



Budget 2025–26

New tax cuts for every Australian taxpayer

The Government is delivering more tax cuts from 1 July 2026



The Albanese Labor Government is delivering more tax cuts for every Australian taxpayer in 2026 and 2027, on top of the tax cuts that have been rolling out since 1 July 2024. Every Australian taxpayer will receive an extra tax cut of up to \$268 from 1 July 2026 and up to \$536 every year from 1 July 2027, compared to 2024–25 tax settings.

These new tax cuts are modest but they will make a difference.

Last year, the Government cut two rates and lifted two thresholds to deliver tax cuts for all Australian taxpayers, including cutting the rate that applies to taxable income earned between \$18,201 and \$45,000 to 16 per cent. The Government will cut income taxes further over two years:

- From 1 July 2026, that rate will be reduced to 15 per cent.
- From 1 July 2027, this tax rate will be reduced further to 14 per cent.

Combined with the first round of tax cuts, the average annual tax cut will increase to \$2,229 in 2026–27 and \$2,548 in 2027–28 – around \$50 per week.

The Government will also increase the Medicare levy low-income thresholds by 4.7 per cent for singles, families, and seniors and pensioners from 1 July 2024. This means over one million Australians on lower incomes will continue to be exempt from paying the Medicare levy or pay a reduced levy rate.

These changes will supplement other cost-of-living relief being delivered by the Government such as more energy bill relief, strengthening Medicare, cheaper medicines, cheaper childcare, cutting student debt, free TAFE, backing increases to minimum and award wages and increased rent assistance and working age payments.

New personal tax rates for 2026–27 and 2027–28

Thresholds (\$)	Rates in 2024–25 and 2025–26 (%)	Rates in 2026–27 (%)	Rates in 2027–28 (%)
0 – 18,200	Tax free	Tax free	Tax free
18,201 – 45,000	16	15	14
45,001 – 135,000	30	30	30
135,001 – 190,000	37	37	37
>190,000	45	45	45

Ensuring Australians keep more of what they earn

The new tax cuts provide modest but meaningful cost-of-living relief and ensure that Australians keep more of what they earn.

Eloise is a high school teacher who lives in regional Australia and earns \$90,000 per year. Under the first round of tax cuts, Eloise pays \$1,929 less tax in 2024–25 and 2025–26, compared to 2023–24 tax settings. When combined with the new tax cuts, this tax saving will grow to \$2,465 in 2027–28. This means Eloise will receive an additional tax cut of \$536 every year from 2027–28.

Combined with the first round of tax cuts, the new tax cuts will see a person on the average wage of around \$79,000 receive a total tax cut of \$2,190 in 2027–28 compared to 2023–24 tax settings.

Isha and Cameron have two children and are working full-time. Isha is a registered nurse and Cameron is a truck driver, both earning \$80,000 per year. As a result of the Government’s new tax cuts, Isha and Cameron will collectively pay \$536 less tax in 2026–27, and \$1,072 less tax in 2027–28. Combined with the Government’s first round of tax cuts, Isha and Cameron will collectively pay \$4,430 less tax in 2027–28, compared to 2023–24 tax settings.

Returning bracket creep

These new tax cuts return bracket creep by lowering average tax rates for all taxpayers, especially for low- and middle-income earners.

As a result of the Government’s tax cuts, a worker on average earnings is expected to pay \$30,000 less tax from 2024–25 to 2035–36, relative to 2023–24 tax settings.

Boosting labour supply and household disposable income

The Government’s tax cuts reward participation, encouraging Australians, particularly women, part-time and lower income earners, to take on more hours of work.

The Government’s combined tax cuts are expected to increase total hours worked by 1.3 million hours per week, equivalent to more than 30,000 full time jobs, compared to 2023–24 tax settings. This increase is mostly driven by women, who are expected to increase their labour supply by 900,000 hours compared to 2023–24 tax settings.

The Government’s combined tax cuts are estimated to increase nominal household disposable income by 1.9 per cent by 2027–28, compared with 2023–24 tax settings.

Combined annual tax cut* compared to 2023–24 tax settings

Income	2024–25 and 2025–26	2026–27	2027–28 onwards
Full-time national minimum wage – \$47,627	\$870	\$1,138	\$1,406
Median income – \$72,592	\$1,494	\$1,762	\$2,030
Average income – \$79,000	\$1,654	\$1,922	\$2,190
Average full-time income – \$103,000	\$2,254	\$2,522	\$2,790

* The combined annual tax cut is the reduction in an individual’s tax liability in a given income year from the new tax cuts and the Government’s first round of tax cuts compared to 2023–24 tax settings. The new tax cuts take effect from the 2026–27 income year.

Source: Fair Work Ombudsman; ABS, *Employee earnings*, Aug 2024; ABS, *Average Weekly Earnings*, Nov 2024.

Key facts and figures

- Every Australian taxpayer will receive a new tax cut of up to \$268 in 2026–27 and up to \$536 in 2027–28, relative to 2024–25 tax settings.
- Around 7 million women will receive an additional tax cut in 2026–27 and 2027–28.
- The Government’s combined tax cuts are expected to provide an average tax cut of \$2,548 in 2027–28, around \$50 per week, relative to 2023–24 tax settings.
- As a result of the Government’s combined tax cuts, a worker on average earnings is expected to pay \$30,000 less tax from 2024–25 to 2035–36, relative to 2023–24 tax settings.
- The Government’s combined tax cuts are expected to increase labour supply by 1.3 million hours per week, equivalent to more than 30,000 full time jobs, relative to 2023–24 tax settings.
- The Government’s combined tax cuts are expected to keep the tax to GDP ratio at or below 2023–24 levels out to 2029–30.

Chart 1: Average tax rate for a worker on average earnings

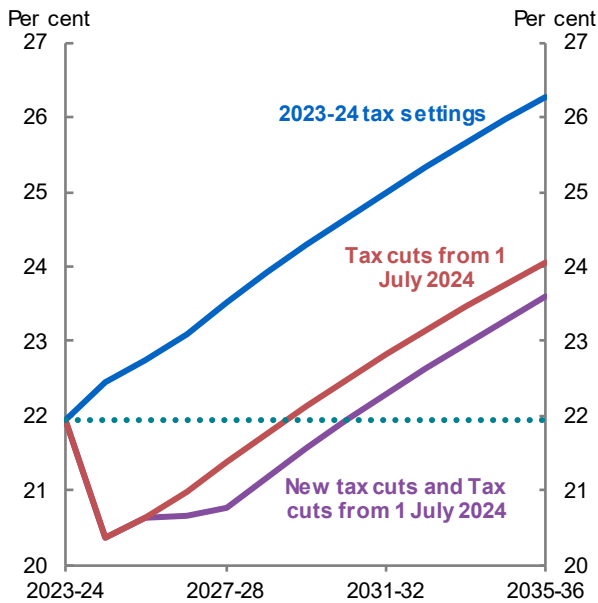
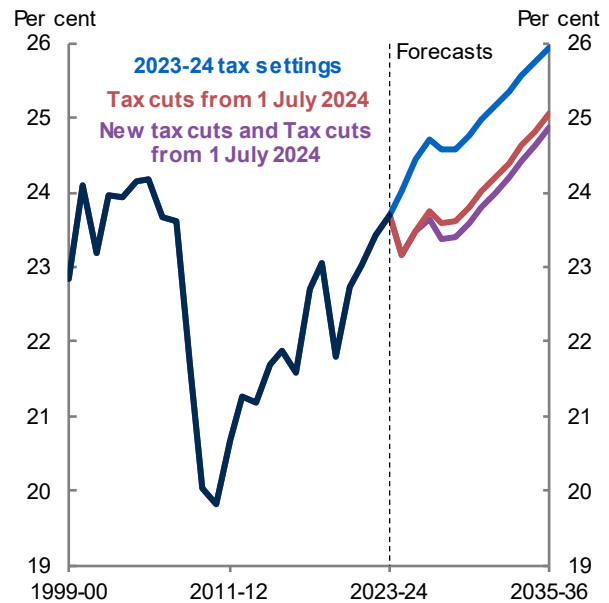


Chart 2: Tax to GDP ratio



Note: A worker on average earnings is assumed to have taxable income equal to annualised estimates of average weekly earnings (AWE). Average tax rates are calculated as the proportion of tax liability to taxable income. Tax liability is calculated by only considering the basic tax scales, low-income tax offset (as applicable), and the 2023–24 Medicare levy settings for a single non-pensioner household with no dependents. Actual outcomes for many individuals and households would differ.

Distributional tables

Table 1: Combined annual tax cut compared to 2023–24 settings – single person household (\$)*

Taxable income	2024–25 and 2025–26	2026–27	2027–28 onwards
30,000	354	472	590
35,000	504	672	840
40,000	654	872	1,090
45,000	804	1,072	1,340
50,000	929	1,197	1,465
55,000	1,054	1,322	1,590
60,000	1,179	1,447	1,715
65,000	1,304	1,572	1,840
70,000	1,429	1,697	1,965
75,000	1,554	1,822	2,090
80,000	1,679	1,947	2,215
85,000	1,804	2,072	2,340
90,000	1,929	2,197	2,465
95,000	2,054	2,322	2,590
100,000	2,179	2,447	2,715
110,000	2,429	2,697	2,965
120,000	2,679	2,947	3,215
130,000	3,379	3,647	3,915
140,000	3,729	3,997	4,265
150,000	3,729	3,997	4,265
160,000	3,729	3,997	4,265
170,000	3,729	3,997	4,265
180,000	3,729	3,997	4,265
190,000	4,529	4,797	5,065
200,000	4,529	4,797	5,065

* This table presents stylised cameos based on an individual’s taxable income. The combined annual tax cut is calculated by only considering the basic tax scales, low-income tax offset (as applicable), and the 2023–24 Medicare levy settings for a single non-pensioner household with no dependents. Actual outcomes for many individuals and households would differ. Individuals may also benefit from the increase to the Medicare levy low-income thresholds announced in 2025–26 Budget (see Table 4).

Table 2: Combined annual tax cut compared to 2023–24 tax settings – dual income household with an equal income split (\$)*

Taxable income – spouse 1	Taxable income – spouse 2	Household taxable income	2024–25 and 2025–26	2026–27	2027–28 onwards
30,000	30,000	60,000	708	944	1,180
35,000	35,000	70,000	1,008	1,344	1,680
40,000	40,000	80,000	1,308	1,744	2,180
45,000	45,000	90,000	1,608	2,144	2,680
50,000	50,000	100,000	1,858	2,394	2,930
55,000	55,000	110,000	2,108	2,644	3,180
60,000	60,000	120,000	2,358	2,894	3,430
65,000	65,000	130,000	2,608	3,144	3,680
70,000	70,000	140,000	2,858	3,394	3,930
75,000	75,000	150,000	3,108	3,644	4,180
80,000	80,000	160,000	3,358	3,894	4,430
85,000	85,000	170,000	3,608	4,144	4,680
90,000	90,000	180,000	3,858	4,394	4,930
95,000	95,000	190,000	4,108	4,644	5,180
100,000	100,000	200,000	4,358	4,894	5,430
110,000	110,000	220,000	4,858	5,394	5,930
120,000	120,000	240,000	5,358	5,894	6,430
130,000	130,000	260,000	6,758	7,294	7,830
140,000	140,000	280,000	7,458	7,994	8,530
150,000	150,000	300,000	7,458	7,994	8,530
160,000	160,000	320,000	7,458	7,994	8,530
170,000	170,000	340,000	7,458	7,994	8,530
180,000	180,000	360,000	7,458	7,994	8,530
190,000	190,000	380,000	9,058	9,594	10,130
200,000	200,000	400,000	9,058	9,594	10,130

*This table presents stylised cameos based on an assumptions about a household’s taxable income. The combined annual tax cut is calculated by only considering the basic tax scales, low-income tax offset (as applicable), and the 2023–24 Medicare levy settings for a family non-pensioner household with no dependents. Actual outcomes for many individuals and households would differ. Individuals may also benefit from the increase to the Medicare levy low-income thresholds announced in the 2025–26 Budget (see Table 4).

Table 3: Combined annual tax cut compared to 2023–24 settings – dual income couple with a two-thirds and one-third income split (\$)*

Taxable income – spouse 1	Taxable income – spouse 2	Household taxable income	2024–25 and 2025–26	2026–27	2027–28 onwards
40,200	19,800	60,000	660	880	1,100
46,900	23,100	70,000	999	1,316	1,619
53,600	26,400	80,000	1,265	1,615	1,965
60,300	29,700	90,000	1,532	1,915	2,298
67,000	33,000	100,000	1,798	2,214	2,630
73,700	36,300	110,000	2,065	2,514	2,963
80,400	39,600	120,000	2,331	2,813	3,295
87,100	42,900	130,000	2,598	3,113	3,628
93,800	46,200	140,000	2,858	3,394	3,930
100,500	49,500	150,000	3,108	3,644	4,180
107,200	52,800	160,000	3,358	3,894	4,430
113,900	56,100	170,000	3,608	4,144	4,680
120,600	59,400	180,000	3,885	4,421	4,957
134,000	66,000	200,000	4,988	5,524	6,060
147,400	72,600	220,000	5,223	5,759	6,295
160,800	79,200	240,000	5,388	5,924	6,460
174,200	85,800	260,000	5,553	6,089	6,625
187,600	92,400	280,000	6,326	6,862	7,398

* This table presents stylised cameos based on assumptions about a household’s taxable income. The combined annual tax cut is calculated by only considering the basic tax scales, low-income tax offset (as applicable), and the 2023–24 Medicare levy settings for a family non-pensioner household with no dependents. Actual outcomes for many individuals and households would differ. Individuals may also benefit from the increase to the Medicare levy low-income thresholds announced in the 2025–26 Budget (see Table 4).

Table 4: Impact of the increase to Medicare levy low-income thresholds – single person household (\$)*

Taxable income	Medicare levy payable in 2023–24	Medicare levy payable from 2024–25	Reduction in Medicare levy payable due to threshold changes from 2024–25
25,000	0	0	0
26,000	0	0	0
27,000	100	0	100
28,000	200	78	122
29,000	300	178	122
30,000	400	278	122
31,000	500	378	122
32,000	600	478	122
33,000	660	578	82
34,000	680	678	2
35,000	700	700	0
36,000	720	720	0

* This table presents stylised cameos based on an individual’s taxable income. The calculations are for a single non-pensioner household with no dependents.

Table 5: Changes to the Medicare levy low-income thresholds

	2023–24		From 2024–25	
	Low-income threshold (above which levy begins to phase in)	Full Medicare levy (2%) applies above*	Low-income threshold (above which levy begins to phase in)	Full Medicare levy (2%) applies above*
Singles	\$26,000	\$32,500	\$27,222	\$34,027
Single Seniors and Pensioners	\$41,089	\$51,361	\$43,020	\$53,775
Families (not eligible for Seniors and Pensioner Tax Offset)	\$43,846 (plus \$4,027 for each dependent child)	\$54,807 (plus \$5,034 for each dependent child)	\$45,907 (plus \$4,216 for each dependent child)	\$57,383 (plus \$5,270 for each dependent child)
Families (Senior and Pensioner)	\$57,198 (plus \$4,027 for each dependent child)	\$71,497 (plus \$5,034 for each dependent child)	\$59,886 (plus \$4,216 for each dependent child)	\$74,857 (plus \$5,270 for each dependent child)

* The Medicare levy phases in at 10 cents for each dollar above the relevant low-income threshold until the full Medicare levy at 2 per cent applies. This column shows the level of income at which it begins to be paid in full.