# Part 3: Fiscal Strategy and Outlook

## Overview

The Government’s responsible economic and fiscal management has delivered the first back‑to‑back budget surpluses in nearly two decades, the largest nominal budget improvement in a Parliamentary term and has helped return inflation to the target band for the first time since 2021. Relative to the 2022 Pre-Election Economic and Fiscal Outlook (PEFO), the underlying cash balance is forecast to improve by around $200 billion over the six years to 2027–28 and gross debt is expected to be $177 billion lower in 2024–25.

This responsible approach has continued in the 2024–25 Mid-Year Economic and Fiscal Outlook (MYEFO). A deficit of $26.9 billion is forecast for 2024–25 (Table 3.1), $20 billion lower than the deficit forecast at the PEFO and $1.3 billion lower than the Budget.

The fiscal outlook for the underlying cash balance is better over the medium term than the PEFO and broadly unchanged since the 2024–25 Budget. The underlying cash balance is projected to improve over the medium term, returning to balance by 2034–35. Gross debt is expected to stabilise at 36.7 per cent of GDP from 2026–27, broadly in line with the Budget and 8.2 percentage points lower than the peak in the PEFO, before declining to 31.4 per cent of GDP by 2034–35.

The budget faces structural pressures in coming years, including the challenges posed by climate change, an ageing population, regional security, rising demand for care and support services, and interest on government debt. The Government has made significant progress in addressing the largest structural spending pressures including interest costs on debt, the National Disability Insurance Scheme (NDIS) and aged care.

The Government is delivering on its Economic and Fiscal Strategy and continues to ensure fiscal policy is consistent with bringing inflation sustainably back to target. Average annual real spending growth is limited to 1.5 per cent over the six years to 2027–28, around half of the 30-year average. This MYEFO includes $15.1 billion in budget improvements, including $14.6 billion in savings and reprioritisations. This brings the total savings and reprioritisations delivered since the PEFO to $92.0 billion. 78 per cent of tax upgrades to the end of the forward estimates period have been returned to the budget since the PEFO.

By improving the budget position the Government has kept gross debt down and avoided around $70 billion in interest payments over the 11 years to 2032–‍33 compared to the PEFO. The Government’s responsible approach is recognised by ratings agencies. Australia remains one of only nine countries with a AAA sovereign credit rating from all three major ratings agencies. This year, Australia is expected to have the third strongest budget balance in the G20. Australia’s gross debt to GDP (including all levels of government) is also low internationally, at around half the advanced economy average and more than 70 percentage points below the United States.

The Government continues to deliver responsible cost-of-living relief with energy bill relief and rent assistance directly reducing inflation by ½ of a percentage point in 2024–25. The Government’s tax cuts are delivering all 13.6 million Australian taxpayers cost‑of‑living relief from 1 July 2024.

The Government has been able to deliver these improvements to the budget despite challenging economic conditions and the need to fund payment variations and unavoidable spending, which are the primary drivers of the deterioration in the underlying cash balance over the forward estimates relative to the 2024–25 Budget. This MYEFO includes $8.8 billion in unavoidable policy decisions. Excluding goods and services tax (GST) payments to the states and territories, parameter and other variations have increased payments by $16.3 billion, which includes automatic adjustments to indexation, as well as funding increased demand for government payments and services.

These variations provide funding to ensure our veterans receive their entitlements, index pensions, increase support to families to assist with the cost of child care, support disaster recovery, increase support for schools, pass on the recent Fair Work Commission decision on aged care worker wage rises, and support increased demand for Medicare and the Pharmaceutical Benefits Scheme.

Since the PEFO, the Government has had to commit $47.6 billion in legacy and unavoidable spending to resolve issues inherited from the former Government, extend terminating measures to ensure Australians do not see cuts to the essential services they rely on, and respond to urgent and unforeseen issues.

Tax receipts upgrades are much smaller than the $80 billion upgrade on average across the last four budget updates. Excluding GST and policy decisions, tax receipts have been revised up by $7.3 billion over the four years to 2027–28. For the first time since the 2020‍–‍21 Budget, company tax receipts have been revised downwards, reflecting weaker commodity volumes amid emerging challenges in the Chinese economy.

Table 3.1: Australian Government general government sector budget aggregates

|  |  |
| --- | --- |
|   | Estimates |
|   | 2024–25 | 2025–26 | 2026–27 | 2027–28 |
|   | $b | % GDP | $b | % GDP | $b | % GDP | $b | % GDP |
| **Underlying cash balance** |  |  |  |  |  |  |  |  |
| MYEFO | -26.9 | -1.0 | -46.9 | -1.6 | -38.4 | -1.3 | -31.7 | -1.0 |
| *Budget* | *-28.3* | *-1.0* | *-42.8* | *-1.5* | *-26.7* | *-0.9* | *-24.3* | *-0.8* |
|  |  |  |  |  |  |  |  |  |
| **Receipts** |  |  |  |  |  |  |  |  |
| MYEFO | 704.2 | 25.5 | 728.4 | 25.5 | 763.4 | 25.4 | 804.1 | 25.4 |
| *Budget* | *698.4* | *25.3* | *719.4* | *25.1* | *760.0* | *25.1* | *801.8* | *25.2* |
|   |   |   |   |   |   |   |   |   |
| **Tax receipts** |   |   |   |   |   |   |   |   |
| MYEFO | 645.6 | 23.4 | 669.7 | 23.5 | 705.4 | 23.5 | 743.1 | 23.5 |
| *Budget* | *642.5* | *23.3* | *661.6* | *23.1* | *702.3* | *23.2* | *742.3* | *23.3* |
|   |   |   |   |   |   |   |   |   |
| **Non-tax receipts** |  |  |  |  |  |  |  |  |
| MYEFO | 58.6 | 2.1 | 58.8 | 2.1 | 58.0 | 1.9 | 61.0 | 1.9 |
| *Budget* | *55.9* | *2.0* | *57.8* | *2.0* | *57.7* | *1.9* | *59.5* | *1.9* |
|   |   |   |   |   |   |   |   |   |
| **Payments(a)** |  |  |  |  |  |  |  |  |
| MYEFO | 731.1 | 26.5 | 775.3 | 27.2 | 801.7 | 26.7 | 835.7 | 26.4 |
| *Budget* | *726.7* | *26.4* | *762.2* | *26.6* | *786.7* | *26.0* | *826.2* | *26.0* |
|   |   |   |   |   |   |   |   |   |
| **Gross debt(b)** |   |   |   |   |   |   |   |   |
| MYEFO | 940.0 | 34.0 | 1,028.0 | 36.0 | 1,100.0 | 36.7 | 1,161.0 | 36.7 |
| *Budget* | *934.0* | *33.9* | *1,007.0* | *35.1* | *1,064.0* | *35.2* | *1,112.0* | *34.9* |
|   |   |   |   |   |   |   |   |   |
| **Net debt(c)** |   |   |   |   |   |   |   |   |
| MYEFO | 540.0 | 19.6 | 609.3 | 21.3 | 669.2 | 22.3 | 708.6 | 22.4 |
| *Budget* | *552.5* | *20.0* | *615.5* | *21.5* | *660.0* | *21.8* | *697.5* | *21.9* |
|   |   |   |   |   |   |   |   |   |
| **Net interest payments(d)** |   |   |   |   |   |   |   |   |
| MYEFO | 14.6 | 0.5 | 18.5 | 0.6 | 21.6 | 0.7 | 27.5 | 0.9 |
| *Budget* | *14.5* | *0.5* | *18.8* | *0.7* | *20.8* | *0.7* | *26.0* | *0.8* |

1. Equivalent to cash payments for operating activities, purchases of non‑financial assets and principal payments of lease liabilities.
2. Gross debt measures the face value of Australian Government Securities (AGS) on issue.
3. 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).
4. 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 making the economy and budget stronger, more resilient and more sustainable over the medium term (Box 3.1). The Strategy is consistent with the requirements of the Charter of Budget Honesty Act 1998, with progress reviewed at each budget update. The Strategy is unchanged since the 2024–25 Budget.

|  |
| --- |
| Box 3.1: The Government’s Economic and Fiscal StrategyThe Government’s Economic and Fiscal Strategy will make the economy more resilient and put the budget on a more sustainable footing over time. 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 Government will improve the budget position in a measured way, consistent with the overarching goal of reducing gross debt as a share of the economy over time. This approach enables fiscal policy to respond to changes in economic conditions to support macroeconomic stability, including in times of high inflation.These objectives will be achieved by investments that grow the economy and expand productive capacity, and budget discipline that restrains spending growth and enhances the quality of spending. The budget will be improved in a manner consistent with the objective of maintaining full employment, while continuing to deliver essential services. Putting the budget on a more sustainable footing will ensure the Government has the fiscal buffers to withstand economic shocks and better manage the fiscal pressures from an ageing population and climate change. These commitments will be underpinned by the following elements:* 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.
* 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.
* Improving the efficiency, quality and sustainability of spending.
* Focusing new spending on investments and reforms that build the capability of our people, expand the productive capacity of our economy, and support action on climate change.
* Delivering a tax system that funds government services in an efficient, fair and sustainable way.
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### Delivering on the Economic and Fiscal Strategy

The Government continues to deliver on its Economic and Fiscal Strategy by:

* Improving the budget balance.
	+ The underlying cash balance in 2024–25 has improved by $1.3 billion since the 2024‍–‍25 Budget with a forecast deficit of $26.9 billion. This is an improvement of $20 billion compared to the forecast at the PEFO.
	+ The underlying cash balance has improved by a cumulative $199 billion over the six years to 2027–28 compared to projections at the PEFO.
* Reducing debt as a share of the economy over time.
	+ Gross debt-to-GDP is expected to stabilise at 36.7 per cent from 30 June 2027 and then fall to 31.4 per cent at 30 June 2035.
	+ Gross debt is lower in every year of the projection period than expected at the PEFO. In nominal terms, gross debt is forecast to be $177 billion lower at 30 June 2025.
	+ Gross debt is expected to stabilise 8.2 percentage points lower than the forecast peak at the PEFO. By 30 June 2033, gross debt is projected to be $113 billion (6.1 percentage points of GDP) lower than at the PEFO.
	+ Improvements to the budget position, compared to the PEFO, over the 11 years to 2032–33, are expected to save around $70 billion in interest payments over this period.
* Returning the majority of tax receipt upgrades to the budget.
	+ The Government has returned 78 per cent of tax receipt upgrades to the budget since coming to government in the six years to the end of the forward estimates period.
	+ The upgrades returned since the PEFO have improved the underlying cash balance by a cumulative $275 billion over the forward estimates, avoiding around $120 billion in interest payments over the 11 years to 2032–33.
* Repairing the budget through $14.6 billion in savings and reprioritisations and $0.4 billion in improvements to the tax system.
	+ This brings total savings and spending reprioritisations to $92.0 billion, and total budget improvements to $119.9 billion, since the PEFO.
* Limiting spending, with real payments growth over the six years to 2027–28 forecast to average 1.5 per cent per year.
	+ This compares to the 3.2 per cent average over the past 30 years.

The Government’s responsible economic and fiscal management strikes a balance between fighting inflation, easing pressures on households and supporting growth and employment. It has strengthened the fiscal position, helped rebuild fiscal buffers, and seen fiscal policy work alongside monetary policy to return inflation to the target band for the first time since 2021.

The Government is continuing to ensure its fiscal policy settings are consistent with sustainably returning inflation to target.

The Government’s responsible fiscal approach includes:

* Improving the budget position in 2024–25, relative to the 2024–25 Budget.
* Banking the majority of tax receipt upgrades in 2024–25 since the PEFO.
* Directly reducing inflation by ½ of a percentage point in 2024–25 through responsible cost-of-living measures announced in the 2024–25 Budget.

### International comparisons of fiscal performance

Australia’s fiscal improvement, led by the Commonwealth, puts the nation’s finances in a strong position internationally. Australia’s budget balance improvement, as a share of the economy, has exceeded that of most other comparable economies over the past three years. As a result, Australia is expected to have the third highest budget balance as a share of GDP among G20 countries in 2024, up from 14th in 2021.

Australia is one of only nine countries with a AAA sovereign credit rating from all three major ratings agencies.

Australia’s general government gross debt as a share of GDP has remained low internationally. The International Monetary Fund projects Australia’s general government gross debt to GDP (including all levels of government) to be around half the advanced economy average, more than 50 percentage points below the United Kingdom, and Canada, and more than 70 percentage points below the United States (Chart 3.1). Australia is estimated to have the fifth lowest gross debt to GDP ratio in the G20 in 2024. Low government debt levels ensure Australia retains low borrowing costs, and the capacity to respond to future economic downturns while sustaining essential services.

Chart 3.1: General government gross debt in 2024

Source: 2023–24 Final Budget Outcome, International Monetary Fund.

Note: International Monetary Fund fiscal data are produced on a consistent basis across countries. They are produced for calendar years and on a general government basis. They are not directly comparable with fiscal aggregates reported elsewhere in the MYEFO.

## Fiscal Outlook

### Underlying cash balance estimates

An underlying cash deficit of $26.9 billion is forecast for 2024–25 (1.0 per cent of GDP), an improvement on the 2024–25 Budget. The deficit is expected to reach $46.9 billion (1.6 per cent of GDP) in 2025–26 before improving to $31.7 billion (1.0 per cent of GDP) in 2027–28.

This MYEFO continues the Government’s record of responsible economic and fiscal management, which has been achieved in the context of challenging economic and fiscal pressures. Payment variations and unavoidable policy decisions are the primary drivers of higher underlying cash deficits since the 2024–25 Budget over the forward estimates period. While the net impact of policy decisions also contributes to a higher underlying cash deficit, $4.7 billion of these policy decisions have been funded by provisions from previous budget updates.

The Government has had to provide $8.8 billion over four years to 2027–28 in this MYEFO for unavoidable spending pressures, including extending terminating programs to prevent cuts to the services Australians rely on. Unavoidable policy decisions taken in this MYEFO include:

* Support for frontline legal assistance services through a new National Access to Justice Partnership, which replaces the National Legal Assistance Partnership. The previous government did not provision any funding for the National Legal Assistance Partnership beyond 2024–25.
* New and amended listings on the Pharmaceutical Benefits Scheme, including the listing of belzutifan (Welireg®) for the treatment of patients with von Hippel-Lindau disease, and retaining the listing of dupilumab (Dupixent®) for the treatment of severe atopic dermatitis.
* Extending terminating funding for the National Disability Insurance Agency and the NDIS Quality and Safeguards Commission to ensure they’re appropriately resourced to continue to support NDIS participants.
* Funding to further prepare and protect the nation against High Pathogenicity Avian Influenza.
* Addressing unavoidable cost pressures from projects in the Infrastructure Investment Program.
* Funding for the Australian Energy Market Operator to uplift core digital systems to enhance energy security and reliability.
* Funding to support environmental and rehabilitation objectives in the resources sector, including rehabilitation of the former Rum Jungle mine site and decommissioning of the Northern Endeavour facility.
* Providing funding for sustainable operations at the Department of Veterans’ Affairs and the Australian War Memorial, and a new Macquarie Wharf 6 in the Port of Hobart to support Australian Antarctic Program operations.
* Extending terminating programs in the Health and Aged Care portfolio, including continuing COVID support for people in aged care and Commonwealth psychosocial supports.

Since the PEFO, the Government has had to commit $47.6 billion in legacy and unavoidable spending to resolve issues inherited from the former Government, extend terminating measures to ensure Australians do not see a cut to the essential services they rely on, and respond to urgent and unforeseen issues.

Parameter and other variations have increased receipts by $18.8 billion and payments by $23.0 billion over the four years to 2027–28 (Table 3.2).

Table 3.2: Reconciliation of general government sector underlying cash balance estimates

|  |  |  |  |
| --- | --- | --- | --- |
|   | Estimates |   |   |
|   | 2024–25 | 2025–26 | 2026–27 | 2027–28 |   | Total |
|   | $m | $m | $m | $m |   | $m |
| **2024–25 Budget underlying cash balance** | **-28,286** | **-42,838** | **-26,713** | **-24,345** |   | **-122,183** |
| Per cent of GDP | -1.0 | -1.5 | -0.9 | -0.8 |   |   |
|  |  |  |  |  |  |  |
| **Changes from 2024–25 Budget to** |  |  |  |  |  |   |
| **2024–25 MYEFO** |  |  |  |  |  |   |
| Effect of policy decisions(a)(b) |   |   |   |   |   |   |
| *Receipts* | *402* | *312* | *399* | *540* |  | *1,653* |
| *Payments* | *2,466* | *8,557* | *5,175* | *2,920* |  | *19,118* |
| Total policy decisions impact on  |  |  |  |  |  |  |
| underlying cash balance | -2,064 | -8,245 | -4,777 | -2,380 |   | -17,465 |
|  |  |  |  |  |  |   |
| Effect of parameter and other variations(b) |   |   |   |   |   |   |
| *Receipts* | *5,336* | *8,755* | *2,977* | *1,727* |  | *18,796* |
| *Payments* | *1,935* | *4,587* | *9,841* | *6,673* |  | *23,036* |
| Total parameter and other variations impact on |   |   |   |   |   |   |
| underlying cash balance | 3,401 | 4,168 | -6,864 | -4,945 |   | -4,241 |
|   |   |   |   |   |   |   |
| **2024–25 MYEFO underlying cash balance** | **-26,949** | **-46,915** | **-38,353** | **-31,671** |  | **-143,888** |
| Per cent of GDP | -1.0 | -1.6 | -1.3 | -1.0 |   |   |

1. Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.
2. A positive number for receipts improves the underlying cash balance, while a positive number for payments worsens the underlying cash balance.

### Primary balance estimates

The primary cash balance adjusts the underlying cash balance to exclude interest payments and interest receipts (as these are largely outside government control in the short term).

The primary balance is expected to be a deficit of $12.3 billion (0.4 per cent of GDP) in 2024‍–‍25. Since the Budget, the primary balance has improved by $1.4 billion in 2024–25 and deteriorated by $19.7 billion over four years to 2027–28.

### Medium-term projections

The medium‑term fiscal outlook is broadly unchanged since the 2024–25 Budget with spending pressures and higher borrowing costs offsetting improvements in receipts.

* The underlying cash balance returns to balance (0.1 percentage point of GDP surplus) by 2034–35, a 0.1 percentage point of GDP improvement compared to Budget (Chart 3.2). Compared to the PEFO, the underlying cash balance has improved by a cumulative $231 billion over the 11 years to 2032–33.
* The primary cash balance is projected to reach a surplus of 1.2 per cent of GDP in
2034–35, 0.2 percentage points larger than projected at the 2024–25 Budget (Chart 3.3).
* Gross debt‑to‑GDP is higher across the projection period compared to the 2024–‍25 Budget. By 30 June 2035, gross debt is 31.4 per cent of GDP, 1.2 percentage points higher than projected at the 2024–‍‍25 Budget (Chart 3.4). Compared to the PEFO, gross debt is lower every year of the projection period. At 30 June 2033, gross debt is projected to be $113 billion (6.1 percentage points of GDP) lower than at the PEFO.

|  |  |
| --- | --- |
| Chart 3.2: Underlying cash balance  | Chart 3.3: Primary cash balance  |
|  This line chart shows the underlying cash balance as at the 2024-25 MYEFO and the 2024-25 Budget. The underlying cash balance is expected to be in deficit for most of the projection period, before returning to balance (0.1 percentage point of GDP surplus) by 2034–35. Compared to the 2024-25 Budget, the underlying cash balance as a share of GDP is lower between 2025-26 and 2030-31. It is broadly unchanged over the rest of the medium term. |  This line chart shows the primary cash balance as at the 2024-25 MYEFO and the 2024-25 Budget. The primary cash balance is projected to be a deficit of 0.4 per cent of GDP in 2024-25 before progressively improving to a surplus of 1.2 per cent of GDP in 2034-35. The primary cash balance is higher than Budget from 2030-31. |
| Source: Treasury.  | Source: Treasury.  |

Chart 3.4: Gross debt

Source: Australian Office of Financial Management, Treasury.

Total receipts as a share of GDP have been revised modestly upwards over the medium term compared to the 2024–‍25 Budget projections. Total receipts are projected to be 25.4 per cent of GDP in 2027–28 and then 26.8 per cent of GDP by 2034–35.

Payments are projected to grow from 26.4 per cent of GDP in 2027–28 to 26.7 per cent of GDP in 2034–35 (Chart 3.5). This is higher than the 2024–25 Budget projection of 26.3 per cent of GDP in 2034–35.

Chart 3.5: Payments and receipts

Source: Treasury.

Chart 3.6: Average annual growth in major payments 2024–25 to 2034–35

Source: Treasury.

Note: Interest refers to interest payments on Australian Government Securities. NDIS refers to the Commonwealth’s contribution to payments for NDIS participant supports. Changes to NDIS payments reflect increased state and territory contribution escalation rates commencing 1 July 2028 that are now incorporated in the payment line; as well as updated NDIS growth projections contained in the 2023–24 Annual Financial Sustainability Report published by the NDIS Scheme Actuary. Changes to state and territory contributions were previously included in the medium-term estimates at 2024–25 Budget as a technical modelling assumption and were not specifically attributed to NDIS payments.

The fastest‑growing major payments are interest on government debt, the NDIS, defence, hospitals payments, medical benefits payments, the Child Care Subsidy and aged care payments (Chart 3.6).

* Interest payments growth is expected to average 10.9 per cent over the projection period compared to 9.9 per cent at the Budget. This reflects higher yields and gross debt.
* NDIS Commonwealth funded participant payments growth is expected to average 8.2 per cent over the projection period from 2024–25 to 2034–35, compared to 9.2 per cent at the 2024–25 Budget. This reflects state and territory NDIS contribution escalation rates increasing from 4 per cent to be in line with Scheme growth, capped at 8 per cent, commencing 1 July 2028. It also incorporates the expected moderation in scheme growth under the NDIS Financial Sustainability Framework reflected in the NDIS Scheme Actuary’s latest projections.
* Child Care Subsidy payments growth is expected to average 5.5 per cent over the projection period compared to 4.4 per cent at the 2024–25 Budget. This largely reflects additional support flowing to families through Child Care Subsidy payments to assist with the cost of child care, including an estimated extra 200,000 children in early education by the end of the forward estimates in 2027–28.
* Aged care payments growth is expected to average 5.2 per cent over the projection period compared to 5.7 per cent at the 2024–25 Budget. Reforms announced in September 2024 are projected to reduce payments relative to the 2024–25 Budget, offset by increased funding for aged care workers.

### Receipts estimates and projections

Total receipts over the forward estimates have increased by $20.4 billion since the 2024‍–‍25 Budget, driven by higher tax receipts.

The tax receipts upgrade in this MYEFO is much smaller than the $80 billion upgrade on average across the last four budget updates. Excluding GST and policy decisions, tax receipts have been revised up by $7.3 billion over the four years to 2027–28. The upgrade to tax receipts since the Budget is driven by an improved outlook for personal income and superannuation fund taxes, reflecting higher compensation of employees and tax from earnings on investments. These have been partly offset by downgrades to company tax and tobacco excise.

Since the 2024–25 Budget, non-tax receipts are expected to increase by $2.7 billion in 2024‍–‍25 (Table 3.3) and by $5.4 billion over the four years to 2027–28.

Total receipts as a proportion of GDP are expected to remain broadly stable over the forward estimates, from 25.5 per cent of GDP in 2024–25 to 25.4 per cent of GDP in 2027–28. This is driven by tax receipts, which are expected to be 23.4 per cent of GDP in 2024–25 and 23.5 per cent in 2027–28.

Table 3.3: Reconciliation of 2024–25 general government (cash) receipts

|  |  |  |  |
| --- | --- | --- | --- |
|   | Estimates |   | Change from 2024–25 Budget |
|  | 2024–25 Budget | 2024–25 MYEFO |  |   |   |
|  | $m | $m |  | $m | % |
| Individuals and other withholding taxes |   |   |  |  |  |
| Gross income tax withholding | 290,300 | 293,600 |  | 3,300 | 1.1 |
| Gross other individuals | 76,800 | 81,700 |  | 4,900 | 6.4 |
| *less:* Refunds | 40,600 | 39,900 |  | -700 | -1.7 |
| Total individuals and other withholding tax | 326,500 | 335,400 |  | 8,900 | 2.7 |
| Fringe benefits tax | 4,210 | 4,910 |  | 700 | 16.6 |
| Company tax | 139,100 | 132,500 |  | -6,600 | -4.7 |
| Superannuation fund taxes | 19,810 | 21,910 |  | 2,100 | 10.6 |
| Petroleum resource rent tax | 2,650 | 1,350 |  | -1,300 | -49.1 |
| **Income taxation receipts** | **492,270** | **496,070** |  | **3,800** | **0.8** |
|  |  |  |  |  |  |
| Goods and services tax | 87,673 | 89,753 |  | 2,080 | 2.4 |
| Wine equalisation tax | 1,150 | 1,120 |  | -30 | -2.6 |
| Luxury car tax | 1,140 | 1,170 |  | 30 | 2.6 |
| Excise and customs duty |  |   |  |  |  |
| Petrol | 7,300 | 7,200 |  | -100 | -1.4 |
| Diesel | 17,390 | 17,440 |  | 50 | 0.3 |
| Other fuel products | 2,210 | 2,070 |  | -140 | -6.3 |
| Tobacco | 11,550 | 8,750 |  | -2,800 | -24.2 |
| Beer | 2,760 | 2,720 |  | -40 | -1.4 |
| Spirits | 3,590 | 3,310 |  | -280 | -7.8 |
| Other alcoholic beverages(a) | 1,750 | 1,760 |  | 10 | 0.6 |
| Other customs duty |  |   |  |  |  |
|  Textiles, clothing and footwear | 170 | 170 |  | 0 | 0.0 |
|  Passenger motor vehicles | 380 | 380 |  | 0 | 0.0 |
|  Other imports | 1,530 | 1,560 |  | 30 | 2.0 |
| *less:* Refunds and drawbacks | 730 | 730 |  | 0 | 0.0 |
| Total excise and customs duty  | 47,900 | 44,630 |  | -3,270 | -6.8 |
| Major Bank Levy | 1,720 | 1,730 |  | 10 | 0.6 |
| Agricultural levies | 623 | 678 |  | 55 | 8.8 |
| Visa application charges | 3,882 | 4,147 |  | 265 | 6.8 |
| Other taxes | 6,183 | 6,267 |  | 83 | 1.3 |
| **Indirect taxation receipts** | **150,272** | **149,495** |  | **-777** | **-0.5** |
|  |   |   |  |  |  |
| **Taxation receipts** | **642,542** | **645,565** |  | **3,023** | **0.5** |
|  |  |  |  |  |  |
| Sales of goods and services | 21,396 | 22,039 |  | 643 | 3.0 |
| Interest received | 9,275 | 9,968 |  | 692 | 7.5 |
| Dividends and distributions | 6,789 | 7,206 |  | 417 | 6.1 |
| Other non-taxation receipts | 18,444 | 19,407 |  | 964 | 5.2 |
| **Non-taxation receipts** | **55,904** | **58,620** |  | **2,716** | **4.9** |
|  |  |  |  |  |  |
| **Total receipts** | **698,446** | **704,184** |  | **5,739** | **0.8** |
| *Memorandum:* |  |  |  |  |  |
| *Total excise*  | *31,870* | *31,650* |  | *-220* | *-0.7* |
| *Total customs duty*  | *16,030* | *12,980* |  | *-3,050* | *-19.0* |
| *Capital gains tax(b)* | *23,600* | *29,900* |  | *6,300* | *26.7* |

1. ‘Other alcoholic beverages’ are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).
2. ‘Capital gains tax’ is part of gross other individuals, company tax and superannuation fund taxes.

Table 3.4: Reconciliation of 2025–26 general government (cash) receipts

|  |  |  |  |
| --- | --- | --- | --- |
|   | Estimates |   | Change from 2024–25 Budget |
|  | 2024–25 Budget | 2024–25 MYEFO |  |   |   |
|  | $m | $m |  | $m | % |
| Individuals and other withholding taxes |   |   |  |  |  |
| Gross income tax withholding | 304,900 | 308,300 |  | 3,400 | 1.1 |
| Gross other individuals | 80,300 | 82,200 |  | 1,900 | 2.4 |
| *less:* Refunds | 41,700 | 42,100 |  | 400 | 1.0 |
| Total individuals and other withholding tax | 343,500 | 348,400 |  | 4,900 | 1.4 |
| Fringe benefits tax | 4,120 | 5,030 |  | 910 | 22.1 |
| Company tax | 134,000 | 135,900 |  | 1,900 | 1.4 |
| Superannuation fund taxes | 21,360 | 23,210 |  | 1,850 | 8.7 |
| Petroleum resource rent tax | 2,050 | 1,850 |  | -200 | -9.8 |
| **Income taxation receipts** | **505,030** | **514,390** |  | **9,360** | **1.9** |
|  |  |  |  |  |  |
| Goods and services tax | 92,338 | 94,228 |  | 1,890 | 2.0 |
| Wine equalisation tax | 1,210 | 1,210 |  | 0 | 0.0 |
| Luxury car tax | 1,200 | 1,200 |  | 0 | 0.0 |
| Excise and customs duty |  |   |  |  |  |
| Petrol | 7,550 | 7,450 |  | -100 | -1.3 |
| Diesel | 17,750 | 17,850 |  | 100 | 0.6 |
| Other fuel products | 2,230 | 2,020 |  | -210 | -9.4 |
| Tobacco | 11,500 | 8,650 |  | -2,850 | -24.8 |
| Beer | 2,870 | 2,850 |  | -20 | -0.7 |
| Spirits | 3,770 | 3,450 |  | -320 | -8.5 |
| Other alcoholic beverages(a) | 1,810 | 1,850 |  | 40 | 2.2 |
| Other customs duty |  |   |  |  |  |
|  Textiles, clothing and footwear | 170 | 170 |  | 0 | 0.0 |
|  Passenger motor vehicles | 370 | 370 |  | 0 | 0.0 |
|  Other imports | 1,590 | 1,600 |  | 10 | 0.6 |
| *less:* Refunds and drawbacks | 730 | 730 |  | 0 | 0.0 |
| Total excise and customs duty  | 48,880 | 45,530 |  | -3,350 | -6.9 |
| Major Bank Levy | 1,780 | 1,790 |  | 10 | 0.6 |
| Agricultural levies | 645 | 625 |  | -20 | -3.0 |
| Visa application charges | 4,096 | 4,211 |  | 115 | 2.8 |
| Other taxes | 6,404 | 6,467 |  | 63 | 1.0 |
| **Indirect taxation receipts** | **156,553** | **155,261** |  | **-1,292** | **-0.8** |
|  |   |   |  |  |  |
| **Taxation receipts** | **661,583** | **669,651** |  | **8,068** | **1.2** |
|  |  |  |  |  |  |
| Sales of goods and services | 22,549 | 21,774 |  | -775 | -3.4 |
| Interest received | 8,705 | 9,659 |  | 954 | 11.0 |
| Dividends and distributions | 7,160 | 7,129 |  | -31 | -0.4 |
| Other non-taxation receipts | 19,357 | 20,206 |  | 849 | 4.4 |
| **Non-taxation receipts** | **57,770** | **58,768** |  | **998** | **1.7** |
|  |  |  |  |  |  |
| **Total receipts** | **719,353** | **728,419** |  | **9,066** | **1.3** |
| *Memorandum:* |  |  |  |  |  |
| *Total excise*  | *32,670* | *32,570* |  | *-100* | *-0.3* |
| *Total customs duty*  | *16,210* | *12,960* |  | *-3,250* | *-20.0* |
| *Capital gains tax(b)* | *23,800* | *26,100* |  | *2,300* | *9.7* |

1. ‘Other alcoholic beverages’ are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).
2. ‘Capital gains tax’ is part of gross other individuals, company tax and superannuation fund taxes.

Table 3.5: Australian Government general government (cash) receipts

|  |  |  |  |
| --- | --- | --- | --- |
|   | Actual |   | Estimates |
|  | 2023–24 |   | 2024–25 | 2025–26 | 2026–27 | 2027–28 |
|  | $m |   | $m | $m | $m | $m |
| Individuals and other withholding taxes |  |   |   |  |  |  |
| Gross income tax withholding | 294,949 |   | 293,600 | 308,300 | 327,500 | 350,600 |
| Gross other individuals | 74,199 |   | 81,700 | 82,200 | 83,700 | 92,100 |
| *less:* Refunds | 37,635 |   | 39,900 | 42,100 | 43,400 | 45,100 |
| Total individuals and other withholding tax | 331,513 |   | 335,400 | 348,400 | 367,800 | 397,600 |
| Fringe benefits tax | 4,632 |   | 4,910 | 5,030 | 5,050 | 5,170 |
| Company tax | 141,177 |   | 132,500 | 135,900 | 143,700 | 147,600 |
| Superannuation fund taxes | 12,465 |   | 21,910 | 23,210 | 25,160 | 23,460 |
| Petroleum resource rent tax | 1,144 |   | 1,350 | 1,850 | 1,650 | 1,500 |
| **Income taxation receipts** | **490,931** |  | **496,070** | **514,390** | **543,360** | **575,330** |
|  |   |   |   |   |   |   |
| Goods and services tax | 85,031 |   | 89,753 | 94,228 | 99,416 | 104,928 |
| Wine equalisation tax | 1,091 |   | 1,120 | 1,210 | 1,230 | 1,290 |
| Luxury car tax | 1,253 |   | 1,170 | 1,200 | 1,270 | 1,330 |
| Excise and customs duty |  |   |   |  |  |  |
| Petrol | 6,941 |   | 7,200 | 7,450 | 7,600 | 7,800 |
| Diesel | 16,092 |   | 17,440 | 17,850 | 18,770 | 19,470 |
| Other fuel products | 1,999 |   | 2,070 | 2,020 | 2,070 | 2,120 |
| Tobacco | 9,730 |   | 8,750 | 8,650 | 8,500 | 8,300 |
| Beer | 2,599 |   | 2,720 | 2,850 | 2,930 | 2,990 |
| Spirits | 3,208 |   | 3,310 | 3,450 | 3,560 | 3,640 |
| Other alcoholic beverages(a) | 1,686 |   | 1,760 | 1,850 | 1,920 | 1,960 |
| Other customs duty |  |   |   |  |  |  |
|  Textiles, clothing and footwear | 159 |   | 170 | 170 | 180 | 150 |
|  Passenger motor vehicles | 391 |   | 380 | 370 | 340 | 120 |
|  Other imports | 1,501 |   | 1,560 | 1,600 | 1,670 | 890 |
| *less:* Refunds and drawbacks | 791 |   | 730 | 730 | 730 | 730 |
| Total excise and customs duty  | 43,514 |   | 44,630 | 45,530 | 46,810 | 46,710 |
| Major Bank Levy | 1,623 |   | 1,730 | 1,790 | 1,880 | 1,980 |
| Agricultural levies | 637 |   | 678 | 625 | 629 | 636 |
| Visa application charges | 3,385 |   | 4,147 | 4,211 | 4,406 | 4,586 |
| Other taxes | 5,936 |   | 6,267 | 6,467 | 6,420 | 6,287 |
| **Indirect taxation receipts** | **142,469** |  | **149,495** | **155,261** | **162,061** | **167,747** |
|  |   |   |  |   |   |   |
| **Taxation receipts** | **633,400** |  | **645,565** | **669,651** | **705,421** | **743,077** |
|  |  |   |   |  |  |  |
| Sales of goods and services | 19,867 |   | 22,039 | 21,774 | 22,920 | 24,173 |
| Interest received | 10,509 |   | 9,968 | 9,659 | 9,222 | 10,120 |
| Dividends and distributions | 6,412 |   | 7,206 | 7,129 | 7,460 | 7,927 |
| Other non-taxation receipts | 18,397 |   | 19,407 | 20,206 | 18,363 | 18,781 |
| **Non-taxation receipts** | **55,185** |  | **58,620** | **58,768** | **57,965** | **61,001** |
|  |  |  |  |  |  |  |
| **Total receipts** | **688,585** |  | **704,184** | **728,419** | **763,386** | **804,078** |
| *Memorandum:* |  |  |  |  |  |  |
| *Total excise*  | *29,761* |  | *31,650* | *32,570* | *33,870* | *34,940* |
| *Total customs duty*  | *13,753* |  | *12,980* | *12,960* | *12,940* | *11,770* |
| *Capital gains tax(b)* | *25,400* |  | *29,900* | *26,100* | *24,700* | *26,000* |

1. Other alcoholic beverages are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).
2. ‘Capital gains tax’ is part of gross other individuals, company tax and superannuation fund taxes.

#### Receipts policy decisions over the forward estimates

Policy decisions in this MYEFO have increased total receipts by $0.4 billion in 2024–25 and by $1.7 billion over four years to 2027–28.

Since the 2024–25 Budget, policy decisions have increased tax receipts by $0.8 billion over four years to 2027–28. Key tax receipts measures include:

* Boosting the Shadow Economy Compliance Program. This measure is estimated to increase receipts by $366.1 million over four years to 2027–28, partially offset by an increase in payments of $137.8 million, including an increase in GST payments to the states and territories of $88.6 million.
* Extending and enhancing the Phoenix Compliance Program. This measure is estimated to increase receipts by $278.2 million over four years to 2027–28, partially offset by an increase in payments of $150.9 million, including an increase in GST payments to the states and territories of $80.9 million.
* Providing funding to the ATO to modernise tax administration systems. This measure is estimated to increase receipts by $81.6 million over four years to 2027–28 through supporting better compliance with existing tax obligations, partially offset by an increase in payments of $76.0 million.

Since the 2024–25 Budget, policy decisions are expected to increase non-tax receipts by $0.2 billion in 2024–25 and by $0.8 billion over the four years to 2027–28. This increase is largely driven by the standard non-tax revenue impacts of Pharmaceutical Benefits Scheme listings, which partially offset expenditure impacts of these listings. The Higher Education Loan Program debt balance reduction of 20 per cent announced in the Building Australia’s Future – a fairer deal for students measure reduces non-taxation receipts by $0.2 billion in 2024–25 and by $0.6 billion over the four years to 2027–28.

Further details of Government policy decisions are provided in Appendix A, Policy Decisions taken since the 2024–25 Budget.

#### Receipts parameter and other variations over the forward estimates

Parameter and other variations since the 2024–25 Budget have increased total receipts by $5.3 billion and tax receipts by $2.8 billion in 2024–25. Over the four years to 2027–28, total receipts have increased by $18.8 billion due to parameter and other variations. Tax receipts have increased by $14.2 billion due to parameter and other variations, driven by personal income and superannuation fund taxes and GST.

The key economic parameters that influence tax receipts and revenue are shown in Table 3.6.

Table 3.6: Key economic parameters for tax receipts (a)

|  |  |  |
| --- | --- | --- |
|   | Outcome | Forecasts |
|   | 2023–24 | 2024–25 | 2025–26 | 2026–27 | 2027–28 |
|   |   |   |   |   |   |
| **Revenue parameters**  |   |   |   |   |   |
| Nominal gross domestic product | 4.1 | 3 1/4 | 3 1/2 | 5  | 5 1/2 |
| Change since 2024–25 Budget |   | 1/2 | ‑ 1/2 | ‑ 1/4 | 1/4 |
|   |   |   |   |   |   |
| Compensation of employees (b) | 7.5 | 5  | 4 1/4 | 4 3/4 | 5 1/4 |
| Change since 2024–25 Budget |   | 3/4 | 0  | 1/4 | 0  |
|   |   |   |   |   |   |
| Corporate gross operating surplus (c)  | ‑3.3 | ‑2  | ‑ 1/2 | 4  | 5 1/4 |
| Change since 2024–25 Budget |   | 2 3/4 | ‑ 3/4 | ‑2  | ‑ 1/4 |
|   |   |   |   |   |   |
| Non‑farm gross mixed income | 0.1 | 4 1/4 | 7  | 7 3/4 | 7  |
| Change since 2024–25 Budget |   | ‑4 1/2 | 1/2 | 1 1/4 | 1/2 |
|   |   |   |   |   |   |
| Property income (d) | 16.0 | 8  | 3 1/2 | 4 1/2 | 4 3/4 |
| Change since 2024–25 Budget |   | 4  | ‑ 1/4 | ‑1 1/2 | ‑ 1/2 |
|   |   |   |   |   |   |
| Consumption subject to GST | 3.9 | 2 1/4 | 4 1/2 | 3 3/4 | 4  |
| Change since 2024–25 Budget |   | ‑1 1/2 | ‑ 3/4 | ‑1 1/4 | ‑ 3/4 |

1. Current prices, percentage change on previous year. Changes since Budget are percentage points.
2. Compensation of employees measures total remuneration earned by employees.
3. Corporate gross operating surplus is an Australian System of National Accounts measure of company profits, gross of depreciation.
4. Property income measures income derived from rent, dividends and interest.

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

Excluding policy decisions, personal income tax receipts have been revised up by $8.7 billion in 2024–25 and $21.5 billion over the four years to 2027–28. Income tax withholding has been revised up by $3.1 billion in 2024–25 and $15.6 billion over the four years to 2027–28 reflecting the resilient labour market delivering more labour income (as measured by compensation of employees). Net other individuals (gross other individuals less refunds) receipts have been revised up by $5.6 billion in 2024–25 and $5.9 billion over the four years to 2027–28. The increase in 2024–25 is driven by strength in instalments and capital gains on 2023–24 tax returns, which is not expected to persist across the forward estimates.

Company tax receipts have been revised down by $6.6 billion in 2024–25 and $8.5 billion over the four years to 2027–28, the first time they have been downgraded since the 2020–‍21 Budget. The downgrade in 2024–25 largely reflects weaker mining sector profits due to lower export volumes and a lower assumed oil price.

Superannuation fund tax receipts have been revised up by $2.1 billion in 2024–25 and $5.3 billion over the four years to 2027–28. The upwards revision in the near‑term reflects an improved outlook for tax on earnings driven by lower dividends and franking credits. The size of the upgrade decreases over the forward estimates due to lower expected tax on earnings, as an improved outlook for dividends in later years leads to higher franking credit offsets.

Fringe benefits tax receipts have been revised up by $0.7 billion in 2024–25 and $3.3 billion over the four years to 2027–28, reflecting strength in current year collections.

Petroleum resource rent tax receipts have been revised down by $1.3 billion in 2024–25 and $2.0 billion over the four years to 2027–28. A large part of the downgrade to 2024–25 is due to a change in the timing of when some PRRT is expected to be payable. The downward revision beyond 2024–25 reflects lower oil prices.

Total excise and customs duty receipts have been revised down by $3.3 billion in 2024–25 and $13.3 billion over the four years to 2027–28. This largely reflects lower tobacco excise receipts, which have been downgraded by $2.8 billion in 2024–25 and $10.7 billion over the four years to 2027–28, owing to lower‑than‑expected tobacco excise collections and a downgrade to the tobacco consumption outlook.

GST receipts have been revised up by $2.1 billion in 2024–25 and $6.8 billion over the four years to 2027–28. This reflects stronger‑than‑expected GST collections, and an upgrade to the outlook for nominal consumption subject to GST and nominal private dwelling investment, partially offset by lower net travel services.

Since the 2024–25 Budget, parameter and other variations are expected to increase non‑taxation receipts by $2.5 billion in 2024–25 and by $4.6 billion over the four years to 2027–28. This increase is predominately driven by higher earnings from the Future Fund and other Australian Government Investment Funds, and higher-than-expected interest earnings related to Commonwealth Debt Management. This increase is reduced by lower repayment estimates of Higher Education Loan Program debts, partially driven by implementation of the 2024–25 Budget measure Australian Universities Accord – tertiary education system reforms.

### Payments estimates and projections

Since the 2024–25 Budget, total payments have increased by $4.4 billion in 2024–25 and by $42.2 billion over four years to 2027–28. Real payments growth since coming to government and over the forward estimates period is expected to be 1.5 per cent per year, around half of the 30-year average of 3.2 per cent.

#### Payment policy decisions over the forward estimates

New policy decisions since the 2024–25 Budget have increased total payments by $2.5 billion in 2024–25 and by $19.1 billion over four years from 2024–25 to 2027–28.

Major policy decisions since the 2024–25 Budget that have increased payments include:

* funding to support a wage increase for the early childhood education and care workforce through a worker retention payment, which is expected to increase payments by $3.6 billion over four years from 2024–25
* funding for new and amended listings on the Pharmaceutical Benefits Scheme, Repatriation Pharmaceutical Benefits Scheme, Life Saving Drugs Program, National Epidermolysis Bullosa Dressing Scheme and Stoma Appliance Scheme, which is expected to increase payments by $2.5 billion over five years from 2023–24
* funding for the effective and sustainable operation of the National Disability Insurance Scheme and to support the implementation of the National Disability Insurance Scheme Amendment (Getting the NDIS Back on Track No.1) Act 2024which is expected to increase payments by $939.5 million over four years from 2024–25
* funding to improve access to Early Childhood Education and Care (ECEC), which is expected to increase payments by $839.9 million over four years from 2024–25
* funding to support actions to accelerate a reliable and secure energy transition across Australia, which is expected to increase payments by $764.2 million over four years from 2024–25
* funding for road and rail infrastructure priorities to support productivity and jobs and address unavoidable cost pressures within the Infrastructure Investment Program, which is expected to increase payments by $726.5 million over four years from 2024–25
* funding to provide better access and more affordable health care which is expected to increase payments by $622.7 million over four years from 2024–25
* funding to establish a new National Access to Justice Partnership from 1 July 2025 following the expiry of the National Legal Assistance Partnership, which is expected to increase payments by $616.1 million over three years from 2025–26
* funding to implement a new remote employment services program to replace the Community Development Program which is expected to increase payments by $461.4 million over four years from 2024–25.

Major policy decisions since the 2024–25 Budget that have decreased payments include:

* renegotiating the terms of the advance purchase agreement entered into with Novavax, Inc for the purchase of COVID‑19 vaccines, which is expected to decrease payments by $206.7 million over two years from 2024–25
* reprioritising funding within the Department of Education by ceasing the unallocated Innovative Places program on 31 December 2026 and reforming the undersubscribed Tertiary Access Payment, which is expected to decrease payments by $197.1 million over four years from 2024–25.

#### Payment parameter and other variations over the forward estimates

Parameter and other variations since the Budget have increased payments by $1.9 billion in 2024–25 and $23.0 billion over four years from 2024–25 to 2027–28.

This is primarily driven by higher payments for aged care and a number of demand-driven programs, higher GST entitlements for the states and territories and higher debt servicing costs. These are partially offset by lower estimated payments related to the National Disability Insurance Scheme (NDIS).

Major increases in payments from parameter and other variations since the 2024–25 Budget include:

* payments related to the Aged Care Services program, which are expected to increase by $808.3 million in 2024–25 and $8.4 billion over four years to 2027–28, largely due to increased funding for wages as a result of the Fair Work Commission Aged Care Work Value Case, the setting of the Australian National Aged Care Classification (AN-ACC) price for residential aged care for 2024–25, and an update to the AN-ACC funding model, including updated AN-ACC price growth assumptions. The budget impact of this increase is partially offset by funding provisioned in the Contingency Reserve for the Aged Care Work Value Case outcome.
* payments related to the provision of GST to the states and territories (including Horizontal Fiscal Equalisation transition payments), which are expected to increase by $1.4 billion in 2024–25 and $6.7 billion over four years to 2027–28, and are largely offset by an increase in GST receipts.
* payments related to Commonwealth Debt Management, which are expected to increase by $557.0 million in 2024–25 and $4.2 billion over four years to 2027–28, largely reflecting increased borrowing requirements, combined with higher bond yields.
* payments related to the Support for Seniors program, which are expected to increase by $486.9 million in 2024–25 and $3.6 billion over four years to 2027–28, largely reflecting a higher-than-projected rate of indexation for the Age Pension.
* payments related to the Financial Support for People with Disability program, which are expected to increase by $624.4 million in 2024–25 and $3.6 billion over four years to 2027–28, largely reflecting increases in the projected number of Disability Support Pension (DSP) recipients, a higher-than-projected rate of indexation for the DSP, higher‑than-projected average payment rates, along with the gradual resolution of the claims backlog.
* payments related to the Child Care Subsidy program, which are expected to increase by $686.6 million in 2024–25 and $3.1 billion over four years to 2027–28, largely reflecting additional support flowing to families in line with changes in the cost of providing care and increases in projected child care usage by families. This is partially offset by the fee constraint condition of the ECEC worker retention payment.
* payments related to the Job Seeker Income Support program, which are expected to increase by $386.9 million in 2024–25 and $2.1 billion over four years to 2027–28, largely reflecting upward revisions to the expected number of recipients and to average payment rates driven by changes to the composition of payment recipients.
* payments related to Non-Government Schools, which are expected to increase by $648.9 million in 2024–25 and $2.1 billion over four years to 2027–28, 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.
* payments related to the Military Rehabilitation Compensation Acts – Income Support and Compensation program are expected to increase by $1.5 billion in 2024–25 and $1.8 billion over four years to 2027–28, largely reflecting an increase in the number of claims lodged and accepted, including as a result of the Government’s investments in the Department of Veterans Affairs to clear the claims backlog, which will result in increased payments to veterans.
* payments related to the National Partnership Payments – Natural Disaster Relief program, which are expected to decrease by $2.0 billion in 2024–25 and increase by $1.8 billion over four years to 2027–28, largely reflecting updated estimates from the states related to past disaster events including New South Wales and Queensland flooding events between 2021 and 2023, Tropical Cyclone Jasper in 2023, and severe storm and rainfall events in Queensland in 2023 and 2024.
* payments related to the Medical Benefits program, which are expected to increase by $292.2 million in 2024–25 and $1.2 billion over four years to 2027–28, largely reflecting higher than expected demand for medical services.
* payments related to the Pharmaceutical Benefits Scheme, which are expected to increase by $632.3 million in 2024–25 and $1.2 billion over four years to 2027–28, largely reflecting higher than projected prescription volumes and updated pharmaceutical pricing assumptions.

Major decreases in payments from parameter and other variations since the 2024–25 Budget include:

* payments related to the NDIS, which are expected to decrease by $126.7 million in 2024‍–‍25 and $1.4 billion over four years, largely reflecting revised projections from the NDIS Actuary’s June 2024 projections, which project lower than previously forecast growth in participant numbers and a decrease in average value of participant plans. The updated projections incorporate impacts from the National Disability Insurance Scheme Amendment (Getting the NDIS Back on Track No. 1) Act 2024 which commenced 3 October 2024.
* payments related to road and rail transport projects under the Infrastructure Investment Program, which are expected to decrease by $1.4 billion in 2024–25 and $1.3 billion over four years to 2027–28, largely reflecting the application of a slippage adjustment to total Infrastructure Investment Program funding to take account of historical experience, including the timing of states claiming payments against milestones and the complexity of delivery and the impact of revised project delivery schedules for some projects. This is partially offset by the Government’s investments in road and rail priorities under the measure Building Australia’s Future – Building a Better Future Through Considered Infrastructure Investment.
* payments related to the Defence Force Superannuation Benefits program, which are expected to decrease by $132.2 million in 2024–25 and $400.0 million over four years to 2027–28, largely reflecting changed assumptions used by the Australian Government Actuary to project the unfunded liability for the military superannuation schemes.
* payments related to the Insurance and Risk Management program, which are expected to decrease by $222.8 million in 2024–25 and $274.5 million over four years to 2027‍–‍28, largely reflecting a reduction in the number of claims expected to be paid from the Comcover special account and revised timing for expected significant claims.

Consistent with past budgets, the underlying cash balance has been improved by regular draw down of the conservative bias allowance. Details of this draw down are provided at Appendix B: Supplementary expenses table and the Contingency Reserve.

### Headline cash balance estimates

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 3.7 provides further details of differences between the underlying and headline cash balance estimates.

A headline cash deficit of $47.8 billion (1.7 per cent of GDP) is estimated in 2024–25, compared to an estimated deficit of $47.2 billion in the 2024–25 Budget. The headline cash balance decreases to an estimated deficit of $70.3 billion in 2025–26, before moderating to an estimated deficit of $52.5 billion (1.7 per cent of GDP) in 2027–28. The lower headline cash balance over the forward estimates compared to the 2024–25 Budget is largely driven by the change in underlying cash balance.

Estimated net cash outflows for IFAPPs increased by $11.9 billion over four years to 2027‍–‍28 compared to the 2024–25 Budget. This is primarily due to lower repayments of student loans, driven by a combination of:

* the 2024–25 MYEFO measure Building Australia's Future ­– a fairer deal for students, which increases net cash outflows for IFAPPs by $504 million in 2024–25 and by $3.3 billion over the forward estimates.
* revised estimates of student loan repayments more broadly.

Also contributing to the higher net cash outflows are additional investments as part of the 2024–25 MYEFO measure Nuclear-Powered Submarine Program – infrastructure and capacity investment*.* The financial implications of these investments are not itemised in Table 3.7 due to commercial sensitivities.

The increase in net cash outflows in 2024–25 is partially offset by lower utilisation of the Affordable Housing Bond Aggregator line of credit by Housing Australia. Further information about the line of credit is available in Part 6: Statement of Risks*.*

Table 3.7: Reconciliation of general government sector underlying and headline cash balance estimates

|  |  |  |  |
| --- | --- | --- | --- |
|   | Estimates |   |   |
|   | 2024–25 | 2025–26 | 2026–27 | 2027–28 |   | Total |
|   | $m | $m | $m | $m |   | $m |
| **2024–25 MYEFO underlying cash balance** | **-26,949** | **-46,915** | **-38,353** | **-31,671** |  | **-143,888** |
|  |  |  |  |  |  |  |
| ***plus* Net cash flows from investments in** |   |   |   |   |   |   |
|  **financial assets for policy purposes(a)** |   |   |   |   |   |   |
| Student loans(b) | -4,057 | -4,857 | -5,324 | -5,727 |   | -19,965 |
| NBN Investment | -1,227 | -97 | 0 | 0 |   | -1,324 |
| Snowy Hydro Limited loan | -150 | -1,450 | -1,450 | -1,450 |   | -4,500 |
| Snowy Hydro Limited investment | -1,625 | -975 | 0 | 0 |   | -2,600 |
| Australian apprenticeship support loans(b)(c) | -114 | -149 | -157 | -157 |   | -578 |
| CEFC loans and investments | -3,916 | -4,548 | -5,343 | -5,473 |   | -19,280 |
| Northern Australia Infrastructure Facility | -872 | -959 | -820 | -508 |   | -3,160 |
| NRFC loans and investments | -550 | -1,050 | -2,505 | -3,050 |   | -7,155 |
| Australian Business Securitisation Fund | -562 | -151 | -101 | -102 |   | -915 |
| Structured Finance Support Fund | 98 | 54 | 0 | 0 |   | 153 |
| Drought and rural assistance loans | -334 | -281 | 147 | 163 |   | -304 |
| Official Development Assistance  |   |   |   |   |   |   |
| - Australian Development Investments | -102 | -37 | -8 | 0 |   | -146 |
| Official Development Assistance  |   |   |   |   |   |   |
| - Multilateral Replenishment | -142 | -195 | -170 | -186 |   | -693 |
| Home Equity Access Scheme | -197 | -255 | -318 | -368 |   | -1,137 |
| Housing Australia | -711 | -1,721 | -3,193 | -666 |   | -6,291 |
| National Interest Account |   |   |   |   |   |   |
| loans and investments | -886 | -1,097 | -530 | 9 |   | -2,504 |
| COVID-19 Support for Indonesia - loan | 100 | 100 | 100 | 100 |   | 400 |
| Financial Assistance to |   |   |   |   |   |   |
| Papua New Guinea - loan | 141 | 141 | 141 | 141 |   | 563 |
| Net other(d) | -5,712 | -5,836 | -5,018 | -3,565 |   | -20,131 |
| **Total net cash flows from investments in** |   |   |   |   |   |   |
|  **financial assets for policy purposes** | **-20,816** | **-23,363** | **-24,549** | **-20,839** |   | **-89,566** |
|  |  |  |  |  |   |  |
| **2024–25 MYEFO headline cash balance** | **-47,764** | **-70,278** | **-62,902** | **-52,510** |   | **-233,455** |

1. A positive number denotes a cash inflow; a negative number denotes a cash outflow.
2. The estimated cash flows for student loans from 2024–25 includes the impact of the Building Australia's Future - a fairer deal for students measure.
3. In January 2024, trade support loans were renamed Australian apprenticeship support loans.
4. Net other includes amounts that have not been itemised, for commercial‑in‑confidence reasons.

## 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 (AGS) 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 financial 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 Part 7: Australian Government Budget Financial Statements.

### Gross debt estimates and projections

The Government’s responsible budget management is lowering debt as a share of the economy compared to the PEFO in every year of the forward estimates and medium term.

Improvements to the budget position mean gross debt is estimated to stabilise at 36.7 per cent of GDP from 30 June 2027, which is 8.2 percentage points lower than the estimated peak of 44.9 per cent of GDP forecast at the PEFO. Gross debt is then projected to reduce to 31.4 per cent of GDP by 30 June 20‍35, 1.2 percentage points higher than projected at the 2024–‍25 Budget.

At 30 June 2025, gross debt is forecast to be 34.0 per cent of GDP, 10.9 percentage points lower than the estimate of 44.9 per cent of GDP ($1,117 billion) at the PEFO. Compared to the 2024–25 Budget, gross debt at 30 June 2025 is estimated to be 0.1 percentage points higher than the estimate of 33.9 per cent of GDP ($934 billion).

Interest payments have increased since the 2024–25 Budget, driven by a combination of higher estimated debt and higher yields. Over the forward estimates, bond yields are assumed to remain fixed at a recent average of daily spot rates at the time of the MYEFO update. Since the 2024–25 Budget, the assumed weighted average cost of borrowing for issuance of Treasury Bonds in the forward estimates has increased from 4.2 to 4.4 per cent, broadly reflecting volatility in yields globally.

The increase in yields since Budget adds around $2 billion in interest payments over the forward estimates and increases gross debt by around $8 billion by the end of the forward estimates.

Total interest payments are estimated to be 0.9 per cent of GDP in 2024–25, the same as at the 2024–25 Budget. Interest payments are estimated to rise and peak at 1.6 per cent of GDP in 2032–33. By the end of the medium term, interest payments are 0.1 percentage points higher than projected at the 2024–25 Budget.

Part 4: Debt Statement contains further information on yield assumptions and interest payments. Part 5: 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.

### Net debt estimates and projections

Net debt is estimated to be 19.6 per cent of GDP ($540 billion) at 30 June 2025 (Table 3.8), lower than the estimate of 20.0 per cent of GDP ($552.5 billion) in the 2024–25 Budget. The improvement since the 2024–25 Budget reflects a fall in the market value of existing debt.

Yields have risen since the Budget, making the fixed income stream from existing bonds relatively less attractive to investors. This decreases the market value of existing bonds and hence net debt.

Net debt as a percentage of GDP is projected to be higher across the medium term compared to the 2024–25 Budget, reaching 19.2 per cent of GDP at 30 June 2035, 0.5 percentage points higher than at the 2024–25 Budget (Chart 3.7).

Chart 3.7: Net debt

Source: Treasury.

Further information on gross debt and net debt estimates across the forward estimates is provided in Part 4: Debt Statement.

### Net financial worth and net worth estimates and projections

Net financial worth is estimated to be minus 28.6 per cent of GDP (minus $791.2 billion) at 30 June 20‍25 (Table 3.8), compared with the estimate of minus 27.7 per cent of GDP (minus $764.5 billion) at the 2024–25 Budget.

Net financial worth is projected to deteriorate to minus 30.2 per cent of GDP by 30 June 2027 before improving to minus 23.6 per cent of GDP by 30 June 2035 (Chart 3.8).

Chart 3.8: Net financial worth

Source: Treasury.

Net worth is estimated to be minus 20.7 per cent of GDP (minus $570.6 billion) at 30 June 2025 (Table 3.8), compared with the estimate of minus 19.8 per cent of GDP (minus $545.1 billion) at the 2024–25 Budget. Net worth is projected to deteriorate to minus 22.4 per cent of GDP by 30 June 2028 before improving over the medium term.

The deterioration in net worth and net financial worth since the Budget largely reflects increases in debt and revised estimates of the liabilities for the Military Compensation Scheme as at 30 June 2024. These liability provisions are based on the current Australian Defence Force and veteran population and the likelihood of claims being lodged and accepted for income support, compensation and health services. These are partially offset by an increase in financial assets.

Table 3.8: Australian Government general government sector balance sheet aggregates

|  |  |
| --- | --- |
|   | Estimates |
|   | 2024–25 | 2025–26 | 2026–27 | 2027–28 |
|   | $b | % GDP | $b | % GDP | $b | % GDP | $b | % GDP |
| **Financial assets** |   |   |  |   |  |   |  |   |
| MYEFO | 630.9 | 22.8 | 671.8 | 23.5 | 707.5 | 23.6 | 744.0 | 23.5 |
| *Budget* | *618.2* | *22.4* | *650.6* | *22.7* | *685.1* | *22.7* | *717.5* | *22.5* |
| **Non-financial assets** |   |   |  |   |  |   |  |   |
| MYEFO | 220.6 | 8.0 | 227.8 | 8.0 | 235.2 | 7.8 | 245.6 | 7.8 |
| *Budget* | *219.4* | *8.0* | *226.5* | *7.9* | *234.6* | *7.8* | *245.7* | *7.7* |
| **Total assets** |   |   |  |   |  |   |  |   |
| MYEFO | 851.5 | 30.8 | 899.7 | 31.5 | 942.7 | 31.4 | 989.7 | 31.3 |
| *Budget* | *837.6* | *30.4* | *877.1* | *30.6* | *919.6* | *30.4* | *963.2* | *30.3* |
| **Total liabilities** |   |   |  |   |  |   |  |   |
| MYEFO | 1,422.1 | 51.5 | 1,528.6 | 53.5 | 1,614.7 | 53.8 | 1,698.2 | 53.7 |
| *Budget* | *1,382.7* | *50.1* | *1,470.2* | *51.2* | *1,541.8* | *51.0* | *1,606.2* | *50.5* |
| **Net worth** |   |   |   |   |   |   |   |   |
| MYEFO | -570.6 | -20.7 | -628.9 | -22.0 | -671.9 | -22.4 | -708.5 | -22.4 |
| *Budget* | *-545.1* | *-19.8* | *-593.1* | *-20.7* | *-622.1* | *-20.6* | *-643.0* | *-20.2* |
| **Net financial worth(a)**  |   |   |   |   |   |   |   |   |
| MYEFO | -791.2 | -28.6 | -856.8 | -30.0 | -907.2 | -30.2 | -954.2 | -30.2 |
| *Budget* | *-764.5* | *-27.7* | *-819.6* | *-28.6* | *-856.7* | *-28.3* | *-888.7* | *-27.9* |
| **Gross debt(b)** |   |   |   |   |   |   |   |   |
| MYEFO | 940.0 | 34.0 | 1,028.0 | 36.0 | 1,100.0 | 36.7 | 1,161.0 | 36.7 |
| *Budget* | *934.0* | *33.9* | *1,007.0* | *35.1* | *1,064.0* | *35.2* | *1,112.0* | *34.9* |
| **Net debt(c)** |   |   |   |   |   |   |   |   |
| MYEFO | 540.0 | 19.6 | 609.3 | 21.3 | 669.2 | 22.3 | 708.6 | 22.4 |
| *Budget* | *552.5* | *20.0* | *615.5* | *21.5* | *660.0* | *21.8* | *697.5* | *21.9* |
| **Total interest payments** |   |   |   |   |   |   |   |   |
| MYEFO | 24.6 | 0.9 | 28.1 | 1.0 | 30.8 | 1.0 | 37.6 | 1.2 |
| *Budget* | *23.8* | *0.9* | *27.5* | *1.0* | *29.8* | *1.0* | *35.6* | *1.1* |
| **Net interest payments(d)** |   |   |  |   |  |   |  |   |
| MYEFO | 14.6 | 0.5 | 18.5 | 0.6 | 21.6 | 0.7 | 27.5 | 0.9 |
| *Budget* | *14.5* | *0.5* | *18.8* | *0.7* | *20.8* | *0.7* | *26.0* | *0.8* |

1. Net financial worth equals total financial assets minus total liabilities.
2. Gross debt measures the face value of Australian Government Securities (AGS) on issue.
3. 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).
4. Net interest payments are equal to the difference between interest payments and interest receipts.

## Other fiscal aggregates

The following section presents alternative measures of the Government’s fiscal position.

## 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 Commonwealth’s net new capital expenditure.

The net operating balance is expected to be a deficit of $40.4 billion (1.5 per cent of GDP) in 2024–25 (Table 3.9), compared to an expected deficit of $23.0 billion (0.8 per cent of GDP) in the 2024–25 Budget.

### Fiscal balance estimates

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

The fiscal balance is expected to be a deficit of $45.9 billion (1.7 per cent of GDP) in 2024‍–‍25 (Table 3.9), compared to an expected deficit of $29.3 billion (1.1 per cent of GDP) in the 2024–25 Budget.

Table 3.9: Australian Government general government sector accrual aggregates

|  |  |
| --- | --- |
|   | Estimates |
|   | 2024–25 | 2025–26 | 2026–27 | 2027–28 |
|   | $b | % GDP | $b | % GDP | $b | % GDP | $b | % GDP |
|   |   |   |   |   |   |   |   |   |
| **Revenue** |  |  |  |  |  |  |  |  |
| MYEFO | 718.3 | 26.0 | 743.2 | 26.0 | 781.0 | 26.0 | 822.4 | 26.0 |
| *Budget* | *711.5* | *25.8* | *732.7* | *25.5* | *776.2* | *25.7* | *819.6* | *25.8* |
|   |   |   |   |   |   |   |   |   |
| **Expenses** |   |   |   |   |   |   |   |   |
| MYEFO | 758.6 | 27.5 | 784.6 | 27.5 | 809.0 | 27.0 | 844.6 | 26.7 |
| *Budget* | *734.5* | *26.6* | *767.3* | *26.7* | *793.8* | *26.3* | *829.8* | *26.1* |
|   |   |   |   |   |   |   |   |   |
| **Net operating balance** |  |   |  |   |  |   |  |   |
| MYEFO | -40.4 | -1.5 | -41.4 | -1.5 | -28.0 | -0.9 | -22.2 | -0.7 |
| *Budget* | *-23.0* | *-0.8* | *-34.5* | *-1.2* | *-17.5* | *-0.6* | *-10.1* | *-0.3* |
|   |   |   |   |   |   |   |   |   |
| **Net capital investment** |   |   |   |   |   |   |   |   |
| MYEFO | 5.5 | 0.2 | 8.3 | 0.3 | 8.4 | 0.3 | 11.2 | 0.4 |
| *Budget* | *6.3* | *0.2* | *8.1* | *0.3* | *9.0* | *0.3* | *11.9* | *0.4* |
|   |   |   |   |   |   |   |   |   |
| **Fiscal balance** |  |   |  |   |  |   |  |   |
| MYEFO | -45.9 | -1.7 | -49.7 | -1.7 | -36.3 | -1.2 | -33.4 | -1.1 |
| *Budget* | *-29.3* | *-1.1* | *-42.6* | *-1.5* | *-26.5* | *-0.9* | *-22.0* | *-0.7* |

Table 3.10 provides a reconciliation of fiscal balance estimates, including the impact of policy decisions and parameter and other variations on revenue and expenses since the 2024‍–‍25 Budget. The drivers of movements in the fiscal balance estimates are largely the same as for the underlying cash balance.

Table 3.10: Reconciliation of general government sector fiscal balance estimates

|  |  |  |  |
| --- | --- | --- | --- |
|   | Estimates |   |   |
|   | 2024–25 | 2025–26 | 2026–27 | 2027–28 |   | Total |
|   | $m | $m | $m | $m |   | $m |
| **2024–25 Budget fiscal balance** | **-29,316** | **-42,604** | **-26,514** | **-22,026** |  | **-120,461** |
| Per cent of GDP | -1.1 | -1.5 | -0.9 | -0.7 |   |   |
|   |   |   |   |   |   |   |
| **Changes from 2024-25 Budget** |   |   |   |   |   |   |
| **to 2024-25 MYEFO** |   |   |   |   |   |   |
| Effect of policy decisions(a)(b) |   |   |   |   |   |   |
| *Revenue* | *118* | *225* | *429* | *405* |  | *1,176* |
| *Expenses*  | *12,739* | *8,635* | *6,188* | *4,487* |  | *32,049* |
| *Net capital investment* | *38* | *466* | *504* | *97* |  | *1,105* |
| Total policy decisions impact on fiscal balance | -12,660 | -8,875 | -6,264 | -4,179 |   | -31,978 |
|   |   |   |   |   |   |   |
| Effect of parameter and other variations(b) |   |   |   |   |   |   |
| *Revenue* | *6,631* | *10,245* | *4,361* | *2,406* |  | *23,643* |
| *Expenses*  | *11,390* | *8,693* | *9,027* | *10,404* |  | *39,514* |
| *Net capital investment* | *-848* | *-232* | *-1,095* | *-756* |  | *-2,932* |
| Total parameter and other variations impact on  |   |   |   |   |   |   |
| fiscal balance | -3,911 | 1,784 | -3,570 | -7,243 |   | -12,939 |
|   |   |   |   |   |   |   |
| **2024–25 MYEFO fiscal balance** | **-45,887** | **-49,695** | **-36,347** | **-33,448** |  | **-165,377** |
| Per cent of GDP | -1.7 | -1.7 | -1.2 | -1.1 |   |   |

1. Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.
2. 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 has been revised up by $6.7 billion in 2024–25 since the 2024–25 Budget (Table 3.11).

Table 3.11: Reconciliation of 2024–25 general government (accrual) revenue

|  |  |  |  |
| --- | --- | --- | --- |
|   | Estimates |   | Change on Budget |
|   | Budget | MYEFO |   |   |
|   | $m | $m |   | $m | % |
| Individuals and other withholding taxes |   |   |   |   |   |
| Gross income tax withholding | 293,700 | 296,800 |   | 3,100 | 1.1 |
| Gross other individuals | 82,500 | 87,400 |   | 4,900 | 5.9 |
| *less:* Refunds | 40,600 | 39,900 |   | -700 | -1.7 |
| Total individuals and other withholding tax | 335,600 | 344,300 |   | 8,700 | 2.6 |
| Fringe benefits tax | 4,130 | 5,030 |   | 900 | 21.8 |
| Company tax | 141,200 | 135,500 |   | -5,700 | -4.0 |
| Superannuation fund taxes | 19,830 | 21,930 |   | 2,100 | 10.6 |
| Petroleum resource rent tax | 2,590 | 1,400 |   | -1,190 | -45.9 |
| **Income taxation revenue** | **503,350** | **508,160** |  | **4,810** | **1.0** |
|  |  |  |  |  |  |
| Goods and services tax | 92,070 | 94,770 |  | 2,700 | 2.9 |
| Wine equalisation tax | 1,150 | 1,130 |  | -20 | -1.7 |
| Luxury car tax | 1,110 | 1,170 |  | 60 | 5.4 |
| Excise and customs duty  |   |   |   |   |   |
| Petrol | 7,150 | 7,050 |   | -100 | -1.4 |
| Diesel | 17,040 | 17,040 |   | 0 | 0.0 |
| Other fuel products | 2,190 | 2,040 |   | -150 | -6.8 |
| Tobacco | 11,550 | 8,750 |   | -2,800 | -24.2 |
| Beer | 2,660 | 2,620 |   | -40 | -1.5 |
| Spirits | 3,590 | 3,310 |   | -280 | -7.8 |
| Other alcoholic beverages(a) | 1,750 | 1,760 |   | 10 | 0.6 |
| Other customs duty |   |   |   |   |   |
| Textiles, clothing and footwear | 170 | 170 |   | 0 | 0.0 |
| Passenger motor vehicles | 380 | 380 |   | 0 | 0.0 |
| Other imports | 1,530 | 1,560 |   | 30 | 2.0 |
| *less:* Refunds and drawbacks | 730 | 730 |   | 0 | 0.0 |
| Total excise and customs duty | 47,280 | 43,950 |   | -3,330 | -7.0 |
|  |   |   |  |   |   |
| Major bank levy | 1,740 | 1,750 |  | 10 | 0.6 |
| Agricultural levies | 627 | 682 |   | 55 | 8.7 |
| Visa application charges | 3,882 | 4,147 |  | 265 | 6.8 |
| Other taxes | 7,753 | 7,850 |   | 97 | 1.3 |
| **Indirect taxation revenue** | **155,612** | **155,449** |  | **-163** | **-0.1** |
|  |   |   |  |   |   |
| **Taxation revenue** | **658,962** | **663,609** |  | **4,647** | **0.7** |
|  |   |   |  |   |   |
| Sales of goods and services | 21,636 | 21,067 |  | -568 | -2.6 |
| Interest | 10,276 | 11,046 |   | 770 | 7.5 |
| Dividends and distributions | 6,815 | 7,137 |  | 322 | 4.7 |
| Other non-taxation revenue | 13,815 | 15,394 |   | 1,578 | 11.4 |
| **Non-taxation revenue** | **52,542** | **54,644** |  | **2,102** | **4.0** |
| **Total revenue** | **711,505** | **718,253** |  | **6,749** | **0.9** |
| *Memorandum:* |  |  |  |  |  |
| *Total excise* | *31,250* | *30,970* |  | *-280* | *-0.9* |
| *Total customs duty* | *16,030* | *12,980* |  | *-3,050* | *-19.0* |
| *Capital gains tax(b)* | *23,600* | *29,900* |  | *6,300* | *26.7* |

1. ‘Other alcoholic beverages’ are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).
2. ‘Capital gains tax’ is part of gross other individuals, company tax and superannuation fund taxes.

Table 3.12: Reconciliation of 2025–26 general government (accrual) revenue

|  |  |  |  |
| --- | --- | --- | --- |
|   | Estimates |   | Change on Budget |
|   | Budget | MYEFO |   |   |
|   | $m | $m |   | $m | % |
| Individuals and other withholding taxes |   |   |   |   |   |
| Gross income tax withholding | 308,500 | 311,800 |   | 3,300 | 1.1 |
| Gross other individuals | 85,900 | 86,800 |   | 900 | 1.0 |
| *less:* Refunds | 41,700 | 42,100 |   | 400 | 1.0 |
| Total individuals and other withholding tax | 352,700 | 356,500 |   | 3,800 | 1.1 |
| Fringe benefits tax | 4,040 | 5,100 |   | 1,060 | 26.2 |
| Company tax | 136,000 | 139,000 |   | 3,000 | 2.2 |
| Superannuation fund taxes | 21,380 | 23,230 |   | 1,850 | 8.7 |
| Petroleum resource rent tax | 2,080 | 1,880 |   | -200 | -9.6 |
| **Income taxation revenue** | **516,200** | **525,710** |  | **9,510** | **1.8** |
|  |  |  |  |  |  |
| Goods and services tax | 97,290 | 99,290 |  | 2,000 | 2.1 |
| Wine equalisation tax | 1,220 | 1,220 |  | 0 | 0.0 |
| Luxury car tax | 1,200 | 1,210 |  | 10 | 0.8 |
| Excise and customs duty  |   |   |   |   |   |
| Petrol | 7,550 | 7,450 |   | -100 | -1.3 |
| Diesel | 17,750 | 17,850 |   | 100 | 0.6 |
| Other fuel products | 2,230 | 2,020 |   | -210 | -9.4 |
| Tobacco | 11,500 | 8,650 |   | -2,850 | -24.8 |
| Beer | 2,870 | 2,850 |   | -20 | -0.7 |
| Spirits | 3,770 | 3,450 |   | -320 | -8.5 |
| Other alcoholic beverages(a) | 1,810 | 1,850 |   | 40 | 2.2 |
| Other customs duty |   |   |   |   |   |
| Textiles, clothing and footwear | 170 | 170 |   | 0 | 0.0 |
| Passenger motor vehicles | 370 | 370 |   | 0 | 0.0 |
| Other imports | 1,590 | 1,600 |   | 10 | 0.6 |
| *less:* Refunds and drawbacks | 730 | 730 |   | 0 | 0.0 |
| Total excise and customs duty | 48,880 | 45,530 |   | -3,350 | -6.9 |
|  |   |   |  |   |   |
| Major bank levy | 1,800 | 1,810 |  | 10 | 0.6 |
| Agricultural levies | 645 | 625 |   | -20 | -3.0 |
| Visa application charges | 4,096 | 4,211 |  | 115 | 2.8 |
| Other taxes | 8,139 | 8,249 |   | 110 | 1.4 |
| **Indirect taxation revenue** | **163,269** | **162,144** |  | **-1,124** | **-0.7** |
|  |   |   |  |   |   |
| **Taxation revenue** | **679,469** | **687,854** |  | **8,386** | **1.2** |
|  |   |   |  |   |   |
| Sales of goods and services | 22,555 | 21,808 |  | -747 | -3.3 |
| Interest | 9,998 | 11,039 |   | 1,041 | 10.4 |
| Dividends and distributions | 7,188 | 7,155 |  | -32 | -0.4 |
| Other non-taxation revenue | 13,531 | 15,354 |   | 1,823 | 13.5 |
| **Non-taxation revenue** | **53,272** | **55,356** |  | **2,085** | **3.9** |
| **Total revenue** | **732,740** | **743,211** |  | **10,470** | **1.4** |
| *Memorandum:* |  |  |  |  |  |
| *Total excise* | *32,670* | *32,570* |  | *-100* | *-0.3* |
| *Total customs duty* | *16,210* | *12,960* |  | *-3,250* | *-20.0* |
| *Capital gains tax(b)* | *23,800* | *26,100* |  | *2,300* | *9.7* |

1. ‘Other alcoholic beverages’ are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).
2. ‘Capital gains tax’ is part of gross other individuals, company tax and superannuation fund taxes.

### Expense estimates

Expenses are the accrual accounting equivalent of cash-based payments.

Total expenses have been revised up by $24.1 billion in 2024–25, and $71.6 billion over the four years to 2027–28, since the 2024–25 Budget.

Movements in expenses over the forward estimates are broadly consistent with movements in cash payments. The key exceptions include:

* the NDIS program, where there is an expected time lag between the receipt of reasonable and necessary support services and the lodgement of claims relating to those services.
* superannuation benefits programs (civilian and military), where there is a timing difference with the expense accruing during employment and cash payments occurring during retirement.
* purchases of non-financial assets, which are included in cash payments but not in accrual expenses. The expense estimates include depreciation of non-financial assets rather than recognising the impact at the time of purchase.

Table 3.13: Reconciliation of general government sector expense estimates

|  |  |  |  |
| --- | --- | --- | --- |
|   | Estimates |   |   |
|   | 2024–25 | 2025–26 | 2026–27 | 2027–28 |   | Total |
|   | $m | $m | $m | $m |   | $m |
| **2024–25 Budget expenses** | **734,518** | **767,290** | **793,765** | **829,755** |  | **3,125,329** |
|  |  |  |  |  |  |  |
| **Changes from 2024–25 Budget to**  |   |   |   |   |   |   |
| **2024–25 MYEFO** |  |  |  |  |  |   |
| Effect of policy decisions(a) | 12,739 | 8,635 | 6,188 | 4,487 |   | 32,049 |
| Effect of economic parameter variations |   |   |   |   |   |   |
| Total economic parameter variations | 2,825 | 2,190 | 2,295 | 2,155 |   | 9,465 |
| *Unemployment benefits* | *315* | *210* | *103* | *144* |  | *772* |
| *Prices and wages* | *442* | *233* | *800* | *687* |  | *2,162* |
| *Interest and exchange rates* | *-26* | *-130* | *-105* | *-101* |  | *-363* |
| *GST payments to the states* | *2,095* | *1,876* | *1,498* | *1,425* |  | *6,894* |
| Public debt interest | 273 | 693 | 1,465 | 2,595 |   | 5,026 |
| Program specific parameter variations | 3,309 | 9,244 | 8,117 | 9,273 |   | 29,944 |
| Other variations | 4,983 | -3,434 | -2,851 | -3,618 |   | -4,920 |
| **Total variations** | **24,129** | **17,328** | **15,215** | **14,891** |  | **71,563** |
|  |  |  |  |  |  |  |
| **2024–25 MYEFO expenses** | **758,648** | **784,618** | **808,980** | **844,646** |  | **3,196,892** |

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

### Net capital investment estimates

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 acquisition of physical assets, financial assets and provision of grants and subsidies to others (primarily state and territory governments), which they then use to acquire assets.

Table 3.14: Reconciliation of general government sector net capital investment estimates

|  |  |  |  |
| --- | --- | --- | --- |
|   | Estimates |   |   |
|   | 2024–25 | 2025–26 | 2026–27 | 2027–28 |   | Total |
|  | $m | $m | $m | $m |   | $m |
| **2024–25 Budget net capital investment** | **6,303** | **8,055** | **8,988** | **11,899** |  | **35,244** |
|  |  |  |  |  |  |  |
| **Changes from 2024–25 Budget to**  |   |   |   |   |   |   |
| **2024–25 MYEFO** |  |  |  |  |  |   |
| Effect of policy decisions(a) | 38 | 466 | 504 | 97 |   | 1,105 |
| Effect of parameter and other variations | -848 | -232 | -1,095 | -756 |   | -2,932 |
| **Total variations** | **-810** | **234** | **-591** | **-659** |  | **-1,827** |
|  |   |   |   |   |   |   |
| **2024–25 MYEFO net capital investment** | **5,493** | **8,288** | **8,396** | **11,240** |  | **33,417** |

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

## Structural budget balance estimates

The structural budget balance estimate adjusts the underlying cash balance to remove the estimated effects of temporary factors. Temporary factors 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 has increased the uncertainty around the estimate.

The estimate of the structural budget balance for 2023–24 has been revised up, consistent with the better-than-expected underlying cash balance outcome for that year. Beyond that, structural budget balance estimates are broadly in line with estimates in the 2024‍–‍25 Budget.

The structural budget position is forecast to return to deficit over the forward estimates, peaking at 1.2 per cent of GDP in 2025–26 and then narrowing (Chart 3.9). Over the medium term, the structural budget balance is projected to improve gradually towards balance.

Chart 3.9: Structural budget balance

Note: The approach separating the budgetary impact of temporary measures 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, which may result in an improved structural budget balance estimate.

Source: Treasury.