**191,416**	**200,086**	**213,775**

Note 13: Advances paid and other receivables

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Advances paid					
Loans to state and territory governments	1,283	1,776	2,220	2,707	2,905
Student loans	45,392	48,567	52,263	56,329	60,724
Other	26,800	39,272	48,011	56,437	61,415
less Impairment allowance	1,055	1,265	1,558	1,750	1,811
Total advances paid	**72,420**	**88,350**	**100,936**	**113,722**	**123,233**
Other receivables					
Goods and services receivable	1,335	1,346	1,329	1,244	1,189
Recoveries of benefit payments	6,959	7,194	7,278	7,338	7,396
Taxes receivable	52,139	59,218	64,734	69,581	75,018
Prepayments	6,803	7,029	7,277	7,577	7,947
Other	33,844	36,064	36,944	38,371	39,944
less Impairment allowance	4,340	4,390	4,424	4,447	4,470
Total other receivables	**96,739**	**106,461**	**113,137**	**119,665**	**127,025**

Note 14: Investments, loans and placements

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Investments - deposits	9,783	9,216	5,960	5,803	5,532
IMF quota and SDR holdings	25,351	25,099	25,184	25,278	25,343
Structured finance securities	528	869	970	1,072	1,075
Collective investment vehicles	143,484	152,225	161,217	170,810	181,016
Other interest bearing securities	53,451	55,264	56,406	57,354	58,121
Other	28,509	28,643	28,757	28,893	29,896
Total investments, loans and placements	**261,106**	**271,315**	**278,493**	**289,210**	**300,983**

Note 15: Non-financial assets

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Land and buildings					
Land	15,576	15,712	15,884	15,653	15,681
Buildings	54,872	56,515	58,259	57,949	57,555
Total land and buildings	**70,447**	**72,227**	**74,143**	**73,602**	**73,236**
Plant, equipment and infrastructure					
Specialist military equipment	99,627	105,316	112,517	122,127	133,210
Other plant, equipment and infrastructure	24,599	26,378	28,017	28,417	28,668
Total plant, equipment and infrastructure	**124,227**	**131,694**	**140,534**	**150,544**	**161,878**
Inventories					
Inventories held for sale	376	427	437	515	555
Inventories not held for sale	13,210	13,603	14,051	14,399	14,819
Total inventories	**13,586**	**14,029**	**14,487**	**14,914**	**15,373**
Intangibles					
Computer software	7,572	8,056	8,018	7,401	6,916
Other	8,279	9,202	9,177	9,056	8,907
Total intangibles	**15,851**	**17,258**	**17,195**	**16,457**	**15,823**
Total investment properties	**225**	**225**	**225**	**226**	**226**
Total biological assets	**5**	**5**	**5**	**5**	**5**
Total heritage and cultural assets	**13,195**	**13,213**	**13,232**	**13,242**	**13,252**
Total assets held for sale	**40**	**35**	**35**	**35**	**35**
Total other non-financial assets	**6**	**6**	**6**	**6**	**6**
Total non-financial assets(a)	**237,582**	**248,693**	**259,864**	**269,032**	**279,835**
Memorandum:					
Total relating to right of use assets					
Land	*354*	*346*	*337*	*328*	*317*
Buildings	*15,255*	*14,492*	*13,828*	*12,899*	*11,567*
Specialist military equipment	*143*	*118*	*93*	*68*	*42*
Other plant, equipment and infrastructure	*1,194*	*955*	*927*	*756*	*530*
Total right of use assets	***16,945***	***15,912***	***15,185***	***14,050***	***12,456***

a) Includes right of use (leased) assets, resulting from implementation of AASB 16.

Note 16: Loans

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Promissory notes	9,727	9,725	9,725	9,725	9,725
Special drawing rights	19,140	18,886	18,886	18,886	18,886
Other	4,120	5,058	5,728	5,813	5,748
Total loans	**32,987**	**33,670**	**34,340**	**34,424**	**34,360**

Note 17: Employee and superannuation liabilities

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Total superannuation liability(a)	**317,789**	**326,908**	**336,151**	**344,125**	**352,061**
Other employee liabilities					
Leave and other entitlements	11,428	11,711	11,930	12,176	12,364
Accrued salaries and wages	1,196	1,127	753	788	820
Workers compensation claims	2,104	2,155	2,209	2,322	2,440
Military compensation	81,593	83,551	86,657	90,321	94,088
Other	861	885	894	908	923
Total other employee liabilities	**97,182**	**99,429**	**102,443**	**106,515**	**110,636**
Total employee and superannuation liabilities	**414,970**	**426,337**	**438,594**	**450,640**	**462,698**

a) For budget reporting purposes, a discount rate of 5.0 per cent determined by actuaries in preparing the 2023 Long Term Cost Reports is used to value the superannuation liability. This reflects the average annual rate estimated to apply over the term of the liability and it reduces the volatility in reported liabilities that would occur from year to year if the spot rates on long-term government bonds were used. Consistent with AAS, the superannuation liability for the 2024–25 FBO was calculated using the spot rates on long-term government bonds as at 30 June 2025 that best matched each individual scheme's liability duration. These rates were between 3.8 and 5.0 per cent per annum.

Note 18: Provisions and payables

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Suppliers payables					
Trade creditors	8,770	9,256	9,663	10,210	10,790
Lease rental payable	11	11	11	11	11
Personal benefits payables - indirect	3,414	3,264	4,486	5,980	6,247
Other creditors	1,929	1,913	2,603	2,584	2,587
Total suppliers payables	**14,124**	**14,444**	**16,763**	**18,785**	**19,635**
Total personal benefits payables - direct	**4,840**	**4,860**	**4,534**	**4,929**	**5,401**
Total subsidies payable	**632**	**612**	**612**	**612**	**612**
Grants payables					
State and territory governments	127	39	38	33	29
Non-profit organisations	186	187	190	184	182
Private sector	307	277	284	312	387
Overseas	2,018	1,738	2,140	2,186	1,756
Local governments	1	1	1	1	1
Other	3,565	3,576	3,626	3,633	3,641
Total grants payables	**6,204**	**5,819**	**6,278**	**6,348**	**5,995**
Total other payables	**6,747**	**6,359**	**6,263**	**6,179**	**6,149**
Provisions					
Provisions for tax refunds	1,739	1,734	1,729	1,724	1,719
Grants provisions	17,360	9,975	6,084	3,844	3,338
Personal benefits provisions - direct	7,073	7,235	7,857	8,042	8,185
Personal benefits provisions - indirect	4,346	4,880	5,356	5,758	6,157
Provisions for subsidies	7,944	7,688	7,992	7,195	7,642
Other	93,617	97,504	104,178	109,032	114,453
Total provisions	**132,078**	**129,016**	**133,196**	**135,596**	**141,493**

Note 19: Reconciliation of cash

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Net operating balance (revenues *less* expenses)	**-38,982**	**-17,934**	**-27,371**	**-32,601**	**-23,579**
less **Revenues not providing cash**					
Other	2,384	3,082	3,357	3,695	4,171
Total revenues not providing cash	**2,384**	**3,082**	**3,357**	**3,695**	**4,171**
plus **Expenses not requiring cash**					
Increase/(decrease) in employee entitlements	13,236	11,028	11,912	11,696	11,705
Depreciation/amortisation expense	13,888	14,771	15,151	15,682	16,171
Mutually agreed write-downs	13,206	2,517	2,639	2,770	2,898
Other	8,529	9,743	8,313	9,166	9,198
Total expenses not requiring cash	**48,859**	**38,059**	**38,015**	**39,314**	**39,972**
plus **Cash provided/(used) by working capital items**					
Decrease/(increase) in inventories	-1,005	-884	-916	-900	-944
Decrease/(increase) in receivables	-13,081	-16,051	-16,153	-14,916	-16,475
Decrease/(increase) in other financial assets	-1,589	-2,117	-1,088	-1,719	-1,714
Decrease/(increase) in other non-financial assets	77	-419	-468	-543	-601
Increase/(decrease) in benefits, subsidies and grants payable	951	-7,329	-1,471	-296	1,056
Increase/(decrease) in suppliers' liabilities	-379	429	239	350	299
Increase/(decrease) in other provisions and payables	4,545	4,367	5,528	6,128	6,413
Net cash provided/(used) by working capital	**-10,481**	**-22,004**	**-14,329**	**-11,896**	**-11,966**
equals (Net cash from/(to) operating activities)	-2,987	-4,960	-7,041	-8,878	256
plus (Net cash from/(to) investing activities)	-45,994	-61,639	-47,166	-51,885	-45,126
Net cash from operating activities and investment	**-48,981**	**-66,599**	**-54,206**	**-60,763**	**-44,870**
plus (Net cash from/(to) financing activities)	43,786	56,592	58,375	62,886	46,787
***equals* Net increase/(decrease) in cash**	**-5,196**	**-10,007**	**4,169**	**2,123**	**1,917**
Cash at the beginning of the year	**78,872**	**73,677**	**63,669**	**67,839**	**69,962**
Net increase/(decrease) in cash	-5,196	-10,007	4,169	2,123	1,917
Cash at the end of the year	**73,677**	**63,669**	**67,839**	**69,962**	**71,879**

Appendix A: Financial reporting standards and budget concepts

The Budget primarily focuses on the financial performance and position of the general government sector (GGS). The GGS provides public services that are mainly non-market in nature and for the collective consumption of the community, or involve the transfer or redistribution of income. These services are largely financed through taxes and other compulsory levies. AASB 1049 recognises the GGS as a reporting entity.

AASB 1049 Conceptual framework

AASB 1049 seeks to 'harmonise' the ABS GFS and AAS.

The reporting framework for AASB 1049 requires the preparation of accrual-based general purpose financial reports, showing government assets, liabilities, revenue, expenses and cash flows. GGS reporting under AASB 1049 aims to provide users with information about the stewardship of each government in relation to its GGS and accountability for the resources entrusted to it; information about the financial position, performance and cash flows of each government's GGS; and information that facilitates assessments of the macroeconomic impact. AASB 1049 also provides a basis for whole-of-government reporting including for the PNFC and PFC sectors.

AASB 1049 has adopted the AAS conceptual framework and principles for the recognition of assets, liabilities, revenues and expenses and their presentation, measurement and disclosure. In addition, AASB 1049 has broadly adopted the ABS GFS conceptual framework for presenting government financial statements. In particular, AASB 1049 requires the GGS to prepare a separate set of financial statements, overriding AASB 10 *Consolidated Financial Statements*. AASB 1049 also follows the ABS GFS by requiring changes in net worth to be split into either transactions or 'other economic flows' and for this to be presented in a single operating statement. AASB 1049 is therefore broadly consistent with international statistical standards and the International Monetary Fund's (IMF) *Government Finance Statistics Manual 2014*.[41]

41 Additional information on the Australian accrual GFS framework is available in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2015* (cat. no. 5514.0).

All financial data presented in the financial statements are recorded as either stocks (assets and liabilities) or flows (classified as either transactions or 'other economic flows'). Transactions result from a mutually agreed interaction between economic entities. Despite their compulsory nature, taxes are transactions deemed to occur by mutual agreement between the government and the taxpayer. Transactions that increase or decrease net worth (assets less liabilities) are reported as revenues and expenses respectively in the operating statement.[42]

A change to the value or volume of an asset or liability that does not result from a transaction is an 'other economic flow'. This can include changes in values from market prices, most actuarial valuations and exchange rates, and changes in volumes from discoveries, depletion and destruction. All 'other economic flows' are reported in the operating statement.

Consistent with the ABS GFS framework, and in general AAS, the financial statements record flows in the period in which they occur. As a result, prior period outcomes may be revised for classification changes relating to information that could reasonably have been expected to be known in the past, is material in at least one of the affected periods and can be reliably assigned to the relevant period(s).

Operating statement

The operating statement presents details of transactions in revenues, expenses, the net acquisition of non-financial assets (net capital investment) and other economic flows for an accounting period.

Revenues arise from transactions that increase net worth and expenses arise from transactions that decrease net worth. Revenues less expenses gives the net operating balance. The net operating balance is similar to the National Accounts concept of government saving plus capital transfers.

The net acquisition of non-financial assets (net capital investment) equals gross fixed capital formation, less depreciation, plus changes (investment) in inventories, plus other transactions in non-financial assets.

'Other economic flows' are presented in the operating statement and outline changes in net worth that are driven by economic flows other than revenues and expenses. Revenues, expenses and 'other economic flows' sum to the total change in net worth during a period. The majority of 'other economic flows' for the Australian Government GGS arise from price movements in its assets and liabilities.

42 Not all transactions impact net worth. For example, transactions in financial assets and liabilities do not impact net worth as they represent the swapping of assets and liabilities on the balance sheet.

Net operating balance

The net operating balance is the excess of revenue from transactions over expenses from transactions. The net operating balance excludes expenditure on the acquisition of capital assets but includes non-cash costs such as accruing superannuation entitlements and the consumption of capital (depreciation). By including all accruing costs, including depreciation, the net operating balance encompasses the full current cost of providing government services. This makes it a measure of the sustainability of the government's fiscal position over time and provides an indication of the sustainability of the existing level of government services.

Fiscal balance

The fiscal balance (or net lending/borrowing) is the net operating balance less net capital investment. The fiscal balance includes the impact of net expenditure (effectively purchases less sales) on non-financial assets rather than consumption (depreciation) of non-financial assets.[43]

The fiscal balance measures the Australian Government's investment-saving balance. It measures in accrual terms the gap between government savings plus net capital transfers and investment in non-financial assets. As such, it approximates the contribution of the Australian Government GGS to the balance on the current account in the balance of payments.

Balance sheet

The balance sheet shows stocks of assets, liabilities and net worth. In accordance with the UPF, net debt, net financial worth and net financial liabilities are also reported in the balance sheet.

Net worth

The net worth of the GGS, PNFC and PFC sectors is defined as assets less liabilities. This differs from the ABS GFS definition for the PNFC and PFC sectors where net worth is defined as assets less liabilities less shares and other contributed capital. Net worth is an economic measure of wealth, reflecting the Australian Government's contribution to the wealth of Australia.

43 The net operating balance includes consumption of non-financial assets because depreciation is an expense. Depreciation is deducted in the calculation of net capital investment as the full investment in non-financial assets is included in the calculation of fiscal balance.

Net financial worth

Net financial worth measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets minus liabilities. This differs from the ABS GFS definition of net financial worth for the PNFC and PFC sectors, defined as financial assets, less liabilities, less shares and other contributed capital. Net financial worth is a broader measure than net debt, in that it incorporates provisions made (such as superannuation) as well as equity holdings. Net financial worth includes all classes of financial assets and all liabilities, only some of which are included in net debt.
As non-financial assets are excluded from net financial worth, this is a narrower measure than net worth. However, it avoids the concerns inherent with the net worth measure relating to the valuation of non-financial assets and their availability to offset liabilities.

Net financial liabilities

Net financial liabilities comprises total liabilities less financial assets but excludes equity investments in the other sectors of the jurisdiction. Net financial liabilities is a more accurate indicator than net debt of a jurisdiction's fiscal position as it includes substantial non-debt liabilities such as accrued superannuation and long service leave entitlements. Excluding the net worth of other sectors of government results in a purer measure of financial worth than net financial worth as, in general, the net worth of other sectors of government, in particular the PNFC sector, is backed by physical assets.

Net debt

Net debt is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements). Financial assets include the Future Fund's investments in interest bearing securities and collective investment vehicles (CIVs). CIVs enable investors to pool their money and invest the pooled funds, rather than buying securities directly. Net debt does not include superannuation related liabilities. Net debt is a common measure of the strength of a government's financial position. High levels of net debt impose a call on future revenue flows to service that debt.

The 2015 ABS GFS Manual presents debt in a matrix format, with no single net debt aggregate identified. The Australian Government continues to report net debt in accordance with the UPF as described above.

Cash flow statement

The cash flow statement identifies how cash is generated and applied in a single accounting period. The cash flow statement reflects a cash basis of recording (rather than an accrual basis) where information is derived indirectly from underlying accrual transactions and movements in balances. This, in effect, means that transactions are captured when cash is received or when cash payments are made. Cash transactions are specifically identified because cash management is considered an integral function of accrual budgeting.

Underlying cash balance

The underlying cash balance is the cash counterpart of the fiscal balance, reflecting the Australian Government's cash investment-saving balance.

For the GGS, the underlying cash balance is calculated as shown below:

Net cash flows from operating activities

plus

Net cash flows from investments in non-financial assets

equals

ABS GFS cash surplus/deficit

plus

Principal payments of lease liabilities

equals

Underlying cash balance

Under the *Future Fund Act 2006*, earnings are required to be reinvested to meet the Government's future public sector superannuation liabilities. The Government excluded net Future Fund cash earnings from the calculation of the underlying cash balance between 2005–06 and 2019–20. From 2020–21 onwards, net Future Fund cash earnings have been included in the calculation of the underlying cash balance because the Future Fund became available to meet the Government's superannuation liabilities from this year.

In contrast, net Future Fund earnings have been included in the net operating balance and fiscal balance for all years because superannuation expenses relating to future cash payments are recorded in the net operating balance and fiscal balance.

Net Future Fund earnings are separately identified in the historical tables in *Statement 11: Historical Australian Government Data*.

Headline cash balance

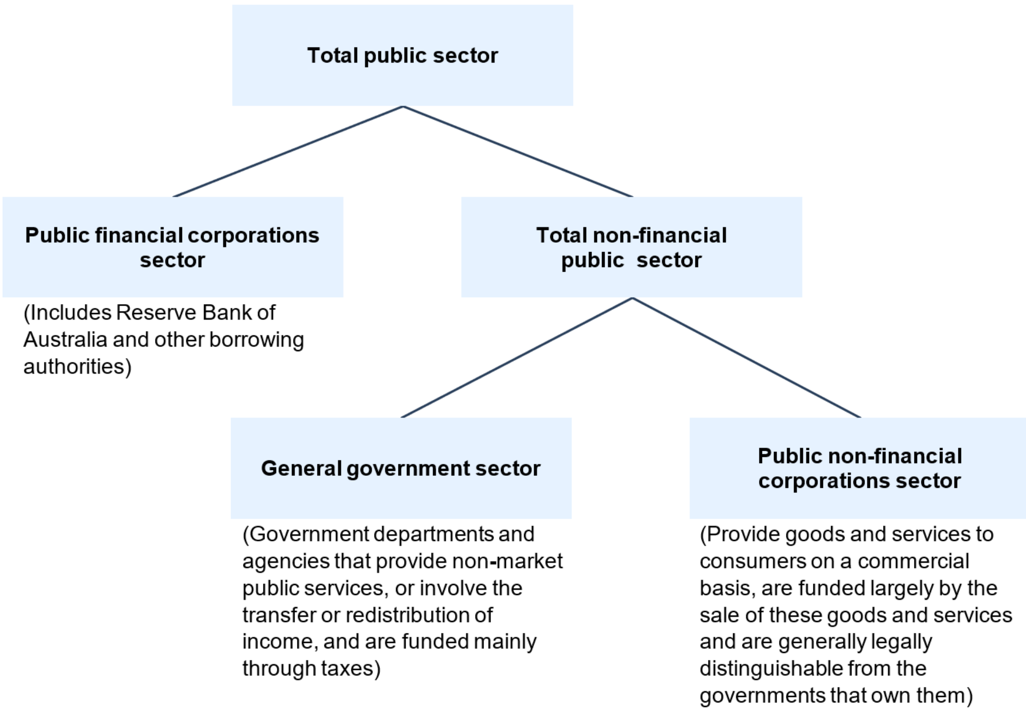
The headline cash balance is calculated by adding net cash flows from investments in financial assets for policy purposes to the underlying cash balance.

Net cash flows from investments in financial assets for policy purposes include equity transactions and advances paid. Equity transactions include equity injections into controlled businesses and privatisations of government businesses. Advances paid include net loans to the states and net loans to students.

Sectoral classifications

To assist in analysing the public sector, data are presented by institutional sector as shown in Figure 10.1. The ABS GFS defines the GGS, PNFC and PFC sectors. AASB 1049 has also adopted this sectoral reporting.

Figure 10.1: Institutional structure of the public sector



All entities are classified as GGS entities except for the following list of portfolio entities that are classified as PFC or PNFC (Table 10.14).

A table which provides a full list of public sector principal entities under the current portfolio structure is available on the Department of Finance website at: https://www.finance.gov.au/government/managing-commonwealth-resources/structure-australian-government-public-sector/pgpa-act-flipchart-and-list.

Table 10.14: Entities outside of the general government sector – 2025–26

Public financial corporations
Employment and Workplace Relations Portfolio
• Coal Mining Industry (Long Service Leave Funding) Corporation
Foreign Affairs and Trade Portfolio
• Export Finance and Insurance Corporation (Export Finance Australia)
Industry, Science and Resources Portfolio
• CSIRO Coinvestment Fund Pty Ltd
• CSIRO FollowOn Services Pty Ltd
• CSIRO FollowOn Services 2 Pty Ltd
• CSIRO General Partner Pty Ltd
• CSIRO General Partner 2 Pty Ltd
• CSIROGP Fund 2 Pty Ltd
• MS GP Fund 3 Pty Ltd
• MS NGS Pty Ltd
• MS Opportunity Fund Pty Ltd
• MS Parallel Fund Pty Ltd
Treasury Portfolio
• Australian Reinsurance Pool Corporation
• Housing Australia – Australian Housing Bond Aggregator (AHBA)*
• Reserve Bank of Australia

Table 10.14: Entities outside of the general government sector – 2025–26 (continued)

Public non-financial corporations
Climate Change, Energy, the Environment and Water Portfolio
• Snowy Hydro Limited
Finance Portfolio
• ASC Pty Ltd
• Australian Naval Infrastructure Pty Ltd
• CEA Technologies Pty Limited
Health, Disability and Ageing Portfolio
• Australian Hearing Services (Hearing Australia)
Infrastructure, Transport, Regional Development, Communications, Sport and the Arts Portfolio
• Airservices Australia
• Australian Postal Corporation (Australia Post)
• Australian Rail Track Corporation Limited
• National Intermodal Corporation Limited
• NBN Co Limited
• WSA Co Ltd
Prime Minister and Cabinet Portfolio
• Voyages Indigenous Tourism Australia Pty Ltd†

* Housing Australia, a corporate Commonwealth entity, operates an affordable housing bond aggregator to encourage greater private and institutional investment and provide cheaper and longer term finance to registered providers of affordable housing. The Housing Australia Bond Aggregator is a PFC. Other Housing Australia programs, including the National Housing Infrastructure Facility, are included in the GGS.

† Sale of Voyages Indigenous Tourism Australia Pty Ltd was completed effective 27 February 2026.

Appendix B: Assets and Liabilities

Overview

This appendix provides an overview and commentary on Statement 10: *Australian Government Budget Financial Statements* including estimates of the Australian Government's budgeted assets and liabilities at 30 June for the current year, budget year and three forward years.

Changes in the balance sheet reflect movements in the budgeted operating result and balance sheet transactions.

A more detailed explanation of major assets and liabilities held by Commonwealth entities, which form part of the Australian Government's balance sheet, can be found in the *Commonwealth Balance Sheet User Guide,* published on the Finance website.

Further information on the Government's fiscal strategy in relation to the balance sheet can be found in *Statement 3: Fiscal Strategy and Outlook.*

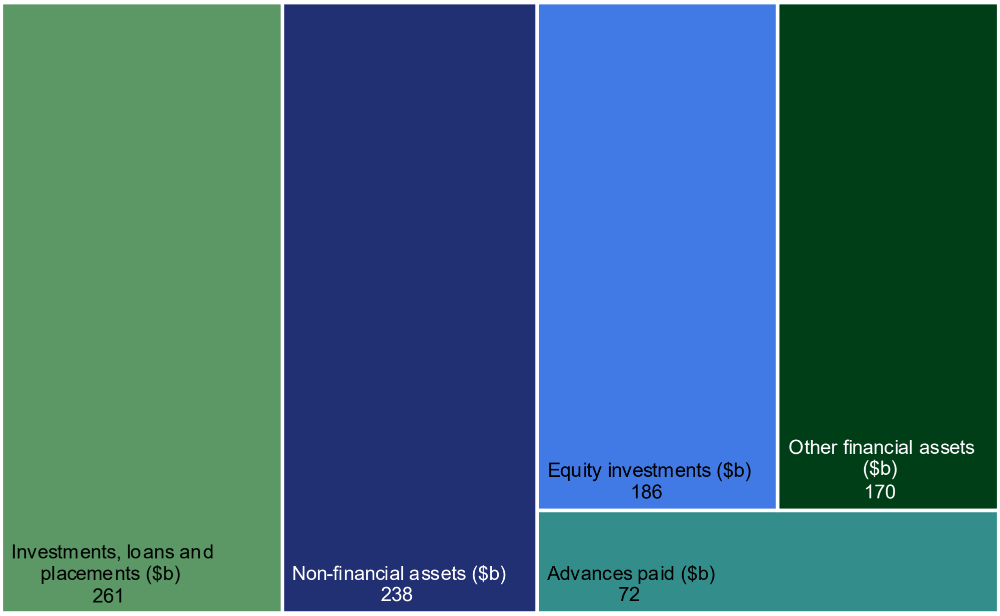
The Australian Government's assets and liabilities

Assets

The Government's total assets were $893.0 billion at 30 June 2025, and are estimated to be $927.9 billion at 30 June 2026 and $1,143.8 billion at 30 June 2030.

The composition of Australian Government general government sector assets at 30 June 2026 is presented below in Chart 10.B.1.

Chart 10.B.1: Australian Government general government sector asset composition



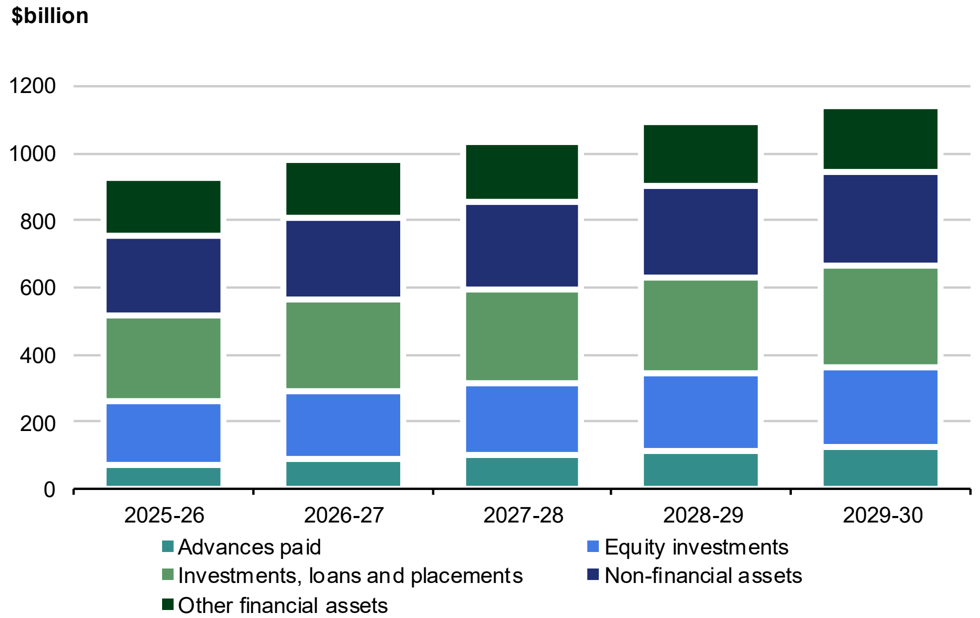
Note: Other financial assets includes cash and deposits and other receivables.

Australian Government assets over the forward estimates

The Government's total assets are expected to grow over the forward estimates due to increased advances paid, investments and acquisitions of non-financial assets.

The budgeted composition of assets on the Australian Government's balance sheet is provided in Chart 10.B.2 below.

Chart 10.B.2: Australian Government assets over the forward estimates

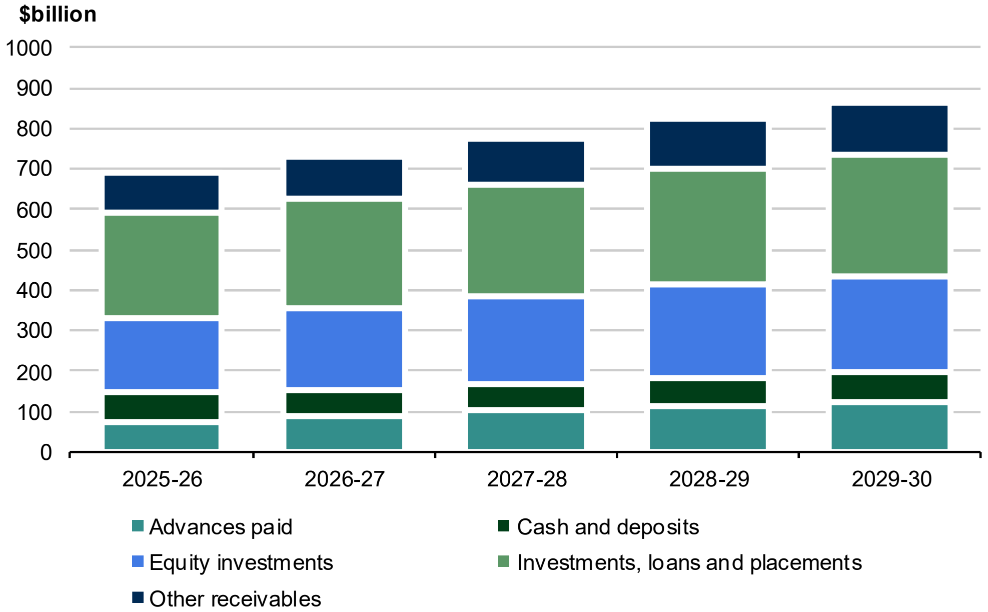


Note: Other financial assets includes cash and deposits and other receivables.

Financial assets

The Government's financial assets are estimated to be $690.3 billion at 30 June 2026, increasing to $863.9 billion by 30 June 2030.

Chart 10.B.3: Financial assets over the forward estimates



Advances paid

Advances paid is comprised of the Higher Education Loan Program and other student loan schemes and loans to state and territory governments. The value of advances paid is estimated to grow over the forward estimates predominantly due to expected growth in student loans.

Further details on loans made by the Government are provided in *Statement 9: Statement of Risks.*

Investments, loans and placements

Investments, loans and placements is predominantly comprised of investments held in relation to the Australian Government Investment Funds, which includes the Future Fund, as well as by other entities, such as the Australian Office of Financial Management, the Treasury and Specialist direct Investment Vehicles.

Specialist direct Investment Vehicles include the National Reconstruction Fund Corporation, Clean Energy Finance Corporation, Northern Australia Infrastructure Facility and the Regional Investment Corporation, which provide loans, guarantees and equity injections for projects that deliver public value.

The value of total Australian Government investments, loans and placements is expected to increase steadily over the forward estimates due to forecast investment returns and the investment activities of the Australian Government Investment Funds and Specialist direct Investment Vehicles.

A breakdown of investments, loans and placements is provided in Note 14 to *Statement 10: Australian Government Budget Financial Statements* and further information on the Australian Government Investment Funds is provided below. Further details on loans made by the Government is provided in *Statement 9: Statement of Risks.*

Australian Government Investment Funds

The Australian Government Investment Funds are the: Future Fund, DisabilityCare Australia Fund, Medical Research Future Fund, Aboriginal and Torres Strait Islander Land and Sea Future Fund, Future Drought Fund, Disaster Ready Fund and the Housing Australia Future Fund. Investments held in relation to the Australian Government Investment Funds are predominantly collective investment vehicles, other interest-bearing securities and equity investments.

The budgeted value of Australian Government Investment Funds is provided in Table 10.B.1.

Table 10.B.1: Australian Government Investment Funds balances

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Future Fund	276,545	294,926	314,530	335,441	357,749
DisabilityCare Australia Fund	14,418	11,004	7,450	3,746	-
Medical Research Future Fund	25,533	26,373	27,287	28,252	29,303
Aboriginal and Torres Strait Islander Land and Sea Future Fund	2,558	2,627	2,683	2,741	2,800
Future Drought Fund	5,640	5,859	6,048	6,266	6,491
Disaster Ready Fund	5,112	5,394	5,660	5,941	6,236
Housing Australia Future Fund	11,271	11,376	11,420	11,471	11,512
Total investment funds	**341,077**	**357,559**	**375,078**	**393,858**	**414,091**

Future Fund

The Future Fund was established in 2006 to accumulate financial assets and invest them on behalf of the Australian Government to address the Government's unfunded superannuation liability. The Government provides guidance to the Future Fund Board of Guardians (the Future Fund Board) in relation to its investment strategy through the issuance of an investment mandate. The Board is independently responsible for the investment decisions of the Future Fund.

The investment mandate for the Future Fund sets a benchmark rate of return of at least CPI plus 4.0 to 5.0 per cent per annum over the long-term. It requires the Future Fund Board to have regard to national priorities in performing its investment functions. National priorities comprise: supporting an energy transition as part of the net zero transformation of the Australian economy, increasing the supply of residential housing in Australia, and delivering improved infrastructure located in Australia. The investment mandate also requires the Board to take an acceptable, but not excessive, level of risk, measured in terms such as the probability of losses in a particular year.

Between establishment and 31 March 2026, the average return has been 8.0 per cent per annum against the benchmark return of 7.0 per cent. For the 12-month period ending 31 March 2026, the Future Fund return was 11.7 per cent against a benchmark return of 8.1 per cent. The Future Fund was valued at $269.1 billion as at 31 March 2026.

Table 10.B.2 shows changes in the asset allocation of the Future Fund since 31 March 2025.

Table 10.B.2: Asset allocation of the Future Fund

Asset class	31-Mar-26 $m	31-Mar-26 % of Fund	31-Mar-25 $m	31-Mar-25 % of Fund
Australian equities	28,723	10.7	26,144	10.9
Global equities				
Developed markets	77,566	28.8	65,057	27.0
Emerging markets	11,768	4.4	13,926	5.8
Private equity	34,211	12.7	33,284	13.8
Property	10,731	4.0	11,604	4.8
Infrastructure & Timberland	30,373	11.3	24,633	10.2
Debt securities	22,472	8.4	22,439	9.3
Alternative assets	41,185	15.3	36,183	15.0
Cash	12,026	4.5	7,492	3.1
Total Future Fund assets	**269,055**	**100.0**	**240,762**	**100.0**

Note: Figures may not sum due to rounding.

DisabilityCare Australia Fund

The DisabilityCare Australia Fund (DCAF) was established on 1 July 2014 to assist the Commonwealth and the state and territory governments with spending directly related to the National Disability Insurance Scheme.

The DCAF is funded by revenue raised from the 0.5 per cent increase in the Medicare levy to 2.0 per cent, set in 2014–15. As at 31 March 2026, the DCAF had received credits totalling $46.9 billion. Since inception to 31 March 2026, $32.7 billion has been paid from the DCAF.

The investments of the DCAF are managed by the Future Fund Board. The Investment Mandate for the DCAF provides guidance to the Future Fund Board in relation to its investment strategy for the DCAF. The DCAF Investment Mandate sets a benchmark return of the Australian 3-month bank bill swap rate plus 0.3 per cent per annum calculated on a rolling 12-month basis (net of fees). In achieving its objectives, the Board must invest in a way that minimises the probability of capital losses over a 12-month horizon.

For the 12-month period ending 31 March 2026, the DCAF return was 4.3 per cent against the benchmark return of 4.1 per cent. The DCAF was valued at $18.2 billion as at 31 March 2026.

Medical Research Future Fund

The Medical Research Future Fund (MRFF) was established on 26 August 2015 to provide additional funding for medical research and medical innovation.

The investments of the MRFF are managed by the Future Fund Board. The Investment Mandate for the MRFF provides broad direction to the Future Fund Board in relation to its investment strategy. The MRFF Investment Mandate sets a benchmark return of the Reserve Bank of Australia's Cash Rate target plus 1.5 to 2.0 per cent per annum, net of costs, over a rolling 10-year term.

Since inception to 31 March 2026, MRFF investments have returned 5.2 per cent per annum against a benchmark return of 3.5 per cent. For the 12-month period ending 31 March 2026, the MRFF's return was 8.7 per cent against the benchmark return of 5.3 per cent. The MRFF was valued at $25.4 billion as at 31 March 2026.

Aboriginal and Torres Strait Islander Land and Sea Future Fund

The Aboriginal and Torres Strait Islander Land and Sea Future Fund (ATSILSFF) was established on 1 February 2019 to support payments to the Indigenous Land and Sea Corporation.

The ATSILSFF was seeded with the capital of the former Aboriginal and Torres Strait Islander Land Account (Land Account) – approximately $2.0 billion. The Land Account was abolished on the establishment of the ATSILSFF.

The investments of the ATSILSFF are managed by the Future Fund Board. The Investment Mandate for the ATSILSFF provides broad direction to the Future Fund Board in relation to its investment strategy. The ATSILSFF Investment Mandate sets a long-term benchmark return of CPI plus 2.0 to 3.0 per cent per annum, net of costs.

Since inception to 31 March 2026, ATSILSFF investments have returned 6.4 per cent per annum against a benchmark return of 5.7 per cent. For the 12-month period ending 31 March 2026, the ATSILSFF returned 10.0 per cent against a benchmark return of 6.1 per cent. The ATSILSFF was valued at $2.5 billion as at 31 March 2026.

Future Drought Fund

The Future Drought Fund (FDF) was established on 1 September 2019 to fund initiatives that enhance future drought resilience, preparedness and response across Australia.

The FDF provides disbursements of $100.0 million per annum, with the first disbursement made in July 2020.

The investments of the FDF are managed by the Future Fund Board. The Investment Mandate for the FDF provides broad direction to the Future Fund Board in relation to its investment strategy. The FDF Investment Mandate sets a long-term benchmark return of CPI plus 2.0 to 3.0 per cent per annum, net of costs.

Since inception to 31 March 2026, FDF investments have returned 7.8 per cent per annum against a benchmark return of 5.9 per cent. For the 12-month period ending 31 March 2026, the FDF returned 10.0 per cent against the benchmark return of 6.1 per cent. The FDF was valued at $5.5 billion as at 31 March 2026.

Disaster Ready Fund

The Disaster Ready Fund (DRF) was initially established as the Emergency Response Fund (ERF) on 12 December 2019 and provided up to $150.0 million per year for emergency response and recovery, and up to $50.0 million per year for natural disaster resilience and risk reduction.

On 1 March 2023, legislative changes took effect that renamed the ERF as the DRF and allowed up to $200.0 million per annum to be drawn from the DRF to fund natural disaster resilience and risk reduction from 2023–24 onwards.

The investments of the DRF are managed by the Future Fund Board. The Investment Mandate for the DRF provides broad direction to the Future Fund Board in relation to its investment strategy. The DRF Investment Mandate sets a long-term benchmark return of CPI plus 2.0 to 3.0 per cent per annum, net of costs.

Since inception to 31 March 2026, DRF investments have returned 7.8 per cent per annum against a benchmark return of 5.9 per cent. For the 12-month period ending 31 March 2026, the DRF returned 9.9 per cent against the benchmark return of 6.1 per cent. The DRF was valued at $5.0 billion as at 31 March 2026.

Housing Australia Future Fund

The Housing Australia Future Fund (HAFF) was established on 1 November 2023 and credited with $10.0 billion. The HAFF is an investment vehicle dedicated to supporting and increasing social and affordable housing, as well as supporting other acute housing needs such as Indigenous communities and housing services for women, children and veterans.

The investments of the HAFF are managed by the Future Fund Board. The Investment Mandate for the HAFF provides broad direction to the Future Fund Board in relation to its investment strategy. The HAFF Investment Mandate sets a long-term benchmark return of CPI plus 2.0 to 3.0 per cent per annum, net of costs.

Since inception to 31 March 2026, HAFF investments have returned 8.1 per cent per annum against a benchmark return of 4.9 per cent. For the 12-month period ending 31 March 2026, the HAFF returned 9.7 per cent against the benchmark return of 6.1 per cent. The HAFF was valued at $11.5 billion as at 31 March 2026.

Specialist direct Investment Vehicles

Specialist direct Investment Vehicles make investments in projects, businesses and joint ventures to deliver Australian Government policy objectives. Each Specialist direct Investment Vehicle has discrete policy objectives and uses a specific set of financial instruments to achieve them, including concessional loans, debt issuances and equity investments.

Specialist direct Investment Vehicles are usually corporate Commonwealth entities (CCEs) established by enabling legislation that define the entity's functions and the roles and responsibilities of the independent board as the accountable authority. The only exception is the Australian Infrastructure Financing Facility for the Pacific, which is part of the Department of Foreign Affairs and Trade (a non-corporate Commonwealth entity).

The Australian Government has eight Specialist direct Investment Vehicles:

<u>Australian Infrastructure Financing Facility for the Pacific</u>

The Australian Infrastructure Financing Facility for the Pacific (AIFFP) commenced on 1 July 2019 and provides grants, loans and guarantees to sovereign, state owned enterprise and private sector partners for infrastructure investments in Pacific island countries and Timor-Leste.

The objective of AIFFP is to advance Australia's national interest by contributing to a stable, secure and prosperous Pacific. AIFFP prioritises projects that assist countries to respond and adapt to climate change risks and impacts, as part of the Government's Pacific Climate Infrastructure Financing Partnership.

As at 30 June 2025, AIFFP administered $1 billion in grants of which $520.0 million had been committed to projects. AIFFP also provides up to $3 billion in loans and guarantees issued by Export Finance Australia on its behalf via the National Interest Account.

<u>Australian Renewable Energy Agency</u>

Established as a CCE by the *Australian Renewable Energy Agency Act 2011*, the Australian Renewable Energy Agency (ARENA) provides grant funding to support research, development and early commercialisation for renewable energy technology projects.

ARENA invests in priority sectors including ultra low-cost solar, renewable electricity, renewable hydrogen, low-emissions metals, low-emissions transport, low-carbon liquid fuels and clean energy manufacturing.

As it provides grants ARENA does not generate a return on funds invested, however, some projects include contingent recoupment rights. Grants are determined by an independent board based on maximum impact and value.

As at 30 June 2025, ARENA was responsible for administering up to $13 billion in grants.

<u>Clean Energy Finance Corporation</u>

The Clean Energy Finance Corporation (CEFC) was established as a CCE by the *Clean Energy Finance Corporation Act 2012* (CEFC Act). The CEFC Act defines complying investments as including:

- clean energy technologies: energy efficiency, low-emission and renewable energy technologies
- solely or mainly Australian based: determined by the Board and consistent with the investment mandate
- not in prohibited technology; carbon capture and storage, nuclear technology and nuclear power.

The CEFC performs its investment functions in accordance with the *Clean Energy Finance Corporation Investment Mandate Direction 2023.* The investment mandate broadly requires the CEFC to facilitate increased flows of finance into the clean energy sector and to facilitate the achievement of Australia's greenhouse gas emissions reduction target. The investment mandate also sets out investment direction, benchmark rates of return, portfolio risk and limits on concessionality for the General Portfolio, the Rewiring the Nation Fund and the Specialised Investment Funds.

As at 30 June 2025, CEFC had $34.9 billion made available to it for investment, of which $12.1 billion had been committed to projects.

<u>Export Finance Australia</u>

Export Finance Australia (EFA) was established as a CCE by the *Export Finance and Insurance Corporation Act 1991*. EFA is the Australian Government's export credit agency and supports Australian export trade and overseas infrastructure development that benefits Australia, through loans, bonds, guarantees, insurance and equity investments. EFA is a self-funding entity and operates on a commercial basis, charging customers fees and premiums as well as earning interest on loans and investments.

EFA provides financial support to exporters on one of two accounts: the Commercial Account, where EFA carries all risks and losses, and retains all margins and fees; and the National Interest Account, where the responsible Minister can direct EFA to support transactions that are in the national interest.

As at 30 June 2025, EFA had $8.3 billion in committed funding.

Housing Australia

Established as a CCE by the *Housing Australia Act 2018* (Housing Australia Act), Housing Australia improves social and affordable housing outcomes for Australians through loans and grants, guarantees and capacity development for community housing providers, and delivering programs to help more Australians access social and affordable housing. Housing Australia performs its investment functions in accordance with its investment mandate.

The investment mandate for Housing Australia outlines the activities and allocation of funds for the Affordable Housing Bond Aggregator (AHBA), the National Housing Infrastructure Facility (NHIF), the Housing Australia Future Fund Facility, the National Housing Accord Facility, the Help to Buy Scheme and the Home Guarantee Scheme. For the AHBA, Housing Australia must target an average return that covers the operating costs of the AHBA and allows it to build an adequate capital reserve. For the NHIF it must target a rate of return that allows it to maintain the value of funds allocated to it plus the Commonwealth cost of capital.

As at 30 June 2025, Housing Australia had committed $26.7 billion to projects. This does not include investments of the HAFF, which is administered by the Future Fund.

National Reconstruction Fund Corporation

The National Reconstruction Fund Corporation (NRFC) was established as a CCE by the *National Reconstruction Fund Corporation Act 2023*. The NRFC makes investment decisions to support, diversify and transform Australia's industry and economy, help to create secure, well-paid jobs, secure future prosperity, and drive sustainable economic growth. The NRFC provides debt, equity and guarantees to facilitate increased flows of finance into the following priority areas of the Australian economy identified in regulation: renewables and low emission technologies, value-add in agriculture, forestry and fisheries, transport, medical science, renewables and low emission technologies, defence capability, and enabling capabilities.

The NRFC must target an average return of between 2 and 3 per cent above the 5-year Australian Government bond rate.

As at 30 June 2025, NRFC had $15.0 billion available to it for investment.

Northern Australia Infrastructure Facility

The Northern Australia Infrastructure Facility (NAIF) was established as a CCE by the *Northern Australia Infrastructure Facility Act 2016* to provide finance to businesses and infrastructure projects for the development of Northern Australia's economy. NAIF's area of operation includes all of the Northern Territory and those parts of Queensland and Western Australia above or directly below or intersecting with the Tropic of Capricorn. NAIF's projects stimulate economic growth by attracting private investment and fostering infrastructure development.

The NAIF is required to make investments to support one or more of five Government policy priorities, including: sustainable and resilient economic development and the alleviation of economic or social disadvantage; key infrastructure projects; sustainability, climate change and circular economy principles; realising the Critical Minerals Strategy; and materially improving the lives of Indigenous people and communities.

When providing financial assistance, which is primarily through loans, the NAIF must be satisfied that the return is likely to cover at least its administrative costs and the Commonwealth's cost of borrowing. For equity or equity-like investments the NAIF must target a return of at least the 5-year Australian Government bond rate plus a premium of 3 per cent per annum.

As at 30 June 2025, NAIF had $7.0 billion made available to it for investment of which $3.7 billion had been committed to projects.

Regional Investment Corporation

Established as a CCE by the *Regional Investment Corporation Act 2018*, the Regional Investment Corporation (RIC) administers concessional loans for farm businesses. These loans support the resilience and sustainability of Australia's agricultural economy, with a focus on assisting eligible farm businesses and farm-related businesses to remain prosperous and grow.

RIC loans can be used to prepare for, manage through, and recover from severe financial disruption outside of a farmer's control such as drought, natural disasters, biosecurity and market issues. RIC loans can also be used to help new and next generation farmers set up farms and keep farms in the family through succession planning. The majority of RIC loans provide up to 5 years interest-only and a 10-year loan term, allowing borrowers to generate positive cashflows before repayment of principal. The RIC sets the variable interest rates on its loan products with reference to the average Australian Government 10-year bond rate plus a margin.

As at 30 June 2025, RIC had $3.5 billion made available to it for investments of which $3.2 billion had been provided as loans to customers.

Equity investments

Equity investments is comprised of three components:

- investments in those Government Business Enterprises that are public non-financial corporations including NBN Co, Snowy Hydro Limited and the Australian Rail Track Corporation.
- investments in other public sector entities outside the general government sector, including certain components of Specialist direct Investment Vehicles such as Export Finance Australia and Housing Australia, and investments held by Specialist direct Investment Vehicles inside the general government sector, such as the Clean Energy Finance Corporation and the National Reconstruction Fund Corporation.
- investments held in relation to the Australian Government Investment Funds, such as shares, which are expected to increase steadily over the forward estimates due to additional contributions from Government and expected investment returns over time.

Government Business Enterprises

Government Business Enterprises (GBEs) represent a significant proportion of equity investments held by the Australian Government.

These are commercially focused government owned businesses that are established to fulfil an Australian Government purpose. They make a substantial contribution to the Australian economy by supporting productivity, job creation and Government policy objectives.

Further information on the financial performance of individual GBEs is included in the annual report for each entity, including details of equity contributed by the Australian Government. GBE valuations are updated annually in accordance with Australian Accounting Standards and reported by the relevant portfolio department in its annual report.

Non-financial assets

The Government's non-financial assets are estimated to be $237.6 billion at 30 June 2026, increasing to $279.8 billion by 30 June 2030.

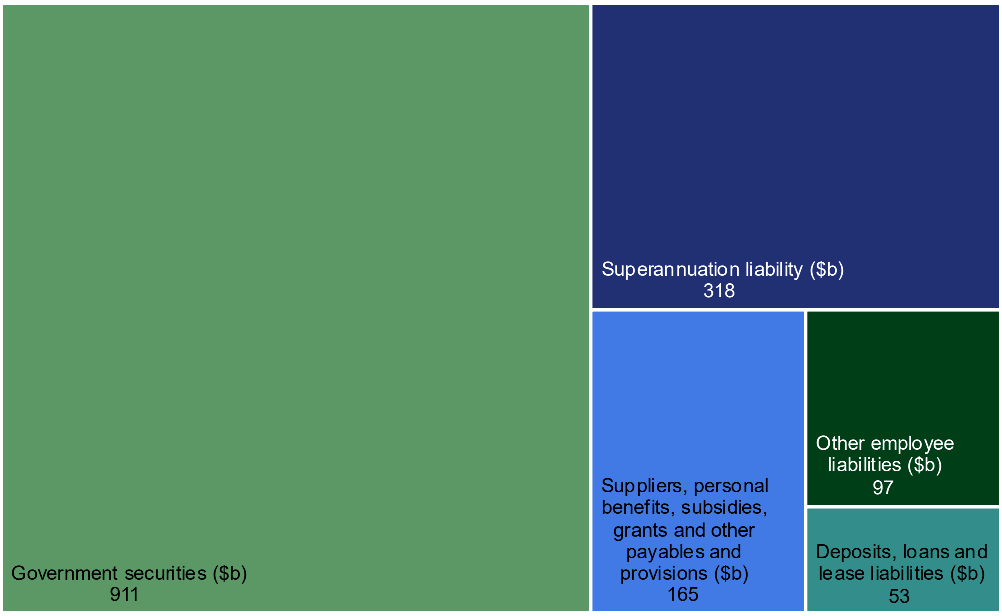
Non-financial assets comprise assets such as land, buildings and property, plant and equipment and right-of-use lease assets. Non-financial assets are expected to grow consistently over the forward estimates predominantly due to increased investments in Specialised Military Equipment.

Liabilities

The Government's total liabilities were $1.5 trillion at 30 June 2025, and are expected to increase to around $1.9 trillion by 30 June 2030.

The composition of Australian Government general government sector liabilities at 30 June 2026 is presented below in Chart 10.B.4.

Chart 10.B.4: Australian Government liabilities composition



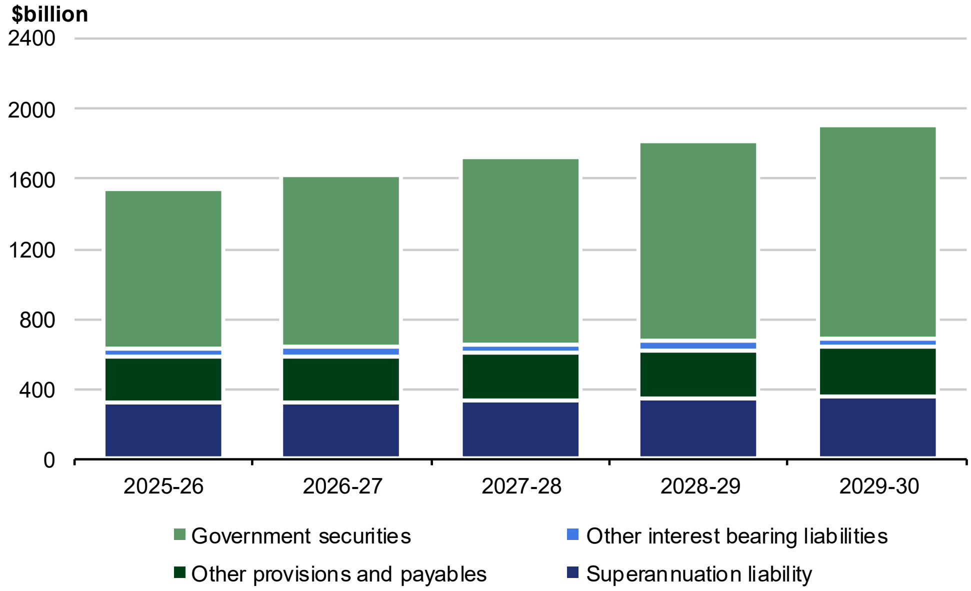
The Government's major liabilities are Australian Government securities on issue (see *Statement 7: Debt Statement* for further information) and public sector employee superannuation liabilities.

Further information on the Government's borrowings is provided in *Statement 7: Debt Statement*.

Australian Government liabilities over the forward estimates

The budgeted composition of liabilities on the Australian Government's balance sheet is provided in Chart 10.B.5 below.

Chart 10.B.5: Composition of Australian Government liabilities over the forward estimates



Note: Other interest-bearing liabilities includes deposits held, loans and lease liabilities. Other provisions and payables includes other employee liabilities, suppliers payable, personal benefits payable, subsidies payable, grants payable, other payables and provisions.

Total liabilities are expected to grow consistently over the forward estimates, which is predominantly due to growth in government securities on issue and superannuation liabilities.

Government securities

Government securities on the Australian Government's balance sheet reflect the market value of the Australian Government securities on issue, consistent with external reporting standards. Further detail on the face value of Australian Government securities can be found in *Statement 7: Debt Statement.*

Public sector employee superannuation liabilities

Public sector employee superannuation entitlements relating to past and present civilian employees and military personnel are a financial liability on the Government's balance sheet. Total superannuation liabilities are projected to be $317.8 billion at 30 June 2026, $352.1 billion at 30 June 2030 and approximately $454.7 billion at 30 June 2060.

These liabilities represent the present value of future unfunded superannuation benefits relating to past and present employees and are based on an actuarially determined discount rate. The long-term nature of the unfunded superannuation liabilities requires the use of a discount rate that best matches the duration of the liabilities. The use of a long-term discount rate for budget purposes avoids the volatility that would occur by using current market yields on Government bonds. The value recorded on the balance sheet is highly sensitive to the discount rate used.

In preparing the latest Long Term Cost Reports for the civilian and military schemes, the scheme actuaries determined that a discount rate of 5.0 per cent should be applied.

The Australian Government has never fully funded its defined benefit scheme superannuation liabilities. However, the Future Fund was established in 2006 to help finance the Government's unfunded superannuation liabilities.

For civilian employees, the major defined benefit schemes are the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. These schemes were closed to new members in 1990 and 2005 respectively. The Public Sector Superannuation Accumulation Plan was introduced on 1 July 2005 and provides fully funded accumulation benefits for new civilian employees from that date.

For military personnel, the defined benefit schemes are the Defence Force Retirement and Death Benefits Scheme, the Defence Forces Retirement Benefits Scheme and the Military Superannuation and Benefits Scheme (MSBS). Following the closure of the MSBS on 30 June 2016, all defined benefit military schemes are now closed to new members. A new military superannuation accumulation scheme, Australian Defence Force (ADF) Super, commenced on 1 July 2016. ADF Super is accompanied by a statutory death and disability arrangement ADF cover.

While there have not been any new members to the public service and military defined benefit schemes since closure in 2005 and 2016 respectively, the Government's unfunded superannuation liabilities are expected to grow as current members continue to accrue benefits prior to retirement. Consistent with the 2023 Long Term Cost Reports, the unfunded liability for public service defined benefit schemes is projected to peak in the mid-2030's, whilst the unfunded liability for military defined benefit schemes is projected to continue to increase over time to 2060. The present value of the superannuation liability is also sensitive to changes in the discount rate.

As the superannuation liabilities are included in the Government's net worth and net financial worth aggregates, revaluations of the liabilities have an impact on these aggregates.

The value of superannuation liabilities by scheme is provided in Table 10.B.3 below.

Table 10.B.3: Superannuation liabilities by scheme

	Estimates				
	2025-26	2026-27	2027-28	2028-29	2029-30
	$m	$m	$m	$m	$m
Civilian superannuation schemes					
Commonwealth Superannuation Scheme	60,760	59,018	57,188	55,277	53,290
Public Sector Superannuation Scheme	110,121	115,187	120,529	124,589	128,410
Parliamentary Contributory Superannuation Scheme	791	779	767	753	737
Governors-General Scheme	20	20	20	20	31
Judges' Pensions Scheme	1,337	1,386	1,439	1,490	1,539
Division 2 Judges of the Federal Circuit and Family Court of Australia Death and Disability Scheme	5	6	7	7	8
Total civilian schemes	173,034	176,396	179,950	182,136	184,015
Military superannuation schemes					
Military Superannuation and Benefits Scheme	106,604	110,618	114,372	117,858	121,346
Defence Force Retirement and Death Benefits Scheme	28,758	28,228	27,655	27,039	26,383
Defence Forces Retirement Benefits Scheme	265	245	226	207	188
Australian Defence Force Cover	8,880	11,170	13,783	16,711	19,949
Total military schemes	144,508	150,261	156,036	161,816	167,865
Other schemes	247	251	165	173	181
Total	**317,789**	**326,908**	**336,151**	**344,125**	**352,061**

Other provisions and payables

Other provisions and payables includes all other Government liabilities including liabilities, provisions for other employee entitlements such as leave, unpaid grants, subsidies, personal benefits, and payments to suppliers.

Statement 11:
Historical Australian Government Data

This statement reports historical data for the Australian Government fiscal aggregates across the general government, public non-financial corporations and non-financial public sectors.

Statement 11 contents

Statement 11: Historical Australian Government Data

This statement reports historical data for the Australian Government fiscal aggregates across the general government, public non-financial corporations and non-financial public sectors.

Data sources

Data has been sourced from Australian Government *Final Budget Outcomes*, the Australian Bureau of Statistics (ABS), the Australian Office of Financial Management and Australian Government *Budget Financial Statements.*

- Accrual data from 1996–97 onwards and cash data, net debt data, net financial worth data and net worth data from 1999–2000 onwards are sourced from Australian Government *Final Budget Outcomes*. Back-casting adjustments for accounting classification changes and other revisions have been made from 1998–99 onwards where applicable.

- Cash data prior to 1999–2000 are sourced from ABS data, which have been calculated using methodology consistent with that used for later years in ABS cat. no. 5512.0 *Government Finance Statistics.*

- Net debt data prior to 1999–2000 are from ABS cat. no. 5512.0 *Government Finance Statistics 2003–04* in 1998–99, ABS cat. no. 5501.0 *Government Financial Estimates 1999–2000* and ABS cat. no. 5513.0 *Public Sector Financial Assets and Liabilities 1998* from 1987–88 to 1997–98, and Treasury estimates (see Treasury's *Economic Roundup, Spring 1996,* pages 97–103) prior to 1987–88.

Comparability of data across years

The data set contains a number of structural breaks owing to accounting classification differences and changes to the structure of the budget which cannot be eliminated through back-casting because of data limitations. These breaks can affect the comparability of data across years, especially when the analysis is taken over a large number of years. Specific factors causing structural breaks include:

- Classification differences in the data relating to the period prior to 1976–77 mean that earlier data may not be entirely consistent with data for 1976–77 onwards.
- Most recent accounting classification changes that require revisions to the historical series have been back-cast (where applicable) to 1998–99, ensuring that data are consistent across the accrual period from 1998–99 onwards. However, because of data limitations, these changes have not been back-cast to earlier years.

- Cash data up to and including 1997–98 are calculated under a cash accounting framework, while cash data from 1998–99 onwards are derived from an accrual accounting framework.[44] Although the major methodological differences associated with the move to the accrual framework have been eliminated through back-casting, comparisons across the break may still be affected by changes to some data sources and collection methodologies.

- Adjustments in the coverage of agencies are included in the accounts of the different sectors. These include the reclassification of Central Banking Authorities from the general government to the public financial corporations sector in 1998–99, and subsequent back-casting to account for this change.

- Prior to 1999–2000, Australian Government general government sector debt instruments are valued at historic cost, whereas from 1999–2000 onwards they are valued at market prices (consistent with accrual GFS standards). This affects net debt and net interest payments.

- From 2005–06 onwards, underlying Government Finance Statistics (GFS) data are provided by agencies in accordance with Australian Accounting Standards (AAS), which include International Financial Reporting Standards (IFRS) as adopted in Australia. Prior to 2005–06, underlying GFS data are based on data provided by agencies applying AAS prior to the adoption of IFRS.

- From 2019–20 onwards, as a result of the implementation of the accounting standard AASB 16 *Leases*, the distinction between operating and finance leases for lessees has been removed. This change impacted a number of budget aggregates, in particular net debt and net financial worth. Due to data limitations, these changes have not been back-cast to earlier years.

44 Prior to the 2008–09 Budget, cash data calculated under the cash accounting framework were used up to and including 1998–99. In the 2008–09 Budget, cash data prior to 1998–99 have been replaced by ABS data derived from the accrual framework.

Revisions to previously published data

Under the accrual GFS framework and generally under AAS, flows are recorded in the period in which they occurred. As a result, prior period outcomes may be revised for classification changes relating to information that could reasonably have been expected to be known in the past, is material in at least one of the affected periods, and can be reliably assigned to the relevant period(s). This includes revisions to the historical estimates of nominal GDP to align with the ABS cat. no. 5206.0 *Australian National Accounts* which can have minor impacts on data published as a percentage of GDP.

As part of the December 2025 Consumer Price Index (CPI) release, the previously published quarterly CPI index series was re-referenced to align with the reference period of the new monthly CPI series (September 2025). This change has been incorporated in this statement and impacts the numbers presented on a real basis.

There have been no material accounting classification changes that have resulted in back-casting in this update.

Table 11.1: Australian Government general government sector receipts, payments, net Future Fund earnings and underlying cash balance[(a)]

	Receipts(b)		Payments(c)			Net Future Fund earnings	Underlying cash balance(d)	
	$m	Per cent of GDP	$m	Per cent real growth(f)	Per cent of GDP	$m	$m	Per cent of GDP
1970-71	8,290	20.5	7,389	na	18.3	-	901	2.2
1971-72	9,135	20.5	8,249	4.1	18.5	-	886	2.0
1972-73	9,735	19.5	9,388	7.7	18.8	-	348	0.7
1973-74	12,228	20.2	11,078	4.2	18.3	-	1,150	1.9
1974-75	15,643	21.9	15,463	19.9	21.7	-	181	0.3
1975-76	18,727	22.4	20,225	15.7	24.2	-	-1,499	-1.8
1976-77	21,890	22.7	23,157	0.6	24.0	-	-1,266	-1.3
1977-78	24,019	22.8	26,057	2.7	24.8	-	-2,037	-1.9
1978-79	26,129	22.0	28,272	0.3	23.8	-	-2,142	-1.8
1979-80	30,321	22.5	31,642	1.5	23.5	-	-1,322	-1.0
1980-81	35,993	23.6	36,176	4.6	23.7	-	-184	-0.1
1981-82	41,499	23.6	41,151	2.9	23.4	-	348	0.2
1982-83	45,463	24.0	48,810	6.3	25.7	-	-3,348	-1.8
1983-84	49,981	23.4	56,990	9.4	26.6	-	-7,008	-3.3
1984-85	58,817	24.9	64,853	9.1	27.5	-	-6,037	-2.6
1985-86	66,206	25.3	71,328	1.5	27.3	-	-5,122	-2.0
1986-87	74,724	26.1	77,158	-1.1	26.9	-	-2,434	-0.8
1987-88	83,491	25.7	82,039	-0.9	25.2	-	1,452	0.4
1988-89	90,748	24.6	85,326	-3.1	23.1	-	5,421	1.5
1989-90	98,625	24.3	92,684	0.6	22.9	-	5,942	1.5
1990-91	100,227	24.1	100,665	3.1	24.2	-	-438	-0.1
1991-92	95,840	22.6	108,472	5.7	25.6	-	-12,631	-3.0
1992-93	97,633	21.9	115,751	5.6	26.0	-	-18,118	-4.1
1993-94	103,824	22.2	122,009	3.5	26.1	-	-18,185	-3.9
1994-95	113,458	22.8	127,619	1.4	25.7	-	-14,160	-2.9
1995-96	124,429	23.5	135,538	1.9	25.6	-	-11,109	-2.1
1996-97	133,592	24.0	139,689	1.7	25.1	-	-6,099	-1.1
1997-98	140,736	23.8	140,587	0.6	23.8	-	149	0.0
1998-99	152,063	24.4	148,175	4.1	23.8	-	3,889	0.6
1999-00	166,199	25.0	153,192	1.0	23.1	-	13,007	2.0
2000-01	182,996	25.8	177,123	9.1	25.0	-	5,872	0.8
2001-02	187,588	24.8	188,655	3.5	24.9	-	-1,067	-0.1
2002-03	204,613	25.4	197,243	1.4	24.5	-	7,370	0.9
2003-04	217,775	25.2	209,785	3.9	24.2	-	7,990	0.9
2004-05	235,984	25.5	222,407	3.5	24.0	-	13,577	1.5
2005-06	255,943	25.6	240,136	4.6	24.0	51	15,757	1.6
2006-07	272,637	25.0	253,321	2.5	23.2	2,127	17,190	1.6
2007-08	294,917	24.9	271,843	3.8	23.0	3,319	19,754	1.7
2008-09	292,600	23.1	316,046	12.8	25.0	3,566	-27,013	-2.1
2009-10	284,662	21.8	336,900	4.2	25.7	2,256	-54,494	-4.2

Table 11.1: Australian Government general government sector receipts, payments, net Future Fund earnings and underlying cash balance[(a)] (continued)

	Receipts(b)		Payments(c)			Net Future Fund earnings	Underlying cash balance(d)	
	$m	Per cent of GDP	$m	Per cent real growth(f)	Per cent of GDP	$m	$m	Per cent of GDP
2010-11	302,024	21.2	346,102	-0.4	24.3	3,385	-47,463	-3.3
2011-12	329,874	21.9	371,032	4.8	24.6	2,203	-43,360	-2.9
2012-13	351,052	22.7	367,204	-3.2	23.8	2,682	-18,834	-1.2
2013-14	360,322	22.4	406,430	7.7	25.3	2,348	-48,456	-3.0
2014-15	378,301	23.2	412,079	-0.3	25.3	4,089	-37,867	-2.3
2015-16	386,924	23.2	423,328	1.3	25.4	3,202	-39,606	-2.4
2016-17	409,868	23.2	439,375	2.0	24.9	3,644	-33,151	-1.9
2017-18	446,905	24.2	452,742	1.1	24.5	4,305	-10,141	-0.5
2018-19	485,286	24.8	478,098	3.9	24.5	7,878	-690	0.0
2019-20	469,398	23.6	549,634	13.4	27.6	5,036	-85,272	-4.3
2020-21	519,913	24.9	654,084	17.1	31.3	6,619	-134,171	-6.4
2021-22	584,358	25.0	616,320	-9.8	26.4	7,677	-31,962	-1.4
2022-23	649,477	25.2	627,413	-4.9	24.3	4,960	22,064	0.9
2023-24	688,585	25.7	672,806	2.9	25.1	6,667	15,779	0.6
2024-25	716,951	25.8	726,941	5.5	26.2	7,321	-9,990	-0.4
2025-26 (e)	759,772	25.6	788,056	4.3	26.6	7,457	-28,284	-1.0
2026-27 (e)	**798,098**	**25.8**	**829,640**	**1.3**	**26.8**	**8,017**	**-31,542**	**-1.0**
2027-28 (e)	822,867	25.9	853,867	0.7	26.8	8,540	-31,000	-1.0
2028-29 (e)	848,383	25.4	882,829	0.9	26.5	9,108	-34,445	-1.0
2029-30 (e)	894,794	25.5	920,052	1.7	26.2	9,718	-25,259	-0.7

a) Data has been revised to improve accuracy and comparability through time.
b) Receipts are equal to cash receipts from operating activities and sales of non-financial assets.
c) Payments are equal to cash payments for operating activities, purchases of non-financial assets and principal payments of lease liabilities.
d) Between 2005–06 and 2019–20, the underlying cash balance is equal to receipts less payments, less net Future Fund earnings. In all other years, the underlying cash balance is equal to receipts less payments.
e) Estimates.
f) Real spending growth is calculated using the Consumer Price Index as the deflator.

Table 11.2: Australian Government general government sector net cash flows from investments in financial assets for policy purposes and headline cash balance[(a)]

	Receipts	Payments	Net cash flows from investments in financial assets for policy purposes(b)		Headline cash balance(c)	
	$m	$m	$m	Per cent of GDP	$m	Per cent of GDP
1970-71	8,290	7,389	-851	-2.1	50	0.1
1971-72	9,135	8,249	-987	-2.2	-101	-0.2
1972-73	9,735	9,388	-977	-2.0	-629	-1.3
1973-74	12,228	11,078	-1,275	-2.1	-125	-0.2
1974-75	15,643	15,463	-2,648	-3.7	-2,467	-3.5
1975-76	18,727	20,225	-2,040	-2.4	-3,539	-4.2
1976-77	21,890	23,157	-1,530	-1.6	-2,796	-2.9
1977-78	24,019	26,057	-1,324	-1.3	-3,361	-3.2
1978-79	26,129	28,272	-1,074	-0.9	-3,216	-2.7
1979-80	30,321	31,642	-702	-0.5	-2,024	-1.5
1980-81	35,993	36,176	-962	-0.6	-1,146	-0.8
1981-82	41,499	41,151	-1,008	-0.6	-660	-0.4
1982-83	45,463	48,810	-1,363	-0.7	-4,711	-2.5
1983-84	49,981	56,990	-1,136	-0.5	-8,144	-3.8
1984-85	58,817	64,853	-922	-0.4	-6,959	-3.0
1985-86	66,206	71,328	-810	-0.3	-5,932	-2.3
1986-87	74,724	77,158	-545	-0.2	-2,979	-1.0
1987-88	83,491	82,039	657	0.2	2,109	0.6
1988-89	90,748	85,326	168	0.0	5,589	1.5
1989-90	98,625	92,684	1,217	0.3	7,159	1.8
1990-91	100,227	100,665	1,563	0.4	1,125	0.3
1991-92	95,840	108,472	2,156	0.5	-10,475	-2.5
1992-93	97,633	115,751	2,471	0.6	-15,647	-3.5
1993-94	103,824	122,009	3,447	0.7	-14,738	-3.2
1994-95	113,458	127,619	1,546	0.3	-12,614	-2.5
1995-96	124,429	135,538	5,188	1.0	-5,921	-1.1
1996-97	133,592	139,689	7,241	1.3	1,142	0.2
1997-98	140,736	140,587	15,154	2.6	15,303	2.6
1998-99	152,063	148,175	6,948	1.1	10,837	1.7
1999-00	166,199	153,192	9,500	1.4	22,507	3.4
2000-01	182,996	177,123	5,673	0.8	11,545	1.6
2001-02	187,588	188,655	3,422	0.5	2,355	0.3
2002-03	204,613	197,243	-229	0.0	7,141	0.9
2003-04	217,775	209,785	-452	-0.1	7,538	0.9
2004-05	235,984	222,407	-1,139	-0.1	12,438	1.3
2005-06	255,943	240,136	-1,647	-0.2	14,160	1.4
2006-07	272,637	253,321	7,403	0.7	26,720	2.4
2007-08	294,917	271,843	5,108	0.4	28,181	2.4
2008-09	292,600	316,046	-7,889	-0.6	-31,336	-2.5
2009-10	284,662	336,900	-4,278	-0.3	-56,516	-4.3

Table 11.2: Australian Government general government sector net cash flows from investments in financial assets for policy purposes and headline cash balance[(a)] (continued)

	Receipts	Payments	Net cash flows from investments in financial assets for policy purposes(b)		Headline cash balance(c)	
	$m	$m	$m	Per cent of GDP	$m	Per cent of GDP
2010-11	302,024	346,102	-7,028	-0.5	-51,106	-3.6
2011-12	329,874	371,032	-5,866	-0.4	-47,023	-3.1
2012-13	351,052	367,204	-4,802	-0.3	-20,954	-1.4
2013-14	360,322	406,430	-6,371	-0.4	-52,479	-3.3
2014-15	378,301	412,079	-5,158	-0.3	-38,936	-2.4
2015-16	386,924	423,328	-12,684	-0.8	-49,088	-2.9
2016-17	409,868	439,375	-13,501	-0.8	-43,008	-2.4
2017-18	446,905	452,742	-20,041	-1.1	-25,878	-1.4
2018-19	485,286	478,098	-14,387	-0.7	-7,199	-0.4
2019-20	469,398	549,634	-13,632	-0.7	-93,868	-4.7
2020-21	519,913	654,084	-3,364	-0.2	-137,535	-6.6
2021-22	584,358	616,320	-1,340	-0.1	-33,302	-1.4
2022-23	649,477	627,413	-7,962	-0.3	14,103	0.5
2023-24	688,585	672,806	-1,816	-0.1	13,963	0.5
2024-25	716,951	726,941	-11,775	-0.4	-21,765	-0.8
2025-26 (e)	759,772	788,056	-19,629	-0.7	-47,913	-1.6
2026-27 (e)	**798,098**	**829,640**	**-32,544**	**-1.1**	**-64,086**	**-2.1**
2027-28 (e)	822,867	853,867	-23,334	-0.7	-54,333	-1.7
2028-29 (e)	848,383	882,829	-22,785	-0.7	-57,230	-1.7
2029-30 (e)	894,794	920,052	-15,704	-0.4	-40,963	-1.2

a) Data has been revised to improve accuracy and comparability through time.
b) Prior to 1999–2000, net cash flows from investments in financial assets for policy purposes were referred to as ‘net advances’. A negative number reflects a cash outflow, while a positive number reflects a cash inflow.
c) Headline cash balance is equal to receipts less payments, plus net cash flows from investments in financial assets for policy purposes. Receipts and payments are identical to Table 11.1.
e) Estimates.

Table 11.3: Australian Government general government sector taxation receipts, non-taxation receipts and total receipts(a)

	Taxation receipts		Non-taxation receipts		Total receipts(b)	
	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP
1970-71	7,193	17.8	1,097	2.7	8,290	20.5
1971-72	7,895	17.7	1,240	2.8	9,135	20.5
1972-73	8,411	16.9	1,324	2.7	9,735	19.5
1973-74	10,832	17.9	1,396	2.3	12,228	20.2
1974-75	14,141	19.8	1,502	2.1	15,643	21.9
1975-76	16,920	20.3	1,807	2.2	18,727	22.4
1976-77	19,714	20.5	2,176	2.3	21,890	22.7
1977-78	21,428	20.4	2,591	2.5	24,019	22.8
1978-79	23,409	19.7	2,720	2.3	26,129	22.0
1979-80	27,473	20.4	2,848	2.1	30,321	22.5
1980-81	32,641	21.4	3,352	2.2	35,993	23.6
1981-82	37,880	21.5	3,619	2.1	41,499	23.6
1982-83	41,025	21.6	4,438	2.3	45,463	24.0
1983-84	44,849	21.0	5,132	2.4	49,981	23.4
1984-85	52,970	22.5	5,847	2.5	58,817	24.9
1985-86	58,841	22.5	7,365	2.8	66,206	25.3
1986-87	66,467	23.2	8,257	2.9	74,724	26.1
1987-88	75,076	23.1	8,415	2.6	83,491	25.7
1988-89	83,452	22.6	7,296	2.0	90,748	24.6
1989-90	90,773	22.4	7,852	1.9	98,625	24.3
1990-91	92,739	22.3	7,488	1.8	100,227	24.1
1991-92	87,364	20.6	8,476	2.0	95,840	22.6
1992-93	88,760	20.0	8,873	2.0	97,633	21.9
1993-94	93,362	20.0	10,462	2.2	103,824	22.2
1994-95	104,921	21.1	8,537	1.7	113,458	22.8
1995-96	115,700	21.8	8,729	1.6	124,429	23.5
1996-97	124,559	22.3	9,033	1.6	133,592	24.0
1997-98	130,984	22.2	9,752	1.7	140,736	23.8
1998-99	138,420	22.2	13,643	2.2	152,063	24.4
1999-00	151,313	22.8	14,887	2.2	166,199	25.0
2000-01	170,354	24.0	12,641	1.8	182,996	25.8
2001-02	175,371	23.1	12,218	1.6	187,588	24.8
2002-03	192,391	23.9	12,222	1.5	204,613	25.4
2003-04	206,734	23.9	11,041	1.3	217,775	25.2
2004-05	223,986	24.2	11,999	1.3	235,984	25.5
2005-06	241,987	24.2	13,956	1.4	255,943	25.6
2006-07	258,252	23.7	14,385	1.3	272,637	25.0
2007-08	279,317	23.6	15,600	1.3	294,917	24.9
2008-09	273,674	21.6	18,926	1.5	292,600	23.1
2009-10	262,167	20.0	22,495	1.7	284,662	21.8

Table 11.3: Australian Government general government sector taxation receipts, non-taxation receipts and total receipts[(a)] (continued)

	Taxation receipts		Non-taxation receipts		Total receipts(b)	
	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP
2010-11	282,106	19.8	19,918	1.4	302,024	21.2
2011-12	311,269	20.7	18,606	1.2	329,874	21.9
2012-13	327,835	21.2	23,218	1.5	351,052	22.7
2013-14	340,283	21.2	20,038	1.2	360,322	22.4
2014-15	353,927	21.7	24,374	1.5	378,301	23.2
2015-16	362,445	21.8	24,480	1.5	386,924	23.2
2016-17	379,336	21.5	30,532	1.7	409,868	23.2
2017-18	418,118	22.6	28,787	1.6	446,905	24.2
2018-19	448,654	22.9	36,631	1.9	485,286	24.8
2019-20	431,854	21.7	37,544	1.9	469,398	23.6
2020-21	473,941	22.7	45,972	2.2	519,913	24.9
2021-22	536,586	23.0	47,772	2.0	584,358	25.0
2022-23	601,300	23.3	48,177	1.9	649,477	25.2
2023-24	633,400	23.6	55,185	2.1	688,585	25.7
2024-25	657,844	23.7	59,107	2.1	716,951	25.8
2025-26 (e)	699,529	23.6	60,243	2.0	759,772	25.6
2026-27 (e)	**737,101**	**23.8**	**60,997**	**2.0**	**798,098**	**25.8**
2027-28 (e)	756,961	23.8	65,906	2.1	822,867	25.9
2028-29 (e)	782,898	23.5	65,485	2.0	848,383	25.4
2029-30 (e)	826,240	23.6	68,554	2.0	894,794	25.5

a) Data has been revised to improve accuracy and comparability through time.
b) Receipts are equal to receipts from operating activities and sales of non-financial assets. Receipts are identical to Table 11.1.
e) Estimates.

Table 11.4: Australian Government general government sector net debt and net interest payments[(a)]

	Net debt(b)		Net interest payments(c)	
	$m	Per cent of GDP	$m	Per cent of GDP
1970-71	344	0.9	-189	-0.5
1971-72	-496	-1.1	-245	-0.5
1972-73	-790	-1.6	-252	-0.5
1973-74	-1,851	-3.1	-286	-0.5
1974-75	-1,901	-2.7	-242	-0.3
1975-76	-341	-0.4	-330	-0.4
1976-77	898	0.9	-62	-0.1
1977-78	2,896	2.8	4	0.0
1978-79	4,983	4.2	254	0.2
1979-80	6,244	4.6	440	0.3
1980-81	6,356	4.2	620	0.4
1981-82	5,919	3.4	680	0.4
1982-83	9,151	4.8	896	0.5
1983-84	16,015	7.5	1,621	0.8
1984-85	21,896	9.3	2,813	1.2
1985-86	26,889	10.3	3,952	1.5
1986-87	29,136	10.2	4,762	1.7
1987-88	27,344	8.4	4,503	1.4
1988-89	21,981	6.0	4,475	1.2
1989-90	16,123	4.0	4,549	1.1
1990-91	16,915	4.1	3,636	0.9
1991-92	31,041	7.3	3,810	0.9
1992-93	55,218	12.4	3,986	0.9
1993-94	70,223	15.0	5,628	1.2
1994-95	83,492	16.8	7,292	1.5
1995-96	95,831	18.1	8,861	1.7
1996-97	96,281	17.3	9,489	1.7
1997-98	82,935	14.1	8,279	1.4
1998-99	72,065	11.6	8,649	1.4
1999-00	57,661	8.7	7,514	1.1
2000-01	46,802	6.6	6,195	0.9
2001-02	42,263	5.6	5,352	0.7
2002-03	33,403	4.2	3,758	0.5
2003-04	26,995	3.1	3,040	0.4
2004-05	15,604	1.7	2,502	0.3
2005-06	331	0.0	2,303	0.2
2006-07	-24,288	-2.2	228	0.0
2007-08	-39,958	-3.4	-1,015	-0.1
2008-09	-11,285	-0.9	-1,196	-0.1
2009-10	47,874	3.7	2,386	0.2

Table 11.4: Australian Government general government sector net debt and net interest payments[a] (continued)

	Net debt(b)		Net interest payments(c)	
	$m	Per cent of GDP	$m	Per cent of GDP
2010-11	90,660	6.4	4,608	0.3
2011-12	153,443	10.2	6,609	0.4
2012-13	159,594	10.3	8,285	0.5
2013-14	209,559	13.0	10,843	0.7
2014-15	245,817	15.1	10,868	0.7
2015-16	303,467	18.2	12,041	0.7
2016-17	322,320	18.3	12,365	0.7
2017-18	341,961	18.5	13,135	0.7
2018-19	373,566	19.1	15,149	0.8
2019-20	491,217	24.7	13,280	0.7
2020-21	592,221	28.3	14,290	0.7
2021-22	515,650	22.1	14,977	0.6
2022-23	491,013	19.1	11,852	0.5
2023-24	491,469	18.3	12,264	0.5
2024-25	532,346	19.2	13,725	0.5
2025-26 (e)	555,999	18.8	17,729	0.6
2026-27 (e)	**616,621**	**19.9**	**19,930**	**0.6**
2027-28 (e)	668,765	21.0	26,668	0.8
2028-29 (e)	725,518	21.8	27,970	0.8
2029-30 (e)	767,803	21.9	31,726	0.9

a) Data has been revised to improve accuracy and comparability through time.
b) Net debt is the sum of interest-bearing liabilities less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).
c) Net interest payments are equal to the difference between interest paid and interest receipts.
e) Estimates.

Table 11.5: Australian Government general government sector face value of Australian Government Securities (AGS) on issue and interest paid[(a)]

	Face value of AGS on issue(b)					
	Total AGS on issue(c)		Subject to Treasurer's Direction(d)		Interest paid(f)	
	End of year $m	Per cent of GDP	End of year $m	Per cent of GDP	$m	Per cent of GDP
1970-71	10,887	26.9	-	-	580	1.4
1971-72	11,490	25.8	-	-	614	1.4
1972-73	12,217	24.5	-	-	675	1.4
1973-74	12,809	21.2	-	-	712	1.2
1974-75	14,785	20.7	-	-	893	1.3
1975-76	17,940	21.5	-	-	1,001	1.2
1976-77	20,845	21.6	-	-	1,485	1.5
1977-78	23,957	22.8	-	-	1,740	1.7
1978-79	28,120	23.6	-	-	2,080	1.7
1979-80	29,321	21.8	-	-	2,356	1.7
1980-81	30,189	19.8	-	-	2,723	1.8
1981-82	31,060	17.6	-	-	3,058	1.7
1982-83	37,071	19.5	-	-	3,580	1.9
1983-84	45,437	21.2	-	-	4,558	2.1
1984-85	54,420	23.1	-	-	5,952	2.5
1985-86	63,089	24.2	-	-	7,394	2.8
1986-87	67,172	23.4	-	-	8,339	2.9
1987-88	62,794	19.3	-	-	8,139	2.5
1988-89	56,854	15.4	-	-	8,222	2.2
1989-90	48,399	11.9	-	-	8,064	2.0
1990-91	48,723	11.7	-	-	6,994	1.7
1991-92	58,826	13.9	-	-	6,819	1.6
1992-93	76,509	17.2	-	-	6,487	1.5
1993-94	90,889	19.5	-	-	7,709	1.6
1994-95	105,466	21.2	-	-	9,144	1.8
1995-96	110,166	20.8	-	-	10,325	1.9
1996-97	111,067	19.9	-	-	10,653	1.9
1997-98	93,664	15.9	-	-	9,453	1.6
1998-99	85,331	13.7	-	-	9,299	1.5
1999-00	75,536	11.4	-	-	8,509	1.3
2000-01	66,403	9.4	-	-	7,335	1.0
2001-02	63,004	8.3	-	-	6,270	0.8
2002-03	57,435	7.1	-	-	4,740	0.6
2003-04	54,750	6.3	-	-	4,096	0.5
2004-05	55,151	5.9	-	-	3,902	0.4
2005-06	54,070	5.4	-	-	4,628	0.5
2006-07	53,264	4.9	-	-	3,959	0.4
2007-08	55,442	4.7	-	-	3,754	0.3
2008-09	101,147	8.0	95,103	7.5	3,970	0.3
2009-10	147,133	11.2	141,806	10.8	6,411	0.5

Table 11.5: Australian Government general government sector face value of Australian Government Securities (AGS) on issue and interest paid[(a)] (continued)

	Face value of AGS on issue(b)					
	Total AGS on issue(c)		Subject to Treasurer's Direction(d)		Interest paid(f)	
	End of year $m	Per cent of GDP	End of year $m	Per cent of GDP	$m	Per cent of GDP
2010-11	191,292	13.4	186,704	13.1	9,551	0.7
2011-12	233,976	15.5	229,389	15.2	10,875	0.7
2012-13	257,378	16.7	252,791	16.4	11,846	0.8
2013-14	319,487	19.9	316,952	19.7	13,972	0.9
2014-15	368,738	22.6	366,202	22.5	13,924	0.9
2015-16	420,420	25.3	417,936	25.1	14,977	0.9
2016-17	500,979	28.4	498,510	28.2	15,290	0.9
2017-18	531,937	28.8	529,467	28.6	16,568	0.9
2018-19	541,992	27.7	541,986	27.7	18,951	1.0
2019-20	684,298	34.4	684,292	34.4	16,524	0.8
2020-21	816,991	39.1	816,985	39.1	17,102	0.8
2021-22	895,253	38.3	895,247	38.3	17,423	0.7
2022-23	889,790	34.5	889,785	34.5	18,862	0.7
2023-24	906,939	33.8	906,934	33.8	22,774	0.8
2024-25	928,639	33.4	928,634	33.4	24,270	0.9
2025-26 (e)	982,000	33.1	982,000	33.1	27,058	0.9
2026-27 (e)	**1,051,000**	**34.0**	**1,051,000**	**34.0**	**29,566**	**1.0**
2027-28 (e)	1,120,000	35.2	1,120,000	35.2	36,364	1.1
2028-29 (e)	1,193,000	35.8	1,193,000	35.8	38,026	1.1
2029-30 (e)	1,249,000	35.6	1,249,000	35.6	42,264	1.2

a) Data has been revised to improve accuracy and comparability through time.
b) From 2025–26 onwards, data for AGS on issue are estimates and are rounded to the nearest $1.0 billion.
c) Total AGS on issue includes AGS held on behalf of the states and the Northern Territory.
d) The face value of AGS subject to the Treasurer's Direction excludes the stock and securities outlined in subsection 51JA(2A) of the *Commonwealth Inscribed Stock Act 1911*. These are the same stock and securities that were excluded from the previous legislative debt limit. AGS on issue subject to the Treasurer's Direction are not available prior to 2008–09 because the limit was first introduced in July 2008.
e) Estimates.
f) Interest paid consists of all cash interest payments of the general government sector, including those relating to AGS on issue.

Table 11.6: Australian Government general government sector revenue, expenses, net operating balance, net capital investment and fiscal balance[(a)]

	Revenue		Expenses		Net operating balance(b)		Net capital investment		Fiscal balance(c)	
	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP
1996-97	141,688	25.4	145,940	26.2	-4,252	-0.8	90	0.0	-4,342	-0.8
1997-98	146,820	24.9	148,788	25.2	-1,968	-0.3	147	0.0	-2,115	-0.4
1998-99	152,106	24.4	146,925	23.6	5,181	0.8	1,433	0.2	3,748	0.6
1999-00	167,304	25.2	155,728	23.5	11,576	1.7	-69	0.0	11,645	1.8
2000-01	186,106	26.3	180,277	25.4	5,829	0.8	8	0.0	5,820	0.8
2001-02	190,432	25.1	193,214	25.5	-2,782	-0.4	382	0.1	-3,164	-0.4
2002-03	206,778	25.7	201,402	25.0	5,376	0.7	287	0.0	5,088	0.6
2003-04	222,042	25.7	215,634	24.9	6,409	0.7	660	0.1	5,749	0.7
2004-05	242,354	26.1	229,427	24.8	12,926	1.4	1,034	0.1	11,892	1.3
2005-06	260,569	26.0	241,977	24.2	18,592	1.9	2,498	0.2	16,094	1.6
2006-07	277,895	25.5	259,197	23.8	18,698	1.7	2,333	0.2	16,365	1.5
2007-08	303,402	25.7	280,335	23.7	23,068	2.0	2,593	0.2	20,475	1.7
2008-09	298,508	23.6	324,889	25.7	-26,382	-2.1	4,064	0.3	-30,445	-2.4
2009-10	292,387	22.3	340,354	26.0	-47,967	-3.7	6,433	0.5	-54,400	-4.2
2010-11	309,204	21.7	356,710	25.1	-47,506	-3.3	5,297	0.4	-52,802	-3.7
2011-12	337,324	22.4	377,948	25.1	-40,624	-2.7	4,850	0.3	-45,474	-3.0
2012-13	359,496	23.3	383,351	24.8	-23,855	-1.5	987	0.1	-24,842	-1.6
2013-14	374,151	23.3	415,691	25.9	-41,540	-2.6	3,850	0.2	-45,390	-2.8
2014-15	379,455	23.3	418,956	25.7	-39,501	-2.4	2,706	0.2	-42,206	-2.6
2015-16	395,055	23.7	430,739	25.9	-35,684	-2.1	3,829	0.2	-39,513	-2.4

Table 11.6: Australian Government general government sector revenue, expenses, net operating balance, net capital investment and fiscal balance[a] (continued)

	Revenue		Expenses		Net operating balance(b)		Net capital investment		Fiscal balance(c)	
	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP
2016-17	415,723	23.6	449,712	25.5	-33,989	-1.9	2,876	0.2	-36,865	-2.1
2017-18	456,280	24.7	461,490	25.0	-5,209	-0.3	1,284	0.1	-6,493	-0.4
2018-19	493,346	25.2	485,869	24.9	7,476	0.4	6,126	0.3	1,350	0.1
2019-20	486,278	24.4	578,117	29.1	-91,839	-4.6	4,005	0.2	-95,844	-4.8
2020-21	523,012	25.0	651,916	31.2	-128,904	-6.2	7,204	0.3	-136,108	-6.5
2021-22	596,401	25.5	623,050	26.7	-26,649	-1.1	8,412	0.4	-35,061	-1.5
2022-23	668,389	25.9	637,025	24.7	31,363	1.2	9,437	0.4	21,926	0.9
2023-24	704,503	26.3	685,857	25.6	18,647	0.7	6,650	0.2	11,996	0.4
2024-25	733,010	26.4	770,071	27.7	-37,061	-1.3	7,745	0.3	-44,806	-1.6
2025-26 (e)	773,081	26.1	812,063	27.4	-38,982	-1.3	11,158	0.4	-50,139	-1.7
2026-27 (e)	**815,328**	**26.3**	**833,262**	**26.9**	**-17,934**	**-0.6**	**11,986**	**0.4**	**-29,920**	**-1.0**
2027-28 (e)	836,287	26.3	863,659	27.1	-27,371	-0.9	10,181	0.3	-37,552	-1.2
2028-29 (e)	863,473	25.9	896,074	26.9	-32,601	-1.0	10,188	0.3	-42,789	-1.3
2029-30 (e)	910,148	26.0	933,727	26.6	-23,579	-0.7	9,348	0.3	-32,927	-0.9

a) Data has been revised to improve accuracy and comparability through time.
b) Net operating balance is equal to revenue less expenses.
c) Fiscal balance is equal to revenue less expenses less net capital investment.
e) Estimates.

Table 11.7: Australian Government general government sector net worth and net financial worth[(a)]

	Net worth(b)		Net financial worth(c)	
	$m	Per cent of GDP	$m	Per cent of GDP
1999-00	-10,424	-1.6	-70,414	-10.6
2000-01	-10,287	-1.5	-75,544	-10.7
2001-02	-15,330	-2.0	-81,707	-10.8
2002-03	-18,856	-2.3	-86,456	-10.7
2003-04	-4,740	-0.5	-75,976	-8.8
2004-05	11,066	1.2	-62,372	-6.7
2005-06	14,293	1.4	-63,442	-6.3
2006-07	42,677	3.9	-39,370	-3.6
2007-08	67,122	5.7	-18,428	-1.6
2008-09	15,452	1.2	-75,465	-6.0
2009-10	-50,383	-3.9	-148,930	-11.4
2010-11	-100,504	-7.1	-203,904	-14.3
2011-12	-252,046	-16.7	-360,672	-24.0
2012-13	-207,769	-13.5	-317,843	-20.6
2013-14	-261,596	-16.3	-375,882	-23.4
2014-15	-308,390	-18.9	-427,169	-26.2
2015-16	-423,674	-25.5	-548,028	-32.9
2016-17	-390,897	-22.2	-529,225	-30.0
2017-18	-418,135	-22.6	-562,183	-30.4
2018-19	-543,459	-27.8	-694,448	-35.5
2019-20	-664,892	-33.4	-840,557	-42.3
2020-21	-725,230	-34.7	-905,924	-43.3
2021-22	-581,758	-24.9	-775,727	-33.2
2022-23	-538,371	-20.9	-743,294	-28.8
2023-24	-531,635	-19.8	-746,315	-27.8
2024-25	-614,519	-22.1	-841,939	-30.3
2025-26 (e)	-614,895	-20.7	-852,477	-28.8
2026-27 (e)	**-646,934**	**-20.9**	**-895,627**	**-28.9**
2027-28 (e)	-686,404	-21.6	-946,268	-29.7
2028-29 (e)	-730,666	-21.9	-999,698	-30.0
2029-30 (e)	-762,096	-21.7	-1,041,931	-29.7

a) Data has been revised to improve accuracy and comparability through time.
b) Net worth is equal to total assets less total liabilities.
c) Net financial worth is equal to financial assets less total liabilities.
e) Estimates.

Table 11.8: Australian Government general government sector accrual taxation revenue, non-taxation revenue and total revenue[(a)]

	Taxation revenue		Non-taxation revenue		Total revenue	
	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP
1999-00	153,409	23.1	13,895	2.1	167,304	25.2
2000-01	175,876	24.8	10,229	1.4	186,106	26.3
2001-02	178,410	23.5	12,022	1.6	190,432	25.1
2002-03	195,319	24.3	11,458	1.4	206,778	25.7
2003-04	210,541	24.3	11,501	1.3	222,042	25.7
2004-05	230,490	24.9	11,863	1.3	242,354	26.1
2005-06	245,846	24.6	14,723	1.5	260,569	26.0
2006-07	262,876	24.1	15,019	1.4	277,895	25.5
2007-08	286,869	24.3	16,534	1.4	303,402	25.7
2008-09	279,303	22.1	19,206	1.5	298,508	23.6
2009-10	268,841	20.5	23,546	1.8	292,387	22.3
2010-11	289,566	20.3	19,639	1.4	309,204	21.7
2011-12	317,413	21.1	19,911	1.3	337,324	22.4
2012-13	338,106	21.9	21,390	1.4	359,496	23.3
2013-14	353,239	22.0	20,912	1.3	374,151	23.3
2014-15	356,365	21.9	23,090	1.4	379,455	23.3
2015-16	369,468	22.2	25,587	1.5	395,055	23.7
2016-17	388,706	22.0	27,017	1.5	415,723	23.6
2017-18	427,249	23.1	29,031	1.6	456,280	24.7
2018-19	456,147	23.3	37,198	1.9	493,346	25.2
2019-20	447,605	22.5	38,673	1.9	486,278	24.4
2020-21	480,312	23.0	42,700	2.0	523,012	25.0
2021-22	550,412	23.6	45,989	2.0	596,401	25.5
2022-23	618,288	24.0	50,101	1.9	668,389	25.9
2023-24	650,365	24.3	54,139	2.0	704,503	26.3
2024-25	677,185	24.4	55,825	2.0	733,010	26.4
2025-26 (e)	716,622	24.2	56,459	1.9	773,081	26.1
2026-27 (e)	**756,283**	**24.4**	**59,045**	**1.9**	**815,328**	**26.3**
2027-28 (e)	775,492	24.4	60,796	1.9	836,287	26.3
2028-29 (e)	800,955	24.0	62,517	1.9	863,473	25.9
2029-30 (e)	845,780	24.1	64,368	1.8	910,148	26.0

a) Data has been revised to improve accuracy and comparability through time.
e) Estimates.

Table 11.9: Australian Government cash receipts, payments and surplus by institutional sector ($m)[(a)]

	General government			Public non-financial corporations			Non-financial public sector		
	Receipts(b)	Payments(c)	Underlying cash balance(d)	Receipts(b)	Payments(f)	Cash surplus	Receipts(b)	Payments(f)	Cash surplus
1988-89	90,748	85,326	5,421	4,177	6,035	257	93,923	90,312	5,678
1989-90	98,625	92,684	5,942	3,926	11,322	-5,261	101,495	102,883	681
1990-91	100,227	100,665	-438	4,804	9,351	-2,139	103,837	108,808	-2,577
1991-92	95,840	108,472	-12,631	3,899	7,713	101	97,937	114,369	-12,530
1992-93	97,633	115,751	-18,118	4,385	7,819	-196	100,512	122,042	-18,314
1993-94	103,824	122,009	-18,185	5,178	6,476	1,482	106,747	126,214	-16,703
1994-95	113,458	127,619	-14,160	5,262	7,318	1,956	116,751	132,965	-12,204
1995-96	124,429	135,538	-11,109	4,927	8,190	-527	126,593	140,963	-11,636
1996-97	133,592	139,689	-6,099	4,782	7,373	473	135,259	143,948	-5,626
1997-98	140,736	140,587	149	6,238	7,923	1,119	144,517	145,985	1,268
1998-99	152,063	148,175	3,889	na	na	-353	na	na	3,536
1999-00	166,199	153,192	13,007	na	na	-2,594	na	na	10,413
2000-01	182,996	177,123	5,872	na	na	391	na	na	6,323
2001-02	187,588	188,655	-1,067	na	na	1,210	na	na	65
2002-03	204,613	197,243	7,370	27,386	26,105	1,280	na	na	8,651
2003-04	217,775	209,785	7,990	27,718	26,142	1,575	238,236	228,664	9,569
2004-05	235,984	222,407	13,577	29,621	28,071	1,550	257,946	242,805	15,141
2005-06	255,943	240,136	15,757	30,875	31,874	-999	278,254	263,421	14,833
2006-07	272,637	253,321	17,190	16,882	18,641	-1,759	285,336	267,719	17,625
2007-08	294,917	271,843	19,754	7,758	8,231	-472	300,503	277,754	22,800
2008-09	292,600	316,046	-27,013	7,987	8,960	-973	297,421	321,275	-23,786
2009-10	284,662	336,900	-54,494	8,419	9,341	-922	290,681	343,816	-52,879

Table 11.9: Australian Government cash receipts, payments and surplus by institutional sector ($m)[(a)] (continued)

	General government			Public non-financial corporations			Non-financial public sector		
	Receipts(b)	Payments(c)	Underlying cash balance(d)	Receipts(b)	Payments(f)	Cash surplus	Receipts(b)	Payments(f)	Cash surplus
2010-11	302,024	346,102	-47,463	8,558	9,733	-1,175	308,258	353,452	-44,911
2011-12	329,874	371,032	-43,360	8,845	10,847	-2,002	336,122	379,266	-42,763
2012-13	351,052	367,204	-18,834	9,766	13,061	-3,294	358,088	377,221	-19,133
2013-14	360,322	406,430	-48,456	11,042	14,246	-3,204	368,521	417,248	-48,726
2014-15	378,301	412,079	-37,867	11,256	15,136	-3,880	386,643	424,229	-37,586
2015-16	386,924	423,328	-39,606	11,606	17,753	-6,147	395,842	438,228	-42,386
2016-17	409,868	439,375	-33,151	12,406	19,543	-7,138	419,433	456,020	-36,587
2017-18	446,905	452,742	-10,141	14,195	22,348	-8,153	457,604	471,451	-13,846
2018-19	485,286	478,098	-690	17,909	26,608	-8,699	498,767	500,276	-1,510
2019-20	469,398	549,634	-85,272	18,824	28,244	-9,419	483,362	573,018	-89,656
2020-21	519,913	654,084	-134,171	21,264	26,635	-5,371	535,940	675,484	-139,544
2021-22	584,358	616,320	-31,962	21,791	26,896	-5,105	601,398	638,466	-37,068
2022-23	649,477	627,413	22,064	23,602	29,546	-5,944	668,929	652,810	16,119
2023-24	688,585	672,806	15,779	23,646	30,980	-7,334	707,990	699,529	8,461
2024-25	716,951	726,941	-9,990	25,442	32,897	-7,455	737,409	754,844	-17,436
2025-26 (e)	759,772	788,056	-28,284	26,932	37,100	-10,168	781,634	820,086	-38,452
2026-27 (e)	**798,098**	**829,640**	**-31,542**	**29,472**	**37,756**	**-8,285**	**822,065**	**861,892**	**-39,827**
2027-28 (e)	822,867	853,867	-31,000	na	na	na	na	na	na
2028-29 (e)	848,383	882,829	-34,445	na	na	na	na	na	na
2029-30 (e)	894,794	920,052	-25,259	na	na	na	na	na	na

a) Data has been revised to improve accuracy and comparability through time.
b) Receipts are equal to receipts from operating activities and sales of non-financial assets.
c) Payments in the general government sector are equal to payments for operating activities, purchases of non-financial assets and principal payments of lease liabilities.
d) Between 2005–06 and 2019–20, the underlying cash balance is equal to receipts less payments, less net Future Fund earnings. In all other years, the underlying cash balance is equal to receipts less payments.
e) Estimates.
f) Payments in the public non-financial corporations and non-financial public sectors are equal to payments for operating activities, purchases of non-financial assets, distributions paid and net cash flows from financing activities for leases.

Table 11.10: Australian Government accrual revenue, expenses and fiscal balance by institutional sector ($m)[(a)]

	General government			Public non-financial corporations			Non-financial public sector		
	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)
1996-97	141,688	145,940	-4,342	27,431	26,015	-331	na	na	-4,673
1997-98	146,820	148,788	-2,115	29,618	26,999	2,360	na	na	251
1998-99	152,106	146,925	3,748	27,687	26,088	-816	175,891	169,111	2,932
1999-00	167,304	155,728	11,645	25,485	23,542	1,062	188,841	175,322	11,550
2000-01	186,106	180,277	5,820	25,869	24,762	-826	207,367	200,433	4,994
2001-02	190,432	193,214	-3,164	26,638	25,341	793	212,462	213,947	-2,371
2002-03	206,778	201,402	5,088	24,339	22,916	1,975	225,989	219,232	7,023
2003-04	222,042	215,634	5,749	25,449	23,444	2,143	241,746	233,333	7,892
2004-05	242,354	229,427	11,892	26,965	25,191	1,473	263,434	248,733	13,365
2005-06	260,569	241,977	16,094	28,143	29,531	-2,442	281,927	264,722	13,652
2006-07	277,895	259,197	16,365	15,443	16,360	-1,763	289,551	271,771	14,601
2007-08	303,402	280,335	20,475	6,854	6,686	-584	308,888	285,652	19,891
2008-09	298,508	324,889	-30,445	6,998	7,576	-1,495	303,309	330,268	-31,941
2009-10	292,387	340,354	-54,400	7,288	7,297	-1,079	298,033	346,008	-55,480
2010-11	309,204	356,710	-52,802	7,563	7,787	-1,446	315,001	362,732	-54,248
2011-12	337,324	377,948	-45,474	8,046	8,238	-2,158	343,722	384,538	-47,632
2012-13	359,496	383,351	-24,842	8,863	9,415	-4,189	366,642	391,048	-29,031
2013-14	374,151	415,691	-45,390	9,537	11,127	-6,070	381,971	425,102	-51,460
2014-15	379,455	418,956	-42,206	9,987	11,850	-4,856	387,719	429,083	-47,062
2015-16	395,055	430,739	-39,513	10,044	12,809	-7,486	403,868	442,318	-46,999

Table 11.10: Australian Government accrual revenue, expenses and fiscal balance by institutional sector ($m)[(a)] (continued)

	General government			Public non-financial corporations			Non-financial public sector		
	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)
2016-17	415,723	449,712	-36,865	10,894	15,035	-9,918	425,114	463,243	-46,784
2017-18	456,280	461,490	-6,493	12,318	16,934	-10,055	466,661	476,403	-16,463
2018-19	493,346	485,869	1,350	15,836	20,899	-11,121	507,017	504,486	-9,655
2019-20	486,278	578,117	-95,844	17,029	23,174	-10,096	500,961	598,651	-105,637
2020-21	523,012	651,916	-136,108	19,166	22,941	-5,264	538,350	670,849	-141,187
2021-22	596,401	623,050	-35,061	20,767	23,375	-5,285	613,707	642,628	-40,015
2022-23	668,389	637,025	21,926	21,395	23,838	-7,673	687,125	657,873	14,586
2023-24	704,503	685,857	11,996	22,284	24,127	-7,779	723,930	707,109	4,226
2024-25	733,010	770,071	-44,806	23,971	26,126	-7,790	753,568	792,937	-52,749
2025-26 (e)	773,081	812,063	-50,139	24,462	26,499	-10,554	794,455	835,619	-60,762
2026-27 (e)	**815,328**	**833,262**	**-29,920**	**25,340**	**26,987**	**-8,910**	**837,784**	**857,366**	**-38,780**
2027-28 (e)	836,287	863,659	-37,552	na	na	na	na	na	na
2028-29 (e)	863,473	896,074	-42,789	na	na	na	na	na	na
2029-30 (e)	910,148	933,727	-32,927	na	na	na	na	na	na

a) Data has been revised to improve accuracy and comparability through time.
b) Fiscal balance is equal to revenue less expenses less net capital investment. Net capital investment is not shown in this table.
e) Estimates.

Table 11.11: Australian Government general government sector receipts, payments, underlying cash balance, net debt and net interest payments presented on a real per capita basis[(a)(b)]

	Taxation receipts	Non-taxation receipts	Total receipts	Payments	Underlying cash balance	Net debt	Net interest payments
1970-71	7,705	1,175	8,880	7,915	965	368	-202
1971-72	7,747	1,217	8,964	8,094	869	-487	-240
1972-73	7,692	1,211	8,903	8,586	318	-722	-230
1973-74	8,609	1,110	9,719	8,805	914	-1,471	-227
1974-75	9,533	1,013	10,546	10,424	122	-1,282	-163
1975-76	9,993	1,067	11,060	11,944	-885	-201	-195
1976-77	10,115	1,116	11,231	11,881	-650	461	-32
1977-78	9,920	1,199	11,120	12,063	-943	1,341	2
1978-79	9,910	1,151	11,061	11,968	-907	2,109	108
1979-80	10,421	1,080	11,501	12,002	-501	2,368	167
1980-81	11,155	1,146	12,301	12,363	-63	2,172	212
1981-82	11,511	1,100	12,611	12,505	106	1,799	207
1982-83	11,025	1,193	12,218	13,118	-900	2,459	241
1983-84	11,158	1,277	12,435	14,179	-1,744	3,984	403
1984-85	12,467	1,376	13,843	15,264	-1,421	5,154	662
1985-86	12,592	1,576	14,168	15,264	-1,096	5,754	846
1986-87	12,806	1,591	14,397	14,866	-469	5,614	918
1987-88	13,258	1,486	14,744	14,487	256	4,829	795
1988-89	13,504	1,181	14,684	13,807	877	3,557	724
1989-90	13,401	1,159	14,561	13,684	877	2,380	672
1990-91	12,838	1,037	13,874	13,935	-61	2,342	503
1991-92	11,736	1,139	12,875	14,572	-1,697	4,170	512
1992-93	11,698	1,169	12,868	15,256	-2,388	7,278	525
1993-94	11,966	1,341	13,307	15,638	-2,331	9,000	721
1994-95	12,890	1,049	13,939	15,678	-1,740	10,257	896
1995-96	13,475	1,017	14,491	15,785	-1,294	11,161	1,032
1996-97	14,160	1,027	15,186	15,880	-693	10,945	1,079
1997-98	14,742	1,098	15,840	15,823	17	9,334	932
1998-99	15,220	1,500	16,720	16,293	428	7,924	951
1999-00	16,066	1,581	17,646	16,265	1,381	6,122	798
2000-01	16,844	1,250	18,094	17,513	581	4,628	612
2001-02	16,665	1,161	17,826	17,927	-101	4,016	509
2002-03	17,531	1,114	18,645	17,974	672	3,044	342
2003-04	18,209	973	19,182	18,478	704	2,378	268
2004-05	19,026	1,019	20,045	18,892	1,153	1,325	213
2005-06	19,651	1,133	20,785	19,501	1,280	27	187
2006-07	20,013	1,115	21,127	19,630	1,332	-1,882	18
2007-08	20,519	1,146	21,665	19,970	1,451	-2,935	-75
2008-09	19,101	1,321	20,422	22,058	-1,885	-788	-83
2009-10	17,605	1,511	19,116	22,623	-3,659	3,215	160

Table 11.11: Australian Government general government sector receipts, payments, underlying cash balance, net debt and net interest payments presented on a real per capita basis[(a)(b)] (continued)

	Taxation receipts	Non-taxation receipts	Total receipts	Payments	Underlying cash balance	Net debt	Net interest payments
2010-11	18,120	1,279	19,399	22,230	-3,049	5,823	296
2011-12	19,200	1,148	20,348	22,887	-2,675	9,465	408
2012-13	19,440	1,377	20,817	21,774	-1,117	9,464	491
2013-14	19,352	1,140	20,492	23,114	-2,756	11,918	617
2014-15	19,509	1,344	20,852	22,714	-2,087	13,550	599
2015-16	19,402	1,310	20,713	22,662	-2,120	16,245	645
2016-17	19,639	1,581	21,220	22,747	-1,716	16,687	640
2017-18	20,918	1,440	22,359	22,651	-507	17,108	657
2018-19	21,763	1,777	23,539	23,191	-33	18,120	735
2019-20	20,415	1,775	22,189	25,982	-4,031	23,221	628
2020-21	22,022	2,136	24,158	30,392	-6,234	27,517	664
2021-22	23,557	2,097	25,654	27,058	-1,403	22,638	658
2022-23	24,072	1,929	26,001	25,117	883	19,657	474
2023-24	23,859	2,079	25,938	25,344	594	18,513	462
2024-25	23,823	2,141	25,964	26,325	-362	19,278	497
2025-26 (e)	24,017	2,068	26,086	27,057	-971	19,089	609
2026-27 (e)	**24,045**	**1,990**	**26,034**	**27,063**	**-1,029**	**20,115**	**650**
2027-28 (e)	23,876	2,079	25,955	26,933	-978	21,094	841
2028-29 (e)	23,814	1,992	25,806	26,854	-1,048	22,069	851
2029-30 (e)	24,239	2,011	26,250	26,991	-741	22,525	931

a) Data has been revised to improve accuracy and comparability through time.
b) The real levels are derived using the Consumer Price Index (CPI). The current reference period for the CPI is 2024–25, which means the real levels per capita are reported in 2024–25 dollars.
e) Estimates.

Notes

(a) The following definitions are used in this Budget Paper:

- ‘real’ means adjusted for the effect of inflation
- real growth in expenses and payments is calculated using the Consumer Price Index (CPI) as the deflator
- the Budget year refers to 2026–27, while the forward years refer to 2027–28, 2028–29 and 2029–30
- one billion is equal to one thousand million.

(b) Figures in tables and generally in the text have been rounded. Discrepancies in tables between totals and sums of components are due to rounding.

- Estimates under $100,000 are rounded to the nearest thousand.
- Estimates $100,000 and over are generally rounded to the nearest tenth of a million.
- Estimates midway between rounding points are rounded up.
- The percentage changes in statistical tables are calculated using unrounded data.

(c) For the budget balance, a negative sign indicates a deficit while no sign indicates a surplus.

(d) The following notations are used:

-	nil
na	not applicable (unless otherwise specified)
$m	millions of dollars
$b	billions of dollars
nfp	not for publication
(e)	estimates (unless otherwise specified)
(p)	projections (unless otherwise specified)
NEC/nec	not elsewhere classified

(e) The Australian Capital Territory and the Northern Territory are referred to as 'the territories'. References to the 'states' or 'each state' include the territories. The following abbreviations are used for the names of the states, where appropriate:

NSW	New South Wales
VIC	Victoria
QLD	Queensland
WA	Western Australia
SA	South Australia
TAS	Tasmania
ACT	Australian Capital Territory
NT	Northern Territory

(f) In this Budget Paper the term Commonwealth refers to the Commonwealth of Australia. The term is used when referring to the legal entity of the Commonwealth of Australia.

The term Australian Government is used when referring to the Government and the decisions and activities made by the Government on behalf of the Commonwealth of Australia.

Budget Paper No. 1, *Budget Strategy and Outlook 2026–27*, is one of a series of Budget Papers that provides information to supplement the Budget Speech. A full list of the series is printed on the inside cover of this paper.

Budget
2026–27

BUDGET STRATEGY AND OUTLOOK
BUDGET PAPER NO. 1