Budget
2024–25

BUDGET STRATEGY AND OUTLOOK
BUDGET PAPER NO. 1

Circulated by

The Honourable Jim Chalmers MP
Treasurer of the Commonwealth of Australia

and

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

For the information of honourable members
on the occasion of the Budget 2024–25

14 May 2024

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

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

Internet
A copy of this document is available on the central Budget website at: www.budget.gov.au.

Printed by CanPrint Communications Pty Ltd

Contents

Statement 1
Budget Overview

The 2024–25 Budget delivers cost-of-living help and builds a future made in Australia. It helps ease the pressures people are under today, invests in a stronger and more resilient economy and continues the Government's record of responsible economic management.

Global uncertainty, high but moderating inflation, and higher interest rates are contributing to cost-of-living pressures and combining to slow the economy. At the same time, the global transformation to net zero and rapid shifts in the geostrategic landscape are creating new opportunities and challenges for Australia's economic prosperity and security.

While many Australians remain under pressure, Australia is better placed than most economies to manage these challenges and become the beneficiaries of change. This Budget strikes the right balance between keeping pressure off inflation, delivering cost-of-living relief, supporting sustainable economic growth and strengthening public finances.

Following a surplus in 2022–23, a second is expected in 2023–24, which would be the first back-to-back surpluses in nearly two decades. The Budget forecasts lower gross debt-to-GDP and lower inflation, which is expected to return to the RBA's target band earlier than previously expected.

This Budget responds to the challenges of today and lays the foundation for future prosperity by:

- easing cost-of-living pressures
- building more homes for Australians
- investing in a Future Made in Australia
- strengthening Medicare and the care economy
- broadening opportunity and advancing equality.

Global growth is expected to remain subdued over the next few years as the effects of high inflation, restrictive macroeconomic policies, geopolitical tensions, and challenges in the Chinese economy weigh on the outlook. Tackling inflation remains the primary focus but, as inflationary pressures abate and labour markets soften, the global policy focus will increasingly shift to managing risks to growth.

Inflation remains elevated, but has moderated to less than half of its peak in 2022. Annual inflation has moderated more quickly than forecast at the 2023–24 Mid-Year Economic and Fiscal Outlook (MYEFO) and is expected to be lower in 2023–24. The Government's responsible cost-of-living relief measures of energy bill relief and Commonwealth Rent Assistance are estimated to directly reduce headline inflation by ½ of a percentage point in

2024–25 and are not expected to add to broader inflationary pressures. This could see headline inflation return to the RBA's target band by the end of 2024, slightly earlier than expected at MYEFO.

The labour market has been resilient, with employment growing faster than many other advanced economies, the unemployment rate near its 50-year historical low, nominal wages growing at their its fastest rate in nearly 15 years and real wages now growing.

The Government delivered a $22.1 billion surplus in 2022–23. A second surplus of $9.3 billion (0.3 per cent of GDP) is expected in 2023–24, an improvement of $10.5 billion since MYEFO. The back-to-back surpluses reflect the Government's discipline to return 96 per cent of tax upgrades to Budget in 2023–24 and 82 per cent of tax upgrades since the Pre-election Economic and Fiscal Outlook 2022 (PEFO) over the forward estimates period.

A deficit of $28.3 billion is forecast in 2024–25. Over the six years to 2027–28, the underlying cash balance is stronger in every year compared to PEFO and has improved by a cumulative $214.7 billion. Gross debt as a share of the economy is projected to be lower than MYEFO in every year of the forward estimates and medium term.

This Budget delivers further cost-of-living relief, with tax cuts to all 13.6 million taxpayers. The Government's tax changes deliver bigger tax cuts for low- and middle-income Australians in a way that does not add to the inflation outlook. The Budget also provides energy bill relief for all households, further increases to Commonwealth Rent Assistance, financial support for students and cheaper medicines.

The Government is taking action to build more homes for Australians. This Budget delivers more housing, provides additional funding for social housing and homelessness, and helps address infrastructure bottlenecks to support the building of more homes. It also invests in better transport in growth areas, including Western Sydney and South East Queensland.

This Budget invests in a stronger and more resilient economy by building a future made in Australia. It reforms investment settings and approvals, and accelerates Australia's plan to become a renewable energy superpower by unlocking private investment in the production of hydrogen, critical minerals, and clean manufacturing. It invests in digital and defence priorities, supports small business and boosts engagement and trade in our region.

This Budget will reform higher education to expand access and deliver the highly skilled workforce of the future. It invests in skills in priority industries and creates a more integrated tertiary education system that responds and adapts to skills needs.

The Government is investing in strengthening Medicare and providing cheaper and more accessible health care, including Medicare Urgent Care Clinics and PBS listings. The Government continues to improve aged care, and reform the NDIS to get it back on track.

The Budget builds on the Government's commitment to broaden opportunity and advance equality. It includes initiatives to support gender equality, including superannuation on Government-funded Paid Parental Leave and support for women affected by violence, and makes investments in essential services, housing and support for First Nations Australians.

Statement contents

Statement 1: Budget Overview

Economic and Fiscal Outlook

Global growth is expected to remain subdued over the next few years as the effects of high inflation, restrictive macroeconomic policies, geopolitical tensions, and challenges in the Chinese economy weigh on the outlook. Global growth is forecast to remain flat at around 3¼ per cent in 2024, 2025, and 2026. This would represent the longest stretch of below-average global growth since the early 1990s. While fighting inflation remains the primary task, as inflationary pressures abate and labour markets soften, the global policy focus will begin to shift to managing risks to growth.

Australia is not immune from global developments and the combination of moderating but high inflation and higher interest rates have resulted in lower growth over the past year. Real GDP is forecast to grow by 1¾ per cent in 2023–24. The Australian economy is well placed to navigate these economic challenges, with moderating inflation, a resilient labour market, a return to annual real wage growth and a solid pipeline of business investment.

Although inflation remains elevated, it has moderated substantially and is now less than half of its peak in 2022. The moderation has occurred more quickly than anticipated at MYEFO. While there remains considerable uncertainty around the outlook for the domestic and global economy, energy bill relief and Commonwealth Rent Assistance in this Budget are expected to directly reduce inflation by ½ of a percentage point in 2024–25 and not expected to add to broader inflationary pressures. This could see headline inflation return to the target band by the end of 2024, slightly earlier than expected at MYEFO.

The labour market has been resilient. The unemployment rate is historically low, the participation rate is near its record high and employment is growing faster than any major advanced economy over the past year. As labour market conditions continue to ease over 2024–25, the unemployment rate is expected to rise slightly but remain below pre-pandemic levels.

Nominal wage growth has picked up and is growing at its fastest rate in nearly 15 years. The moderation in inflation and pick up in wage growth have contributed to an improvement in real wages. Real wages have risen for three consecutive quarters and returned to annual growth at the end of 2023, which is earlier than previously forecast. Real wages are expected to rise further and grow by ½ per cent through-the-year to the June quarter 2024.

There is a solid pipeline of business investment, with annual investment growth expected to continue through to 2025–26. If realised, this would be the longest sustained increase in investment since the mining boom.

Growth is expected to remain subdued over the forecast period. Real GDP is forecast to grow by 2 per cent in 2024–25, 2¼ per cent in 2025–26 and 2½ per cent in 2026–27. Higher wages growth, the forecast moderation in inflation, continuing employment growth and the Government's cost-of-living tax cuts should support real household disposable incomes and a recovery in household consumption.

Table 1.1: Major economic parameters[(a)]

	Outcome	Forecasts				
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Real GDP	3.1	1 3/4	2	2 1/4	2 1/2	2 3/4
Employment	3.5	2 1/4	3/4	1 1/4	1 3/4	1 3/4
Unemployment rate	3.6	4	4 1/2	4 1/2	4 1/2	4 1/4
Consumer price index	6.0	3 1/2	2 3/4	2 3/4	2 1/2	2 1/2
Wage price index	3.7	4	3 1/4	3 1/4	3 1/2	3 1/2
Nominal GDP	9.9	4 3/4	2 3/4	4	5 1/4	5 1/4

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

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

Following a $22.1 billion surplus in 2022–23, another $9.3 billion surplus is now forecast for 2023–24 – the first back-to-back surpluses in almost two decades and a $65.9 billion improvement from PEFO.

The Government is supporting monetary policy to keep the pressure off inflation by targeting a surplus and banking 96 per cent of tax receipt upgrades in 2023–24. Since coming to government, 82 per cent of tax upgrades have been returned to the budget.

A deficit of $28.3 billion (1.0 per cent of GDP) is forecast in 2024–25. The larger deficit is driven by the Government's cost-of-living relief and addressing unavoidable spending including terminating health funding and frontline services. Over the six years to 2027–28, the underlying cash balance is stronger in every year compared to PEFO and has improved by a cumulative $214.7 billion.

The upgrades to receipts in this Budget are much smaller than recent budget updates, at around a fifth of the average of the previous three Budgets. This Budget sees tax receipts, excluding GST and policy decisions, increasing since MYEFO by $8.2 billion in 2024–25 and $27.0 billion over the forward estimates.

Real payments growth has been limited to an average 1.4 per cent per year over the period since coming to government to 2027–28, compared to around 3.2 per cent over the past 30 years. The Government has identified $32.2 billion in budget improvements in this Budget, bringing the total to $104.8 billion since coming to government.

Gross debt as a share of the economy is projected to be lower than at MYEFO and PEFO in every year of the forward estimates and medium term, helping to rebuild fiscal buffers to prepare for future challenges. Gross debt is projected to be $183.0 billion lower in 2024–25 than at PEFO. The improvements to the Budget position since PEFO will save around $80 billion in interest costs over the decade.

Table 1.2: Budget aggregates

	Actual	Estimates						Projections
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Total(a)	2034-35
	$b	$b	$b	$b	$b	$b	$b	
Underlying cash balance	**22.1**	**9.3**	**-28.3**	**-42.8**	**-26.7**	**-24.3**	**-112.8**	
Per cent of GDP	0.9	0.3	-1.0	-1.5	-0.9	-0.8		-0.1
Gross debt(b)	**889.8**	**904.0**	**934.0**	**1,007.0**	**1,064.0**	**1,112.0**		
Per cent of GDP	34.7	33.7	33.9	35.1	35.2	34.9		30.2
Net debt(c)	**491.0**	**499.9**	**552.5**	**615.5**	**660.0**	**697.5**		
Per cent of GDP	19.2	18.6	20.0	21.5	21.8	21.9		18.7

a) Total is equal to the sum of amounts from 2023–24 to 2027–28.
b) Gross debt measures the face value of Government Securities (AGS) on issue.
c) Net debt is the sum of interest-bearing liabilities (which includes AGS on issue measured at market value) less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).

Responsible economic management

The Government's Economic and Fiscal Strategy is making the economy and the budget stronger, more resilient and more sustainable over the medium term. The back-to-back surpluses reflect the Government's discipline to return 96 per cent of tax upgrades to Budget in 2023–24 and 82 per cent of tax upgrades since PEFO. Since coming to government real payments growth has been limited to an average 1.4 per cent per year and $104.8 billion in budget improvements have been identified up to 2027–28.

The Government is directly reducing inflation through responsible cost-of-living measures. In 2024–25, these measures are estimated to directly reduce inflation by ½ of a percentage point and are not expected to add to broader inflationary pressures.

In this Budget, the Government has identified $27.9 billion in savings and spending reprioritisations to support the Government's commitment to improve the quality of spending and ensure spending is targeted at national priorities. This brings the total savings and spending reprioritisations since PEFO to $77.4 billion.

The Budget also incorporates the impact of National Disability Insurance Scheme (NDIS) reforms being undertaken by the Government as part of the Getting the NDIS back on track measure. These reforms are expected to offset increases in NDIS payments of $14.4 billion over four years from 2024–25, based on the NDIS Actuary's revised projections without further action.

This Budget also includes measures to strengthen the fairness and sustainability of the tax system, which will improve the budget by $3.1 billion over five years. This includes funding for the Australian Taxation Office to address fraud, extending tax compliance activities focused on domestic and multinational tax avoidance, the shadow economy and the personal income tax system, and strengthening the foreign resident capital gains tax regime to ensure foreign residents pay their fair share of tax in Australia.

The Government has taken $15.4 billion in unavoidable spending decisions, including to extend terminating programs and continue to address legacy issues left by the former Government. Investment in these critical areas ensures that we keep existing programs in place to prevent any cuts to the services that Australians rely on. This includes funding to:

- address pressures at Services Australia, help stabilise claim processing performance and continue emergency response capability, continue to operate, maintain and enhance myGov, and improve safety for staff and customers
- address unavoidable cost pressures for existing projects in the Infrastructure Investment Program
- extend terminating health programs and to continue the COVID-19 response
- support digital capability and sustainment of aged care systems
- address underfunding at Home Affairs and the Australian Border Force, helping to sustain operations and maintain capability to secure our borders.

Budget priorities

Easing cost-of-living pressures

Australian households and businesses are still under pressure from high, but moderating, inflation and higher interest rates. In addition to the Government's cost-of-living tax cuts, this Budget delivers a further $7.8 billion in cost-of-living relief. The Government's income tax changes, energy bill relief, and rent assistance that will take pressure off households and are not expected to add to broader inflationary pressures. The Government is also delivering initiatives to build a more competitive and dynamic economy to put downward pressure on prices into the future.

Tax cuts for every Australian taxpayer

The Government has legislated tax cuts for all 13.6 million Australian taxpayers from 1 July 2024 to provide cost-of-living relief, return bracket creep and boost labour supply. The Government's tax changes have been designed to ensure they will not add to the inflation outlook.

From 1 July 2024:

- the 19 per cent tax rate will be reduced to 16 per cent
- the 32.5 per cent tax rate will be reduced to 30 per cent
- the income threshold above which the 37 per cent tax rate applies will be increased from $120,000 to $135,000
- the income threshold above which the 45 per cent tax rate applies will be increased from $180,000 to $190,000.

The Government's tax cuts return bracket creep and lower average tax rates for all taxpayers, with an average tax cut of $1,888. Someone earning an average income will pay $21,915 less in tax by 2034–35 as a result of the tax cuts. The reductions in average tax rates provide all taxpayers, particularly low- to middle-income taxpayers, with greater protection against bracket creep.

Compared to previously legislated settings, 11.5 million taxpayers (or 84 per cent of taxpayers) will receive a bigger tax cut. This includes 2.9 million lower-income taxpayers with taxable income of $45,000 or less, who would not have received any support previously.

The tax cuts are expected to increase labour supply by around 930,000 hours per week, equivalent to around 25,000 full time jobs. This increase is primarily driven by increases in hours worked and participation of women and individuals in the low- to middle-income range, particularly those earning between $25,000 and $75,000. All 6.5 million women taxpayers will receive a tax cut in 2024–25, and 90 per cent of women taxpayers will get a bigger tax cut, increasing the financial return from work and supporting participation.

The Government has increased the Medicare levy low-income thresholds for singles, families and seniors from 1 July 2023 to provide additional cost-of-living relief. This will mean more than one million Australians on lower incomes continue to be exempt from paying the Medicare levy or pay a reduced levy rate.

New power bill relief

The Government is directly easing cost-of-living pressures for households and eligible small businesses through additional energy bill relief, which will be extended to all households, at a cost of $3.5 billion. From 1 July 2024, the Government will deliver rebates of $300 to every household and $325 to around one million small businesses across the country. Extending energy bill relief and expanding it to all households is expected to directly reduce headline inflation by around ½ a percentage point in 2024–25 and is not expected to add to broader inflationary pressures.

Support for renters

The Government recognises that many renters are still facing pressure from rising rents. This Budget provides further relief for renters by increasing maximum rates of Commonwealth Rent Assistance by an additional 10 per cent, at a cost of $1.9 billion over five years from 2023–24. This increase will support nearly one million households and help further relieve rental stress among low-income households.

This builds upon relief provided in the 2023–24 Budget, where the Government delivered the largest increase in Commonwealth Rent Assistance in more than 30 years, increasing maximum rates by 15 per cent. This is the first back-to-back real increase in the maximum rates of Commonwealth Rent Assistance in more than three decades.

Cheaper medicines

The Government is continuing to assist households facing cost-of-living pressures by keeping down the costs of medicines. Instead of rising with inflation, medicines will be kept cheaper through a one-year freeze on the maximum Pharmaceutical Benefits Scheme (PBS) patient co-payment for everyone with a Medicare card and a five-year freeze for pensioners and other concession cardholders. The Government is working to finalise the new Eighth Community Pharmacy Agreement, supported by up to an additional $3 billion in funding.

Supporting students

The Government will cut $3 billion in student debt for more than three million Australians. This will provide relief for everyone with Higher Education Loan Program (HELP) and other student loan debt, while continuing to protect the integrity and value of the student loan system which has massively expanded access to tertiary education. In response to the Universities Accord, the Government will cap the HELP indexation rate to be the lower of either the Consumer Price Index (CPI) or the Wage Price Index (WPI). The Government will backdate this relief to all HELP, VET Student Loan, Australian Apprenticeship Support Loan and other student support loan accounts that existed on 1 June 2023. This will benefit all Australians with a HELP debt, fix last year's spike and prevent growth in debt from outpacing wages in the future.

These changes complement other investments to set students up for success including payments for mandatory placements and to apprentices in priority occupations.

Support for vulnerable Australians

The Government is extending eligibility for the existing higher base rate of JobSeeker Payment to single JobSeeker Payment recipients with an assessed partial capacity to work between zero and 14 hours per week. Combined with a higher rate of Energy Supplement this will provide an increase of at least $54.90 per fortnight for these recipients. This is in addition to the broader $40 fortnightly base rate increase for working age and student payments announced in the 2023–24 Budget and regular indexation increases.

The Government is also supporting social security recipients to manage their budgets by continuing the freeze on social security deeming rates for financial investments at their current levels for a further 12 months until 30 June 2025. This will benefit around 876,000 income support recipients, including around 450,000 Age Pensioners.

The Government is providing $138.0 million over five years for community services delivered under the Financial Wellbeing and Capability Activity program, including financial resilience, capability building and crisis support. This program supports over 580,000 people experiencing financial distress including to help meet the cost of unexpected bills and expenses.

A fair go for consumers

The cost of food and groceries is putting many family budgets under significant pressure. The Government is committed to ensuring that the right regulatory settings are in place to support a competitive and sustainable food and grocery industry in Australia.

The Government has appointed Dr Craig Emerson to review the Food and Grocery Code of Conduct, to promote good faith commercial dealings between supermarkets and suppliers. The Government has also directed the Australian Competition and Consumer Commission (ACCC) to undertake a price inquiry into the supermarket sector, to ensure Australians are paying a fair price for their groceries.

Further, the Government has commissioned respected consumer advocate CHOICE to prepare quarterly reports, looking at the comparative cost of a basket of goods from retailers. This initiative will help consumers to make an informed choice and save money.

The Government has announced the biggest reform to Australia's merger control system in almost 50 years, and is working with state and territory governments over the coming year to revitalise National Competition Policy. These initiatives will promote a more competitive and productive economy, support living standards and put downward pressure on prices into the future.

Building more homes for Australians

This Budget invests in delivering the housing and infrastructure needed to support Australia's thriving cities and regional communities. The Government is boosting housing supply including social and affordable housing and investing in infrastructure to build more homes in well-located areas. The Government is also investing in the road, rail and port infrastructure needed to make our cities and regional communities more liveable and connect them with each other and to the world.

Help to build, rent and buy

The Government will make a further $1 billion available to the states and territories to boost housing supply in well-located areas. This includes funding to unblock local infrastructure bottlenecks that are preventing housing from being built by supporting better shared facilities and essential services such as water, power, and roads. This responds directly to requests from states and territories for an earlier boost to infrastructure funding to help them meet National Cabinet's 1.2 million homes target and achieve their share of the $3 billion New Homes Bonus incentive payment being offered by the Commonwealth.

Under the new National Agreement on Social Housing and Homelessness the Government is offering the states and territories an additional $423.1 million over five years for social housing and homelessness services, bringing the total to $9.3 billion. For this new agreement, the Commonwealth will double its dedicated funding allocation for homelessness services – funding the states and territories must match.

The Government will implement regulatory requirements to ensure public universities provide more purpose-built student accommodation. The Government will consult on the details of these requirements and transition arrangements prior to commencement. This will help increase the supply of student accommodation for all students and will ease pressure on the private rental market.

To encourage investment in the Build to Rent sector, the Government will allow foreign investors to purchase established Build to Rent developments and apply lower application fees to these investments. This builds on the Government's 2023–24 MYEFO commitment to apply lower fees to foreign investment applications for new Build to Rent developments.

Building the construction workforce

To strengthen the pipeline of skilled workers in the construction and housing sector, the Government is investing $88.8 million to deliver 20,000 additional Fee-Free TAFE and VET places in courses relevant to construction, including increased access to pre-apprenticeship programs. This is on top of more than 355,000 Fee-Free TAFE places delivered in 2023, and the 300,000 places being delivered from 2024 to 2026 in areas of skills need.

The Government will also provide $1.8 million to deliver streamlined skills assessments for around 1,900 migrants from comparable countries who wish to work in Australia's housing construction industry.

More Social and Affordable Housing

The first $500 million minimum annual disbursement from the $10 billion Housing Australia Future Fund (HAFF) will be made in 2024–25. These funds will support social, affordable, and acute housing, including for women and children impacted by family violence and older women at risk of homelessness. The Government will also provide additional concessional financing of up to $1.9 billion to community housing providers and other charities to support delivery of new social and affordable dwellings under the HAFF and the National Housing Accord.

The Government will further expand the Affordable Housing Bond Aggregator program by increasing Housing Australia's liability cap by $2.5 billion to $10 billion, and lend an additional $3 billion to Housing Australia to support ongoing delivery of the program.

These changes will enable Housing Australia to provide more low-cost finance to community housing providers.

The Government will target $1 billion for social housing under the National Housing Infrastructure Facility towards crisis and transitional accommodation for women and children fleeing domestic violence, and youth.

Better transport for cities, regions and suburbs

The Government is focusing its over $120 billion ten-year infrastructure investment pipeline on nationally significant projects which improve the prosperity, accessibility and liveability of our cities, regions and communities. This Budget provides $16.5 billion over 10 years from 2024–25 for priority road and rail infrastructure projects, including additional funding of $3.3 billion for the North East Link and $437.3 million for suburban road upgrades in south eastern and northern Melbourne.

To ensure Perth has an effective public transport network to support its growth, this Budget provides an additional $1.4 billion to existing METRONET projects and $300 million for a new High-Capacity Signalling Program.

This Budget will provide every state and territory with additional funding for new and existing infrastructure projects over the forward estimates; with $9.5 billion additional being provided over the forward estimates.

Better transport for Western Sydney

The Government is committed to unlocking the economic potential of Western Sydney, investing $2 billion of additional infrastructure funding this Budget. This brings total infrastructure investment in Western Sydney to $17.3 billion.

Investments in more efficient transport networks will transform the way communities live and move within Western Sydney and connect people to opportunities in the region. Key projects include:

- $1.9 billion for priority road and rail projects; including Mamre Road, Elizabeth Drive, and Richmond Road from the M7 Motorway to Townson Road
- $100.0 million for zero emission rapid bus infrastructure to connect the metropolitan centres of Penrith, Liverpool and Campbelltown to the Western Sydney International (Nancy-Bird Walton) Airport and Aerotropolis at Bradfield.

Western Sydney International Airport is due to welcome its first travellers and freight in 2026. The Government is providing a further $302.6 million over five years to enable operations at the Airport, including for border agencies to progress design, fit out and commissioning of facilities, provide federal policing and establish a detector dog unit.

Meeting the infrastructure needs for South East Queensland

The Government is investing $2.2 billion in vital transport infrastructure projects in South East Queensland to accommodate a population that has grown by over 50 per cent in the last 20 years, better integrating the region, and unlocking future housing development.

Investments in this Budget will enhance rail connectivity and reduce trip times between Brisbane and the Sunshine Coast, including an additional $1.2 billion for the Direct Sunshine Coast Rail and $226.7 million for the Beerburrum to Nambour Rail Upgrade, ahead of the 2032 Olympic and Paralympic Games. In addition, $431.7 million is provided for the Coomera Connector Stage 1 project, and an extra $467.2 million is being committed for the Bruce Highway Corridor, including in South East Queensland.

Better connections for regional and remote communities

Australia's regions rely on efficient and resilient transport links to connect communities and businesses. The Government is investing $2.6 billion in road and rail projects in regional Australia, including $541.7 million for upgrades to critical roads in Northern Australia and an additional $290.1 million for the Gippsland Rail Line Upgrade. Following the completion of additional planning, $720.0 million will be released for the construction of the Inland Freight Route in Queensland, providing an alternative to the Bruce Highway and improved connectivity between the NSW border and Charters Towers. The Government is also investing $540.0 million to improve the reliability of the Australian Rail Track Corporation's interstate freight rail network, including $150.0 million to upgrade the Maroona to Portland Line.

This Budget also provides $101.9 million to improve safety and accessibility at regional airports, including funding to upgrade remote airstrips recognising their importance in delivering healthcare and other services to remote communities.

Investing in a Future Made in Australia

This Budget invests $22.7 billion over the next decade to build a Future Made in Australia. This plan is about maximising the economic and industrial benefits of the net zero transformation and securing Australia's place in a changing global economic and strategic landscape.

The Future Made in Australia package encourages and facilitates the private sector investment required for Australia to make the most of these structural shifts. It will help Australia better attract and enable investment, encourage the transition to cheaper and cleaner energy and support Australia to become a renewable energy superpower. It will also value-add to our resources, strengthen our economic security, boost our innovation and digital capabilities and invest in the highly skilled workforce of the future.

The Future Made in Australia plan recognises the best opportunities for Australia and its people are at the intersection of industry, energy, resources, human capital, and our ability to attract and deploy investment. It will help build a stronger, more diversified and more resilient economy powered by clean energy, in a way that creates secure, well-paid jobs in our regions and suburbs, and benefits communities across Australia.

The Future Made in Australia plan is complemented by broader government priorities and initiatives in this Budget. These include but are not limited to investments in education, defence capabilities, trade and regional engagement and support for small business, farmers and regions.

Attracting investment in key industries

The Government will legislate a Future Made in Australia Act and establish a National Interest Framework to identify priority industries and guide investments associated with these industries, to ensure they are responsible and targeted.

The Framework will have a focus on industries that contribute to net zero transformation where Australia has a comparative advantage, and in areas where Australia has national interest imperatives related to economic security and resilience. It will also allow for the setting of new Community Benefit Principles to ensure government investment has flow on benefits for the broader Australian community, and will complement the Buy Australian Plan and Secure Jobs Plan.

New front door for investors

To facilitate the investment Australia’s dynamic economy needs, the Government will establish a new front door for investors with major, transformational investment proposals to make it simpler to invest in Australia and attract more global and domestic capital. The single point of contact for investors and companies with major investment proposals will streamline engagement with government, helping those investors and companies navigate approvals processes and fast-tracking major projects where possible.

It is proposed the new front door will deliver a joined-up approach to investment attraction and facilitation, identify priority projects related to the Government’s Future Made in Australia agenda, support accelerated and coordinated approvals, and connect investors with the Government’s Specialist Investment Vehicles. Its core functions and institutional arrangements will be subject to consultation, led by the Treasury.

The Net Zero Economy Authority (NZEA) will continue to support regions affected by energy system change through public and private investment, facilitating worker transition, and driving skills development. The front door will work in partnership with the NZEA to provide investment facilitation support and lead place-based co-investment.

The mandate of Export Finance Australia’s National Interest Account will be expanded to provide financial support for projects where public investment can strengthen the alignment of economic incentives with Australia’s national interests and incentivise private investment at scale in the development of priority industries. Support from the National Interest Account will be guided by the National Interest Framework and Community Benefit Principles, outlined in Box 1.1. Export Finance Australia will continue to rigorously assess the technical and commercial viability of proposed projects.

Strengthening and streamlining approvals

The Government is making it easier to invest in transformational projects by streamlining approval processes in ways that strengthen standards. Through smarter use of data, better decision-making processes and appropriate resourcing, this Budget provides a faster pathway to better decisions on environmental, energy, planning, cultural heritage and foreign investment approvals.

The Government is providing $96.6 million over four years to support timely environmental approval decisions by providing more support for project assessments, better planning in priority regions and more funding for threatened species research. This Budget provides an additional $19.9 million over four years to support assessment of priority renewable energy projects, to support the identification of national priority projects, working in collaboration with states and territories. Together, these measures support the recently announced second stage of the Government's Nature Positive Plan. The Government is also providing $17.7 million over three years to help reduce the backlog and support the administration of complex cultural heritage applications in the system.

The Government is working in partnership with states and territories to improve approval processes for energy infrastructure. This Budget invests $20.7 million over seven years in improving community engagement in energy infrastructure, including through introducing voluntary national standards for renewable energy developers, improving community benefits realisation in regional communities, and permanently establishing the Australian Energy Infrastructure Commissioner. Through the National Energy Transformation Partnership and support for the Australian Energy Market Operator grid connections pilot, the Government is also improving how planning decisions and electricity grid connections are delivered. To date, these actions have fast-tracked the delivery of an additional 3.2 gigawatts of generation capacity.

Foreign Investment Framework

This Budget provides $15.7 million to deliver a stronger, more streamlined and more transparent approach to foreign investment. These reforms will help attract the foreign capital flows Australia needs while protecting the national interest in an increasingly complex economic and geostrategic environment.

The Government will apply greater scrutiny to high-risk investments and enhance monitoring and enforcement activities. At the same time, low-risk investments will be processed faster to help bring in the capital Australia needs. This will be supported by Treasury adopting a new target of processing 50 per cent of foreign investment applications within the 30-day statutory timeframe from 1 January 2025.

Sustainable finance strategy

The Government is investing $17.3 million to deliver its ambitious sustainable finance agenda to mobilise private sector investment in the net zero transformation. This Budget fully funds completion of Australia's preliminary sustainable finance taxonomy, as well as development of a labelling regime for investment products marketed as sustainable.

An additional $1.3 million will enable the development of guidance on best practices for businesses disclosing net zero transition plans.

The Government is also issuing around $7 billion of green bonds in 2023–24 which will support the development of Australia's broader sustainable finance markets. The sustainable finance strategy will support reforms such as the new front door for investors and those that enhance Australia's ability to attract investment needed to make Australia a renewable energy superpower.

Making Australia a renewable energy superpower

The Government is making substantial investments to establish Australia as a renewable energy superpower. Maximising the opportunities of cheaper, cleaner, more reliable energy and the transformation to net zero are foundational in building a future made in Australia.

Powering Australia with cheaper, cleaner, more reliable energy

The Government is unlocking over $65 billion of investment in renewable generation and clean dispatchable capacity through the Capacity Investment Scheme. This will transform Australia's electricity grid and provide the foundation for an economy powered by renewables.

This Budget commits $27.7 million to help Australians benefit from cheaper, cleaner energy sooner by supporting development of priority reforms to ensure consumer energy resources, such as rooftop solar, household batteries and electric vehicles, contribute to our grid. It also introduces the New Vehicle Efficiency Standard, which will save Australians around $95 billion at the bowser by 2050 while reducing transport emissions.

Unlocking investment in net zero industries and jobs

This Budget accelerates the growth of new industries by providing a $1.5 billion extension over seven years to the Australian Renewable Energy Agency's industry-building investments and establishing the $1.7 billion Future Made in Australia Innovation Fund. This Fund will support innovation, commercialisation, pilot and demonstration projects and early stage development in priority sectors, including renewable hydrogen, green metals, low carbon liquid fuels and clean energy technology manufacturing such as batteries. The Budget also invests $44.4 million in an Energy Industry Jobs Plan and $134.2 million for skills and employment support in key regions impacted by the net zero transition.

The Government is establishing a Hydrogen Production Tax Incentive for renewable hydrogen produced from 2027–28 to 2039–40 to incentivise greater investment in renewable hydrogen production, at an estimated cost of $6.7 billion over the decade. This Government is also expanding the Hydrogen Headstart program by $1.3 billion, supporting early movers to invest in the industry's development.

These investments are supported by an extension to the First Nations Renewable Hydrogen Engagement Fund and the 2024 National Hydrogen Strategy, which outlines Australia's approach to becoming a global hydrogen leader through the development of a domestic low emissions hydrogen industry, working with international partners. Together, these new commitments are expected to unlock $50 billion in private capital investment into the Australian renewable hydrogen industry by 2030.

Green metals and low carbon liquid fuels are also key to Australia's net zero transformation. This Budget initiates further consultation on policy approaches to accelerate investment and incentivise efficient production of green metals and low carbon liquid fuels.

Boosting demand for Australia's green exports

The Government is supporting the growth of green industries and making it easier for businesses and trading partners to source low-emissions products by developing product standards for green products. The Budget provides $32.2 million to fast-track the initial phase of the Guarantee of Origin scheme focused on renewable hydrogen in 2024–25, before expanding the scheme to accredit the emissions content of green metals and low carbon liquid fuels.

Realising the opportunities of net zero transformation

Australia is committed to reaching net zero greenhouse gas emissions by 2050 and is developing six sector plans covering electricity and energy, transport, industry, resources, agriculture and land, and the built environment. This Budget continues the Government's investment in effective emissions abatement, including through $63.8 million to support emissions reduction efforts in the agriculture and land sector.

The Government is also investing $399.1 million to establish the Net Zero Economy Authority, which will support the economy-wide net zero transformation that is underway by acting as a catalyst for private and public investment, major project development, employment transition, skills and community development. The Budget strengthens community engagement in and benefits from the transition by investing $48.0 million in the reforms to the Australian Carbon Credit Unit scheme and $20.7 million to improve community engagement and realise community benefits for regional communities affected by the energy transition.

Adding value to resources and strengthening economic security

Critical minerals are a key input to many clean energy technologies. Scaling the supply of critical minerals will be essential in order to support the global transition to net zero by 2050. Australia can improve the resilience of supply chains and add more value to our resources by processing and refining critical minerals.

Backing a strong resources sector

Critical minerals are a key input to many clean energy technologies. Scaling the supply of critical minerals will be essential to support the global transition to net zero by 2050. By adding more value to our resources by processing and refining critical minerals, Australia can improve the resilience of global supply chains.

This Budget establishes a Critical Minerals Production Tax Incentive for eligible processing and refining costs from 2027–28 to 2039–40 to incentivise investment in refining and processing of the 31 critical minerals currently identified on the Government's Critical Minerals List, at an estimated cost of $7.0 billion over the decade.

The Government is also partnering with states and territories to complete pre-feasibility studies for critical minerals common-use infrastructure through the Critical Minerals National Productivity Initiative, and supporting up to $1.2 billion in priority critical minerals projects through the Critical Minerals Facility and Northern Australia Infrastructure Facility. This includes the Alpha HPA alumina project in Queensland and Arafura Rare Earth's Nolans Rare Earth project in the Northern Territory.

The Government is investing $556.1 million over ten years to progressively map Australia's potential for critical minerals, alternative energy, groundwater and other resources, providing scientific information to guide future investment.

Manufacturing clean energy technologies

The Government is providing $1.5 billion in support administered by the Australian Renewable Energy Agency for the manufacturing of clean energy technologies that strengthens supply chain resilience. The $1 billion Solar Sunshot program will incentivise private investment in solar panel manufacturing capability and the Battery Breakthrough Initiative, costing $523.2 million over seven years, will promote further opportunities to add value to Australia's critical minerals and target the high-value opportunities in the battery manufacturing value chain.

Building resilient supply chains

Resilient supply chains will be critical to delivering the Government's renewable energy superpower vision. The Government is working with the states and territories through the National Energy Transformation Partnership to secure the inputs required to achieve the 82 per cent renewable energy target. This is on top of the $2.2 million over two years previously committed to improve supply chain transparency and identify future demand for critical inputs.

The Government will also invest an additional $14.3 million to improve the competitiveness of the Australian economy by working with trade partners to support global rules on unfair trade practices and to negotiate benchmarks for trade in high-quality critical minerals.

Box 1.1: The Future Made in Australia National Interest Framework

The net zero transition and heightened geostrategic competition are transforming the global economy. Australia's comparative advantages, capabilities and trade partnerships mean that these global shifts present a profound opportunity for Australian workers and businesses. In certain circumstances, targeted public investment can strengthen the alignment of economic incentives with Australia's national interests and incentivise private investment at scale to develop priority industries.

In considering the prudent basis for public investment, the Government has had regard to: Australia's grounds for lasting competitiveness, the role the industry will play in securing an orderly path to net zero and in building Australia's economic resilience and security, whether the industry will build key capabilities, and whether the barriers to private investment can be resolved through public investment in a way that delivers compelling public value.

These five tests have informed the development of a National Interest Framework (the Framework), which will impose rigour on Government's decision making on significant public investments, particularly those used to incentivise private investment at scale. The Framework has two streams that will be used to identify priority industries and principles for government support.

- **Net zero transformation stream:** Industries may warrant public investment under this stream if Australia is assessed to have grounds for sustained comparative advantage in a net zero global economy, and public investment is needed for the sector to make a significant contribution to emissions reduction at an efficient cost.
- **Economic resilience and security stream:** Industries may warrant public investment under this stream if some level of domestic capability is necessary or efficient to deliver adequate economic resilience and security, and the private sector would not invest in this capability in the absence of public investment.

The Government will apply community benefit principles in relation to investments in priority industries. These principles will have a focus on investment in local communities, supply chains and skills, and the promotion of diverse workforces and secure jobs.

continued on next page

Box 1.1: The Future Made in Australia National Interest Framework (continued)

The following industries are consistent with the National Interest Framework in the context of the Government's Future Made in Australia agenda in the 2024–25 Budget:

Net zero transformation	Economic resilience and security
Renewable hydrogen	Processing and refining of critical minerals
Green metals	Manufacturing of clean energy technologies
Low carbon liquid fuels	

Treasury will be responsible for the Framework. Further details will be made available and consulted on as part of the Future Made in Australia legislative package. The Framework is not intended to direct all Government investments or replace other policy frameworks.

The Future Made in Australia package in the 2024–25 Budget puts in place meaningful but targeted incentives for private investment consistent with the Framework, including production tax credits for renewable hydrogen and critical minerals processing and refining. The Future Made in Australia package also includes broader investments in the Government's growth agenda, including critical technologies, defence priorities, skills in priority sectors, a competitive business environment and reforms to better attract and deploy investment.

Investing in digital, science and innovation

Science and research lay the foundations for new industries and productivity growth. This Budget invests in the data, technology and capabilities that will underpin future innovations.

Investing in new technologies and capabilities

Building on Australia's existing strengths in research and applied technology, the Government is partnering with PsiQuantum and the Queensland Government to develop Australia's quantum computing capabilities. As part of this $466.4 million partnership, PsiQuantum will build the world's first commercial-scale quantum computer in Brisbane, become the anchor tenant in a growing quantum precinct in Brisbane and deliver PhD positions and research collaborations.

The Government is initiating an independent, strategic examination of Australia's research and development system to ensure a robust and sustainable policy for a future made in Australia and to maximise the impact of investments in science, research and innovation.

The Government is providing $448.7 million to partner with the United States in the Landsat Next satellite program to provide access to critical data to monitor the earth's climate, agricultural production, and natural disasters, and $145.4 million for the National Measurement Institute to support its core scientific capabilities. To increase diversity in education and industry, the Government will invest $38.2 million to provide funding for a range of STEM programs.

Modernising and digitising industries

To guide safe and responsible development of new technologies, the Government will invest $39.9 million to progress Australia's regulatory response to ensure safe and responsible development and deployment of AI and release a National Robotics Strategy to promote the responsible production and adoption of robotics and automation technologies in Australia.

The Government will invest $288.1 million to support the further delivery and expansion of Australia's Digital ID System so more Australians can realise the economic, security and privacy benefits of Digital ID.

Reforming tertiary education and investing in priority skills

A highly skilled workforce will be a core enabler of the Government's ambitious agenda to modernise the Australian economy, drive productivity growth and build a future made in Australia. This Budget invests to build and enhance Australia's human capital base through key reforms to the tertiary education sector.

As part of the response to the Universities Accord, the Government will set a tertiary attainment target of 80 per cent of the working age population to have a VET or higher education qualification by 2050. To achieve this target, the Government is committing $1.1 billion over five years, and an additional $2.7 billion from 2028–29 to 2034–35, to expand access to higher education and support future productivity.

Broadening access to university

Increasing tertiary attainment and meeting the 80 per cent target will require greater numbers of underrepresented students to attend university. To help more of these students succeed, the Government is committing to needs-based funding. Universities will receive additional funding to provide dedicated support to students from low-socioeconomic backgrounds, First Nations students, students with disability and students studying at regional campuses.

The Government will also redesign the university funding model to drive attainment levels that meet our long-term skills needs. To provide more pathways to university for students who do not qualify for direct entry, the Government is also investing $350.3 million to expand access to free university enabling courses from 1 January 2025.

Supporting students on placements

The Government is investing $427.4 million over four years to make Commonwealth Prac Payments to students studying in critical sectors while they undertake mandatory placements. Support will be available to nursing including midwifery, teaching and social work students in higher education and nursing students in VET. Eligible students will receive payments of $319.50 per week for the duration of their placement. This is expected to support more than 73,000 students per year, will help to alleviate the financial impact of being on placement and will support retention in courses related to sectors with skills shortages.

Investing in priority skills

The Government is supporting gender equality and women's participation by driving structural and cultural change in work and training environments in traditionally male-dominated industries. The Government is investing $55.6 million to launch the Building Women's Careers program which will deliver around ten large-scale projects, and several smaller local projects, to support women to access flexible training in clean energy, construction, tech and advanced manufacturing.

To support apprentice retention and completion rates, the Government has committed to increase Phase Two Incentive System payments for apprentices in priority occupations from $3,000 to $5,000 and hiring incentives for priority occupation employers from $4,000 to $5,000 for 12 months from 1 July 2024. This will provide certainty to apprentices while the Government awaits the findings of the Strategic Review of the Australian Apprenticeship Incentive System.

To strengthen the pipeline of skills in the construction sector, the Government is investing $88.8 million to deliver 20,000 additional Fee-Free TAFE places in courses relevant to construction, including increased access to pre-apprenticeship programs. This is on top of more than 355,000 Fee-Free TAFE places delivered in 2023, and the 300,000 places being delivered from 2024 to 2026 in areas of skills need.

The Government is investing $91.0 million to develop the clean energy workforce, including by turbocharging the VET teacher, trainer and assessor workforce, and funding clean energy training facility upgrades and capacity expansion. Expanded eligibility for the New Energy Apprenticeships Program will also allow more apprentices to access $10,000 payments and will increase completions in priority sectors. Eligible Group Training Organisations will be reimbursed for reducing fees to small-to-medium enterprises seeking clean energy, manufacturing, and construction apprentices.

The Government is reforming Australia's migration system to drive greater economic prosperity and restore its integrity, implementing actions outlined in the Migration Strategy. This Budget supports skills in demand, with around 70 per cent of the permanent Migration Program allocated to skilled visa categories. The Government will also introduce a new National Innovation visa to attract exceptionally talented migrants and replace the Global Talent visa and the Business Innovation and Investment visa. These actions complement reforms being developed for the points test used for certain skilled visas.

The actions underway as part of the Migration Strategy are delivering a better managed migration system. Government actions are estimated to reduce net overseas migration by 110,000 people over the forward estimates from 1 July 2024. Net overseas migration is forecast to approximately halve from 528,000 in 2022–23 to 260,000 in 2024–25.

Strengthening our defence industry capability

The Government is committed to delivering an integrated, focused Australian Defence Force to protect the nation in a complex geostrategic environment, including by strengthening defence supply chains.

National Defence Strategy

As part of the 2024 National Defence Strategy, the Government is investing $330 billion over the next decade to deliver a rebuilt Integrated Investment Program (IIP) to support the required shift in Defence's posture and structure, and deliver critical capabilities for the Australian Defence Force (ADF). This includes an additional $50.3 billion over the decade to uplift the ADF's preparedness including through long-range strike capability and accelerating the modernisation of the Royal Australian Navy's surface combatant fleet.

The Government's significant investment in a rebuilt IIP involves reprioritisation of $22.5 billion over the next four years and $72.8 billion across the decade to support accelerated delivery of critical capabilities for the ADF.

Developing defence industry and skills

The Government will provide $101.8 million over seven years from 2024–25 to attract and retain the Australian industrial workforce required to support the delivery of Australia's conventionally-armed nuclear-powered submarines. This includes initiatives delivered through the Skills and Training Academy, such as a pilot apprenticeship program in trades required to support the nuclear-powered submarine enterprise. It will also support scholarships for students studying relevant undergraduate STEM courses.

The Government's Defence Industry Development Strategy will further support the creation of a resilient and competitive sovereign industrial base, providing economic opportunities for Australians and strengthening national defence. Funding of $165.7 million for the Defence Industry Development Grants Program will support businesses to increase their scale and competitiveness to deliver Sovereign Defence Industrial Priorities, including continuous naval shipbuilding and sustainment, domestic manufacture of guided weapons, explosive ordnance and munitions, and development and integration of autonomous systems.

Securing Australia's place in the world

Successfully developing a new industrial base in Australia depends on our ability to compete in global markets and sell Australian products to the world. Strengthening trade partnerships can bolster supply chains and improve the competitiveness of Australia's economy as it transitions to net zero.

This Budget includes $14.3 million to improve the competitiveness of the Australian economy by working with trade partners to support global rules on unfair trade practices and to negotiate benchmarks for trade in high quality critical minerals. This Future Made in Australia agenda will drive a set of initiatives designed to deliver concrete benefits to industries central to a future made in Australia, and begin to shape an international trading environment that supports Australia's comparative advantages.

From 1 July 2024, the Government will abolish 457 nuisance tariffs at a cost of $41 million over five years from 2023–24. The largest unilateral tariff reform in two decades will boost productivity, reduce red tape and simplify the tariff system. It will streamline approximately $8.5 billion in trade, saving Australian businesses approximately $30 million per year in compliance costs.

The Government is also making trade faster, easier and cheaper. This is a $29.9 million investment includes a Simplified Trade System unit to drive integrated cross-border trade reforms, and a new Digital Trade Accelerator Program to give businesses new, secure digital access to important trade data, with enhanced risk assessments to better facilitate trade across our borders.

This Budget will also take forward a whole-of-government approach to securing Australia's place in the world. This includes ensuring the security of our critical diplomatic network over the long term and improving resilience to cyber threats, by investing more than $388.2 million over the forward estimates to upgrade Australia's communications infrastructure and overseas property, including in the Pacific.

Investing in our relationship with Southeast Asia

The Government understands that our prosperity, security and economic future is tied to our region. We continue to implement Invested: Australia's Southeast Asia Economic Strategy to 2040, including the $505.9 million already committed to deepen ties with the region. The new Southeast Asia Investment Financing Facility will provide up to $2 billion in loans, guarantees, equity and insurance to catalyse Australian trade and investment in the region.

A stable, prosperous and resilient Pacific region

This Budget demonstrates the Government's longstanding commitment to support a stable, prosperous and resilient Pacific region. This includes programs which promote economic and social development, address infrastructure needs, build climate resilience, support access to reliable banking services, and strengthen our contribution to the regional approach in addressing shared security priorities. The Government's aim is for Australia to remain the partner of choice for Pacific countries.

Support for small businesses

The Government is delivering a better deal for small businesses by easing the pressure on them, supporting them to grow, and levelling the playing field. This Budget is creating the conditions for small businesses to invest, innovate and generate new jobs that will drive the economy and benefit Australian communities.

Improving cash flow

The Government is supporting up to four million small businesses to invest and grow by extending the $20,000 instant asset write-off to improve cash flow and reduce compliance costs. This extension is estimated to provide $290.0 million in cash flow support for small businesses over the forward estimates, building on support announced in the 2023–24 Budget.

Small businesses with an aggregated annual turnover of less than $10 million will continue to be able to immediately deduct eligible depreciating assets costing less than $20,000, which are first used or installed ready for use by 30 June 2025. The asset threshold applies on a per asset basis, so small businesses can instantly write off multiple assets.

The Government will provide $25.3 million over four years from 2024–25 to improve payment times for small businesses and ensure the Payment Times Reporting Regulator can deliver its expanded functions, which include naming slow paying big businesses, and fund fit-for-purpose ICT infrastructure for an overhauled Payment Times Reporting Scheme.

Supporting confidence and resilience in the small business sector

This Budget invests $10.8 million over two years to 2025–26 to continue delivering critical mental health and financial counselling supports for small business owners. The Government is extending funding for the NewAccess for Small Business Owners program, which provides tailored, free and confidential mental health support, and for the Small Business Debt Helpline, a national, free and confidential phone-based financial counselling service.

The Government will provide $3.0 million over two years to implement the Government's response to the Review of the Franchising Code of Conduct, including remaking and enhancing the Code, and an additional $2.6 million over four years (and $0.7 million per year, ongoing) to expand small businesses' access to low-cost legal advice and alternative dispute resolution services.

Small businesses will be supported to understand and comply with recent workplace relations changes by providing $20.5 million to the Fair Work Ombudsman to enhance and make permanent the Employer Advisory Service and to support the implementation of the new right to disconnect.

The Productivity, Education and Training Fund will provide $60.0 million to employer and employee representatives to engage with their members and government on the implementation of significant reforms that impact businesses, workers, and the community, including the transition to a net zero economy, Securing Australians' Superannuation reforms and recent workplace relations changes.

A more resilient Australia

The Government is investing $831.7 million to enhance water security and help farmers and rural communities prepare for future droughts and reduce agricultural emissions.

This Budget provides $519.1 million over eight years to maintain and grow agricultural output and support the wellbeing of farmers and communities in a changing climate. This includes $235.0 million over eight years to build local drought and climate resilience solutions through greater collaboration and $137.4 million over five years to help farmers better plan for a changing climate and future droughts. An additional $120.3 million over six years will test and implement innovative farming and land management practices.

The Government will enhance water security and climate resilience in rural communities through $174.6 million over six years from the National Water Grid Fund. This funding will assist to boost regional development, agricultural production and help secure Australia's water supplies. Another $32.0 million will support sustainable management of water resources in the Great Artesian Basin, vital to many regional communities.

In addition, this Budget also invests $63.8 million over ten years to support the Government's Agriculture and Land Sector Plan, which will help farmers reduce their agricultural emissions. These investments will help farmers implement the latest farming practices and technologies, making them more sustainable and profitable.

The Government is providing $40.9 million over two years to continue implementation of the Nature Positive Plan and establishing the Nature Repair Market. This Budget also provides $23.0 million to continue transitioning to a circular economy in Australia.

Strengthening Medicare and the care economy

This Budget continues the Government's commitment to reform and deliver a more sustainable and productive health, care and support economy that provides high-quality services and supports fairly-paid jobs for Australians.

High-quality health services through Medicare

Boosting access to essential health services

The Government is investing $2.8 billion to continue its significant reforms to strengthen Medicare, ensuring it provides affordable and timely access to health services for Australians. This includes the $1.2 billion package agreed to by National Cabinet in December 2023 to take pressure off hospitals.

As part of this package, the Government is supporting better health outcomes for older Australians and helping states and territories free up hospital capacity by investing $882.2 million over five years. This will support older Australians to avoid hospital admission, be discharged from hospital earlier and improve their transition out of hospital to other appropriate care.

This Budget will also reduce pressure on emergency departments by delivering a further 29 Medicare Urgent Care Clinics across Australia, taking the total number of clinics to 87. This $227.0 million investment will also increase support for clinics in regional and rural areas. Australians can enter any Medicare Urgent Care Clinic for bulk billed urgent care.

Improving access to medicines

The Government is providing $3.4 billion over five years for new and amended listings on the PBS and the Repatriation Pharmaceutical Benefits Scheme, including treatments for certain types of heart disease and breast cancer. The Government is also providing $11.1 million over five years from 2023–24 (and $2.8 million per year ongoing) to improve First Nations people's access to PBS subsidised medicines.

Widespread vaccination is crucial for reducing the spread of disease in the community. This Budget will provide $141.1 million over four years from 2024–25 to support ongoing access to life-saving vaccines. This includes support for the expansion of the National Immunisation Program Vaccinations in Pharmacy Program, to allow pharmacists to administer vaccines in residential aged care homes and residential disability services.

Mental health support

The Government is committed to reforming Australia's mental health and suicide prevention system so all Australians can access affordable care. In this Budget, the Government will provide $888.1 million over eight years to strengthen Australia's mental health and suicide prevention system. This funding will help address the significant gaps in services for people with mild mental health concerns, tackle the limited support available for people with complex needs and respond to the recommendations made in the independent evaluation of the Better Access program.

In this package of reforms, $588.5 million over eight years from 2024-25 (and $113.4 million per year ongoing) will be invested to support people with mild mental health concerns by establishing a national low intensity digital mental health service that is free of charge and free of need for referral.

For people with moderate to complex mental health needs, the Government will provide $29.9 million over four years from 2024–25 to enhance clinical services by uplifting the nationwide network of free, walk-in Medicare Mental Health Centres.

For people with complex needs, funding of $71.7 million over four years from 2024–25 (and $24.4 million per year ongoing) will be provided to Primary Health Networks to support wrap around care through mental health multidisciplinary services.

Improving health outcomes

Almost half of all Australians live with one or more chronic conditions, which are the leading cause of illness, disability and death in Australia. The Government is providing $141.1 million to improve cancer and other chronic disease outcomes in Australia. Funding will support research and services for people with conditions such as bowel and skin cancer, diabetes, and dementia. This includes $10.3 million towards the development of a roadmap for a national skin cancer screening program.

The Government is also supporting Australians to enjoy healthier, more active lives by investing $132.7 million in sport programs.

COVID-19 continues to be a contributor to the burden of disease. The Government is ensuring continued access to oral antiviral medicines on the PBS for those at risk of serious disease, and is providing $490.0 million over four years from 2024–25 (and $107.4 million per year ongoing) to continue the National COVID-19 Vaccine Program.

The Government is also providing $335.7 million over four years from 2024–25 for two new permanent items on the Medicare Benefits Schedule (MBS) for Polymerase Chain Reaction (PCR) testing, which is expected to benefit 8.9 million patients over the next four years.

Improving the aged care system

The Government is committed to supporting older Australians to receive the quality care they need in the later years of their lives. This Budget invests $2.2 billion to deliver key aged care reforms and to continue to respond to the recommendations of the Royal Commission into Aged Care Quality and Safety.

The new Aged Care Act will put older people at the centre of aged care. It will also support the Government's response to the Aged Care Taskforce. These reforms are crucial to create a stable and sustainable sector that delivers high-quality care. The Government is continuing to consult with older Australians and stakeholders to ensure there is broad support for reforms to improve the standard of aged care.

To support older Australians who wish to remain at home for longer, the Government is providing $531.4 million to fund an additional 24,100 Home Care Packages in 2024–25 to reduce average wait times. $1.2 billion is being invested into critical digital systems to support the introduction of the new Aged Care Act and deliver a contemporary IT system.

The Government is also providing $110.9 million over four years to implement the new Aged Care Regulatory Framework and continuing to invest in the Aged Care Quality and Safety Commission, in response to its independent capability review. This funding will assist the Commission to ensure aged care services adhere to the Aged Care Quality Standards and are held accountable.

Reforming the disability sector

Getting the NDIS back on track

The Government is committed to improving outcomes for NDIS participants and ensuring every dollar of NDIS funding goes to those who need it most. This Budget provides $468.7 million to support people with disability and get the NDIS back on track. This includes $268.1 million to better protect NDIS participants and prevent fraud and $200.6 million to design and consult on key recommendations of the independent NDIS review.

In December 2023, National Cabinet agreed to work together to address growing pressures on the NDIS, to ensure the Scheme can continue to provide support to future generations of Australians with disability.

The Getting the NDIS Back on Track Bill, introduced in March 2024, addresses priority recommendations from the independent NDIS Review to improve participant experience and return the NDIS to its original intent. Priority reform for the Government in this Bill is focused on access, plans and budget settings, and quality and safety. The NDIS reforms being undertaken by the Government are expected to moderate the additional growth in NDIS expenditure projected by the NDIS Actuary from 2024–25 to that projected at the 2023–24 MYEFO.

National Cabinet also committed to jointly design and fund additional foundational supports outside the NDIS. This Budget includes initial funding to develop these supports.

Improving employment for people with disability

The Government is also investing $227.6 million from 2023–24 to replace the existing Disability Employment Services program with a new specialised disability employment program by 1 July 2025. The reforms aim to improve employment and career outcomes for people with disability by improving the quality of services and increasing flexibility and individualised supports to meet the unique requirements of participants.

Eligibility for the new program will also be expanded to include volunteers outside the income support system and those with less than eight hours per week work capacity. This measure also addresses findings of the Disability Royal Commission.

The Budget will invest $23.3 million to establish a Disability Employment Centre of Excellence to share innovation and best-practice, and to lift the capacity of all employment service providers to support people with disability into employment.

Delivering essential services

Strengthening resourcing for Services Australia

The Government is improving the way Services Australia delivers services to the Australian community. In this Budget, $1.8 billion will be invested over three years for additional frontline and service delivery staff to manage claims, to continue emergency response capability and improve the cyber security environment. An additional $314.1 million will also be provided to continue to enhance safety and security at Services Australia centres.

To ensure that the millions of Australian myGov accounts remain contemporary, secure, and fit for purpose, the Government is investing $580.3 million over four years from 2024–25 and $139.6 million per year ongoing to sustain the myGov platform and identify future potential enhancements. A further $50.0 million will also improve the usability, safety and security of the myGov platform and ensure Services Australia can support people to protect their information and privacy.

After a decade of outsourcing, reduced service outcomes and underinvestment under the former Government, these investments are part of the Government's commitment to rebuild the Australian Public Service to ensure it is appropriately resourced to deliver the services that Australians expect. The actions the Government is taking to rebuild the public service and reduce its reliance on consultants and contractors recognises that delivering outcomes for Australians must be built on the foundations of a strong public service.

Looking after our veterans

Improving service delivery for veterans and their families is a priority for the Government. This Budget continues work to implement the recommendations of the Interim Report of the Royal Commission into Defence and Veteran Suicide and ensure veterans have access to the supports they deserve in recognition of their service.

Having successfully eliminated the claims backlog in early 2024, this Budget invests a further $186.0 million in the Department of Veterans' Affairs, bolstering staffing resources to ensure claims processing continues to be appropriately resourced.

The Government will provide $222.0 million to harmonise veterans' compensation and rehabilitation legislation, creating a simpler system so veterans and their families can more easily get the support they are entitled to. Eligible veterans and their families will receive more generous benefits, such as increased death compensation, travel for treatment, and Gold Card eligibility.

The Government is also providing a further $48.4 million in funding for Veterans' Home Care and Community Nursing programs and $10.2 million is being invested to better support veterans seeking early medical intervention while their claims for liability are processed.

Supporting the care economy workforce

The Government is building the workforce needed for the care economy through measures to support skills development and training, increase wages and attract skilled workers.

This Budget invests $87.2 million in workforce initiatives to support, attract and retain aged care staff including continuing the Aged Care Nursing Clinical Placements Program, Aged Care Transition to Practice Program and Aged Care Nursing Scholarships. These programs provide specialist skills and training for nurses and promote aged care as an attractive career path for nurses.

The Government is also getting wages moving again through supporting award wage increases for aged care workers and committing to providing funding towards a wage increase for early childhood education and care workers, with details to be settled following Fair Work Commission processes. This support builds on the $11.3 billion already allocated to support an interim wage increase of 15 per cent for aged care workers and changes to the Fair Work Act to consider gender equality.

Broadening opportunity and advancing equality

This Budget builds on the Government's commitment to broaden opportunity, lower barriers to participation and drive further progress on economic inclusion, outlined in more detail in Table 1.3. This includes investments as part of the first national strategy to achieve gender equality, to support economic empowerment and better life outcomes for First Nations Australians and to enhance our employment services system.

Progressing equality, supporting women

The Government has delivered the first national strategy to achieve gender equality. *Working for Women: A Strategy for Gender Equality* will guide efforts to shift the persistent attitudes and stereotypes that drive gender inequality. *Working for Women: A Strategy for Gender Equality* will drive government action on women's safety, sharing and valuing care, economic equality, women's health, and women's leadership, representation and decision making, and ensure this action has impact.

The *National Plan to End Violence against Women and Children 2022–2032* continues to direct the efforts and actions of all Governments to end gender-based violence in one generation. Addressing violence against women requires cultural and systemic responses across all levels of government and community. The Government is committed to ongoing action to end gender-based violence.

Responding to gender-based violence

Financial barriers are a key impediment to many victim-survivors leaving a violent relationship. In recognition of this, the Government is investing $925.2 million over five years from 2023–24 to establish the permanent Leaving Violence Program.

The Leaving Violence Program will support victim-survivors of intimate partner violence to not only leave a violent relationship, but also establish a life free from violence. Eligible individuals will be supported through up to $5,000 in financial support, including up to $1,500 in cash and up to $3,500 in goods and services, indexed annually to keep pace with the cost of living. Additional support services including safety planning, risk assessment and referrals to other services will also be available for up to 12 weeks.

The Escaping Violence Payment trial and Temporary Visa Holders Experiencing Violence Pilot will be extended until 30 June 2025. Building on the successes and learnings of the current trial and pilot, the Leaving Violence Program will commence from mid-2025 following the procurement of an appropriate service provider.

The Government is also investing $44.1 million in legal assistance, including one-year indexation supplementation to the funding for Legal Aid Commissions, Community Legal Centres, and Aboriginal and Torres Strait Islander Legal Services, and additional funding to address community legal sector pay disparity.

Addressing gender-based violence in higher education

In response to recommendations of the Universities Accord, the Government is establishing an independent National Student Ombudsman for higher education students to escalate complaints about the actions of their higher education providers, including those relating to gender-based violence, if they are unsatisfied with the provider response.

The Government is also introducing a National Higher Education Code to Prevent and Respond to Gender-based Violence (the National Code). The National Code will set requirements for higher education providers, such as primary prevention and transparent reporting, and strengthen accountability for systemic issues relating to gender-based violence.

Preventing gender-based violence

The Government is also providing $1.3 million to establish an independent expert panel to undertake a rapid review and advise Government on approaches to prevention and ending the cycle of violence, and $4.3 million in 2024–25 to commission Australia's National Research Organisation for Women's Safety to expand perpetrator research, building the evidence base to inform practical action.

Funding of $6.5 million is also being provided for a pilot of age assurance technologies to protect children from harmful online content, like pornography and other age-restricted online services. This forms part of broader online safety reforms.

This funding is supported by work underway through the National Cabinet to strengthen accountability for perpetrators, improve information sharing and strengthen system responses to gender-based violence.

Taking pressure off parents and carers

To support a more dignified retirement for parents of babies born or adopted on or after 1 July 2025, the Government will provide $1.1 billion to make superannuation guarantee (SG) equivalent payments on their Government-funded Paid Parental Leave (PPL).

Payments will benefit around 180,000 families each year, with recipients being primarily women. Superannuation on Government-funded PPL recognises the important contribution parents make to society and will reduce the impact on superannuation balances of career breaks to care for young children.

The Government is changing the 25 hour per week participation limit rules for the Carer Payment to provide recipients with greater flexibility to undertake paid work, study or volunteering. The changes include amending the current participation limit to apply only to employment and allow up to 100 hours of work over a four-week settlement period and other adjustments. Around 31,000 Carer Payment recipients, including over 25,000 women, who earn income may benefit from the ability to work more flexibly.

Investing in women's health

The Government is investing $56.1 million in initiatives that will improve access to sexual and reproductive healthcare for women at all stages of life. This includes training for GPs to provide better menopause care, and to become qualified in the insertion and removal of long-acting reversible contraceptives. It also includes the delivery of free period products in remote Aboriginal and Torres Strait Islander communities.

Support for Aboriginal and Torres Strait Islander Australians

The Budget is investing $2.4 billion over five years to deliver more economic opportunities and better outcomes for First Nations Australians, with a focus on the priority areas of jobs, health, education, justice, housing and essential infrastructure and services. These commitments will support First Nations peoples' self-determination and progress the Priority Reforms and socioeconomic targets of the National Agreement on Closing the Gap.

Investing in First Nations economic empowerment and self-determination

As a first step in replacing the Community Development Program with real jobs, proper wages and decent conditions, the Government is investing $777.4 million for a new Remote Jobs and Economic Development Program.

The new Remote Jobs and Economic Development Program will create up to 3,000 jobs in remote Australia and establish a Community Jobs and Business Fund to enable community organisations to identify and pursue projects that support community development and create local economic opportunities. The Remote Jobs and Economic Development Program will be implemented in partnership with First Nations communities to build skills and experience and deliver important local services.

This Budget provides $76.2 million to implement a new voluntary First Nations Prison to Employment Program to replace the existing Time to Work Employment Service from 1 July 2025. The new program will have a strong focus on supports that are culturally safe and tailored to First Nations clients. The program will address the underlying barriers to employment to better connect clients with opportunities post-release.

The Government also intends to enhance Indigenous Business Australia's ability to leverage their capital, enabling greater investment in First Nations housing, communities and businesses.

Northern Territory Homelands and housing

The Government will contribute $2.1 billion in support of a joint $4 billion investment with the Northern Territory Government for housing in remote communities. The Government's contribution will support a ten-year remote housing agreement to halve overcrowding in the Northern Territory and provide $120.0 million over three years for urgent repairs and maintenance of housing and essential infrastructure on Northern Territory Homelands.

Improving remote First Nations communities' access to essential services in the Northern Territory

Essential services in the Northern Territory will receive continued support from the Government. This Budget provides $111.1 million in 2024–25 for health, safety, wellbeing, schooling and justice services under the National Partnership on Northern Territory Remote Aboriginal Investment.

The Government is also supporting First Nations digital inclusion and languages, including $68.0 million to rollout community Wi-Fi in additional remote communities and better support digital literacy through the establishment of a First Nations Digital Support Hub and a network of digital mentors. To increase the number of First Nations language speakers, $53.8 million will be provided to establish two new First Nations language centres and expand language learning services provided through the existing centres.

Enhancing employment services

This Budget includes a range of improvements to the employment services system, consistent with the eight principles of employment services reform outlined in the Employment White Paper. Changes include the introduction of new paid employment pathways to support job seekers with complex barriers to work, with jobs paid at award or above wages in businesses and social enterprises.

Other changes include strengthening the integrity of the employment services system through a new complaints mechanism, improving the consistency of how mutual obligations are applied, and ensuring providers have more time available to service clients through critical IT system improvements.

Measures to support economic inclusion since May 2022

The Australian Government is working to build a stronger, fairer and more inclusive society where more Australians have the chance to contribute and share in our economic success. The Australian Government has made ongoing investments to address disadvantage, promote economic inclusion and support some of the most vulnerable in the community.

The following table outlines measures the Australian Government has announced since May 2022 that support this work. The Australian Government will continue to do what it responsibly can for Australians who need help the most.

Table 1.3: Measures to support economic inclusion

Strengthening the social safety net	
Increasing working age and student payments and expanded eligibility for the higher rate of JobSeeker Payment for older Australians	$4.9 billion over 5 years from 2022–23, benefiting around 1.1 million income support recipients including access for more than 51,000 recipients aged 55 and over to the higher rate.[b]
Expanded eligibility for the higher rate of JobSeeker Payment for individuals with a partial capacity to work between zero and 14 hours per week[a]	$41.2 million over 5 years from 2023–24, expected to benefit around 4,700 single recipients.[b]
Back-to-back increases in Commonwealth Rent Assistance	$31.8 billion total spend on CRA over five years from 2023–24 which includes a 10 per cent increase in this Budget, building on last year's Budget which delivered a 15 per cent increase, benefiting around 1 million households.
Expanded eligibility for Parenting Payment (Single)	$1.9 billion over 5 years from 2022–23, benefiting around 82,000 single principal carers, the majority of whom are women.[b]
Increased flexibility for Carer Payment recipients to work, study or volunteer[a]	$18.6 million over 5 years from 2023–24, benefiting around 31,000 Carer Payment recipients who earn income.
Family payments	
Enhancing Paid Parental Leave and paying superannuation on Paid Parental Leave[a]	$1.1 billion over four years from 2024–25 to pay superannuation on Paid Parental Leave (PPL), benefitting around 180,000 households[b] and $1.2 billion over five years from 2022–23 to expand and enhance PPL.
Making the child support system fairer	$5.1 million over 5 years from 2022–23 to improve the child support system.
Providing tax relief	
Cost-of-living tax cuts[a]	$1.3 billion over five years from 2023–24, benefitting 13.6 million Australian taxpayers, including 2.9 million lower-income taxpayers with incomes $45,000 or less.
Increasing the Medicare levy low-income thresholds	Ensuring more than one million Australians on lower incomes continue to be exempt from the levy or pay a reduced levy rate.

Table 1.3: Measures to support economic inclusion (continued)

Getting wages moving again	
Submissions to the Annual Wage Review	The Government has recommended the real wages of Australia's low-paid workers do not go backwards. There are over 2.9 million award reliant workers.
Closing Loopholes reforms	$94.6 million over four years from 2023–24, benefiting all employees under the national Fair Work system.
Secure Jobs, Better Pay reforms	$43.2 million over four years from 2022–23, benefiting all employees under the national Fair Work system.
Funding a wage increase for aged care workers	$11.3 billion over four years from 2023–24, benefiting over 250,000 low paid care workers.
Paying for essentials	
Energy Bill Relief Fund	Up to $1.5 billion over two years from 2023–24, providing energy bill relief to five million vulnerable households and one million eligible small businesses.
Energy Bill Relief Fund – extension and expansion(a)	$3.5 billion over three years from 2023–24, extending energy bill relief to provide $300 to all households and $325 to one million eligible small businesses from 1 July 2024.
Cheaper Child Care	$4.7 billion over four years from 2022–23, providing cheaper child care for around 1.2 million families.
Tripling the bulk billing incentive	$3.5 billion over five years from 2022–23, benefiting 11.6 million children and people on low incomes.
Cheaper medicines – 60-day dispensing	When fully implemented, over six million Australians with chronic, ongoing conditions will benefit, with the costs of certain medicines reduced by up to half.
Cheaper medicines	$787.1 million over four years from 2022–23, reducing the maximum PBS co-payment for general patients from $42.50 to $30 on 1 January 2023.(c) $681.0 million over six years from 2023–24 for temporary pauses to the indexation of the maximum PBS co-payments, and an increase to the weekly cap on Dose Administration Aids.
Investing in frontline services and community support	
Targeting entrenched disadvantage	$199.8 million over six years from 2023–24 for an integrated package to target disadvantage and support positive outcomes for communities.
Financial wellbeing and capability(a)	$138.0 million over five years from 2023–24, supporting over 580,000 individuals most at risk of financial vulnerability and disadvantage.
Ensuring access to government services(a)	$3.0 billion over five years from 2023–24 to improve the way Services Australia delivers services to the Australian community.
Support for community sector organisations (CSOs)	$560.0 million over four years from 2022–23 to help CSOs meet the higher costs of delivering services.

Table 1.3: Measures to support economic inclusion (continued)

Increasing the availability of social and affordable housing	
National Agreement on Social Housing and Homelessness[(a)]	An additional $423 million over five years under the $9.3 billion National Agreement on Social Housing and Homelessness.
Building more social and affordable homes and funding acute housing needs	Minimum $2.0 billion in disbursements from the HAFF over four years from 2024–25, plus $72 million per year by 2028–29 under the Accord, to help fund 40,000 new social and affordable homes for low-income households as well as provide $330 million to address acute housing needs, including crisis accommodation for women and children experiencing domestic and family violence, housing for indigenous communities, and veterans housing.
Expanding Housing Australia's community housing lending program[(a)]	A $2.5 billion increase to Housing Australia's liability cap in addition to the $2 billion increase on 1 July 2023 and lending an additional $3 billion to Housing Australia to support it provide more low-cost finance to community housing providers delivering social and affordable housing.
Social Housing Accelerator	$2 billion paid to the states and territories in 2022–23 to deliver around 4,000 new and refurbished social homes.
Household Energy Upgrades Fund – social housing component	$300.0 million over four years from 2023–24, supporting low-income households in 60,000 social housing properties reduce up to one-third of their energy consumption from upgrades each year.
Northern Territory Homelands and Housing[(a)]	$2.1 billion over ten years from 2024–25 in support of a joint $4 billion investment with the Northern Territory Government to halve overcrowding in remote communities.
Increased funding for social housing in the National Housing Infrastructure Facility (NHIF)	$1 billion funding for social housing targeted to better support housing for women and children experiencing domestic violence and for youth.
Capacity building support for the social and affordable housing sector[(a)]	$2.0 million over three years from 2024–25, extending Housing Australia's existing capacity building program and for a new program to build the capacity of Aboriginal and Torres Strait Islander Community Controlled Housing Organisations.
Equity in employment and education	
Response to Australian Universities Accord[(a)]	$1.1 billion over five years from 2023–24 supporting reforms to boost equity in and access to higher education.
New voluntary pre-employment service for parents	$20.9 million over four years from 2023–24 supporting disadvantaged parents of children under six years old.
Supporting people with disability with the highest need into employment	$57.0 million over four years from 2023–24, for the evolution of the supported employment sector.
Reform of Disability Employment Services (DES)[(a)]	$227.6 million over five years from 2023–24 for a new service, which supports approximately 270,000 people.
Remote Jobs and Economic Development Program[(a)]	$777.4 million over five years from 2023–24, to create up to 3,000 jobs in remote communities. Developed in partnership to support community development.

a) Indicates or includes 2024–25 Budget measure.
b) Financial impacts are before related receipts.
c) Subject to indexation; $31.60 from 1 January 2024.

Statement 2:
Economic Outlook

Global growth is forecast to remain subdued over the next few years and is expected to record the longest stretch of below-average growth since the early 1990s. Tackling inflation remains the primary focus but, as inflationary pressures abate and labour markets soften, the global policy focus will increasingly shift to managing risks to growth.

Several global factors pose risks to the outlook. Monetary policy settings could remain tight for an extended period due to persistent inflation. Heightened geopolitical tensions in the Middle East have added to the risks associated with Russia's invasion of Ukraine. A further escalation in geopolitical tensions could add to energy costs, disrupt international trade, and slow global growth. The outlook for the Chinese economy, including the property sector, also remains uncertain.

Australia is not immune from global developments and the combination of elevated inflation and high interest rates here has resulted in lower growth over the past year. These factors have put people under pressure, with household consumption flat over the past year. High interest rates and ongoing supply constraints have also weighed on dwelling investment. These factors are expected to see real GDP growth of 1¾ per cent in 2023–24.

The Australian economy is well placed to navigate these economic challenges. Inflation is moderating, the labour market has been resilient, annual real wages are growing for the first time in years and there is a solid pipeline of business investment. This means that Australia can face global and domestic challenges from a position of economic strength.

Although inflation remains elevated, it has moderated substantially and is now less than half of its peak in 2022. The moderation in inflation has occurred more quickly than forecast at MYEFO, with inflation now expected to be lower in 2023–24.

While there remains considerable uncertainty around the outlook for the domestic and global economy, the Government's responsible cost-of-living measures will provide relief for households. Energy bill relief and rent assistance are estimated to directly reduce headline inflation by ½ of a percentage point in 2024–25 and are not expected to add to broader inflationary pressures. This could see headline inflation return to the Reserve Bank of Australia's target band by the end of 2024, slightly earlier than expected at MYEFO. This will ease pressure on households and help to keep inflation expectations well anchored.

The labour market has been resilient with the unemployment rate remaining near its 50-year low at 3.8 per cent, the participation rate near its record high at 66.6 per cent, and employment growing faster than any major advanced economy. However, there are clear signs that labour market conditions are softening. So far, a decline in average hours worked has delayed the expected moderation in employment growth and an associated modest increase in the unemployment rate. As labour market conditions continue to ease over 2024–25, the unemployment rate is expected to rise but remain below pre-pandemic levels.

Nominal wages over 2023–24 have grown at their fastest rate in nearly 15 years, reflecting recent labour market strength, as well as Fair Work Commission determinations on the minimum wage and the Aged Care Work Value Case. As the labour market softens, nominal wage growth is expected to soften to 3¼ per cent in both 2024–25 and 2025–26.

The moderation in inflation and pick-up in wage growth have contributed to an improvement in real wages. Real wages have risen for three consecutive quarters and returned to annual growth at the end of 2023, earlier than previously forecast. Real wages are expected to continue to pick up and grow by ½ per cent through the year to the June quarter 2024.

Business investment has withstood the global and domestic pressures, growing by a strong 8.3 per cent last year. The upswing in business investment is expected to continue through to 2025–26 and, if realised, will be the longest sustained increase in business investment since the mining boom.

Growth is expected to remain subdued over the forecast period. Real GDP is forecast to grow by 2 per cent in 2024–25, and 2¼ per cent in 2025–26. Higher wages growth, the forecast moderation in inflation, continuing employment growth and the Government's cost-of-living tax cuts should support real household disposable incomes and a recovery in household consumption (see Box 2.1).

The improvement in household consumption is expected to be complemented by an elevated level of business investment and a gradual pick-up in dwelling investment as cost pressures ease and asset returns improve. Services exports are also expected to contribute to growth as the recovery in the number of international students and tourists continues. Productivity, which has grown for two consecutive quarters, is expected to continue to pick up as economic conditions improve.

Domestically, there is a risk that household consumption may not respond as quickly as expected to the anticipated recovery in real disposable incomes, particularly if households, facing budget constraints, instead seek to replenish savings or if employment growth is slower than forecast. Inflation could also be more persistent than forecast and delay the return of inflation to the target band.

Statement contents

Statement 2: Economic Outlook

Outlook for the international economy

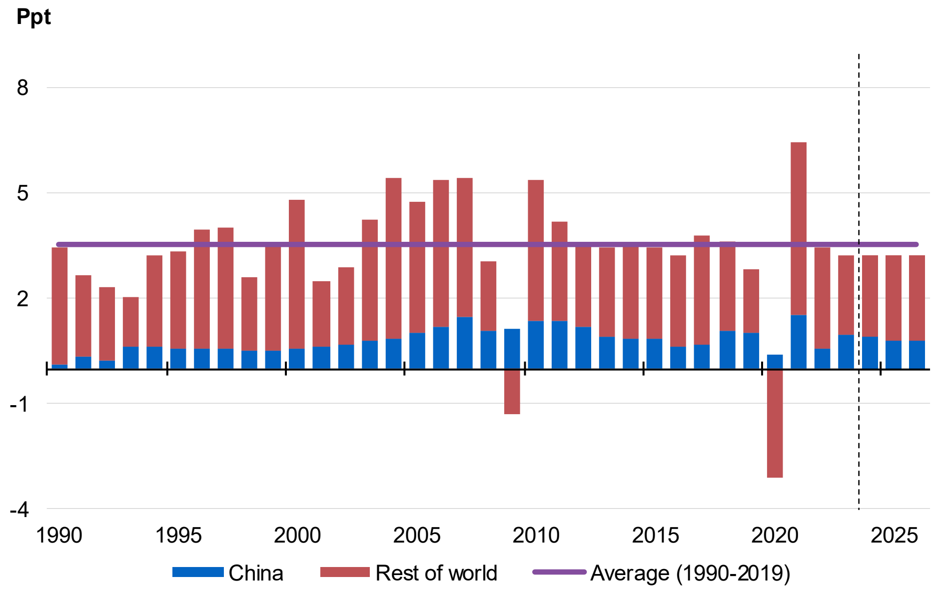
Outlook for global growth

Global growth is expected to remain subdued over the next few years as the effects of high inflation, restrictive macroeconomic policies, geopolitical tensions, and challenges in the Chinese economy weigh on the outlook. If inflationary pressures continue to ease as expected, the global policy focus will increasingly shift to managing risks to growth.

Most advanced economies recorded subdued outcomes during 2023, with around a third of OECD nations recording a technical recession. The United States has been the notable exception where earlier disinflation and a strong recovery in productivity have contributed to the economy consistently exceeding expectations.

Global growth is forecast to remain flat at around 3¼ per cent in 2024, 2025 and 2026 (Charts 2.1 and 2.2; Table 2.1). If realised, this would represent the longest stretch of below-average growth since the early 1990s. Major trading partner growth is also expected to remain subdued at 3¼ per cent in 2024, 2025 and 2026 as a forecast softening in China offsets a modest pickup elsewhere.

Chart 2.1: Contribution to global GDP growth



Source: Treasury, IMF.

Market pricing implies that central banks in most advanced economies are likely to have reached the peak in their monetary policy tightening phases (Chart 2.3). An exception is the Bank of Japan, which only began to withdraw longstanding monetary policy stimulus in March 2024 after emerging from decades of deflation and weak growth.

Market pricing also implies that most advanced economy central banks will begin easing monetary policy later this year. However, this policy easing is now expected to occur later than had been priced in earlier in the year given inflation has been more persistent than forecast.

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

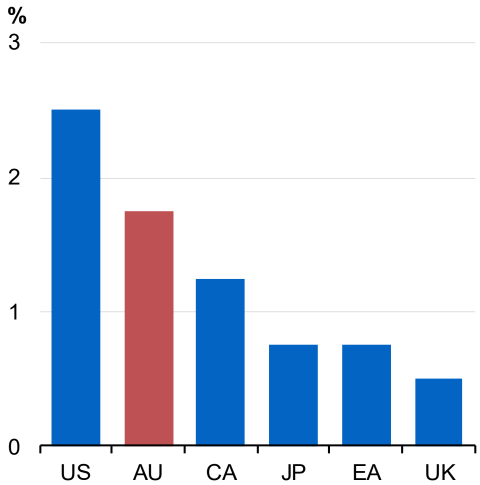
	Outcome	Forecasts (Calendar Years)		
	2023	2024	2025	2026
Australia	2.0	1 3/4	2 1/4	2 1/4
China	5.2	4 3/4	4 1/4	4 1/4
India	7.7	6 1/2	6 1/2	6 1/2
Japan	1.9	3/4	1	1
United States	2.5	2 1/2	1 1/2	2
Euro area	0.5	3/4	1 1/2	1 1/2
United Kingdom	0.1	1/2	1 1/4	1 1/2
Other East Asia[(b)]	3.3	4	4	4 1/4
Major trading partners	3.5	3 1/4	3 1/4	3 1/4
World	3.2	3 1/4	3 1/4	3 1/4

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

b) Other East Asia comprises Indonesia, Malaysia, the Philippines, Thailand, Vietnam, Singapore, Hong Kong, South Korea and Taiwan.

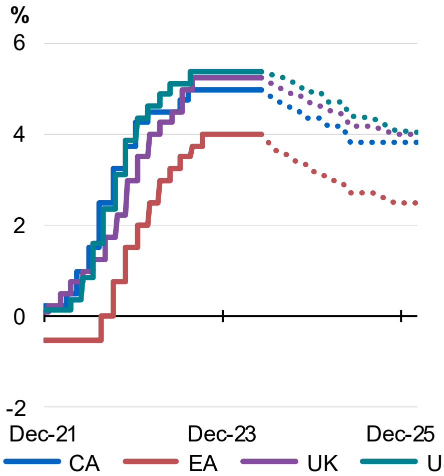
Source: National statistical agencies, IMF, Refinitiv and Treasury.

Chart 2.2: 2024 GDP growth forecasts



Source: Treasury.
Notes: US is United States. AU is Australia. CA is Canada. JP is Japan. EA is euro area. UK is United Kingdom.

Chart 2.3: Monetary policy rates



Source: Bloomberg.
Notes: United States based on the midpoint of the target range for the Fed funds rate.
Dotted lines reflect policy rate expectations implied by overnight indexed swaps (7 May 2024).

Outlook for global inflation

Inflation in advanced economies has declined significantly since peaking in mid-to-late 2022 (Chart 2.4). Nonetheless, inflation generally remains elevated and is not expected to return to central bank targets until 2025 (Chart 2.5).

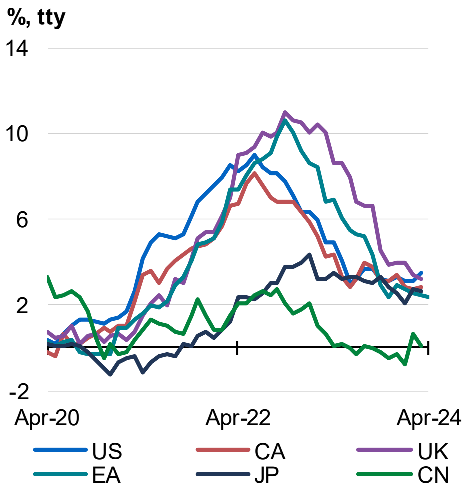
The rapid increase in goods and energy prices associated with earlier supply and demand shocks, including the pandemic and Russia's invasion of Ukraine, have largely dissipated. With the disinflation in goods and energy prices having mostly run its course, services inflation remains the main driver of above-target inflation.

Strong rental inflation, solid nominal wages growth, and the continued pass-through of earlier increases in other input costs, have contributed to persistent services inflation in many advanced economies.

To date, the decline in inflation in advanced economies has not been associated with a significant increase in unemployment, which is consistent with a soft landing. Nonetheless, wage growth has begun to moderate and medium-term inflation expectations have generally remained well anchored around central bank inflation targets, mitigating the risk of a wage-price spiral.

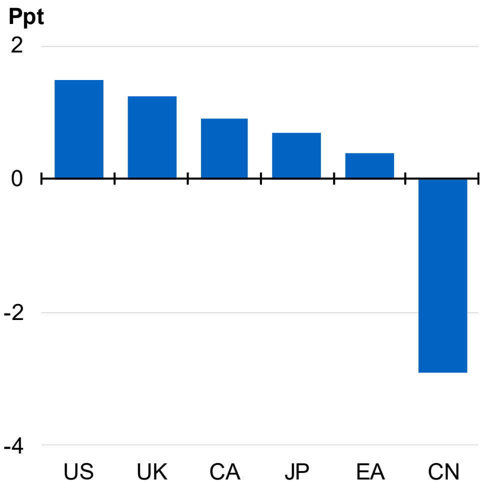
In contrast to most advanced economies, China has experienced a period of low inflation amid weakness in domestic demand and deleveraging by developers in the property sector.

Chart 2.4: Headline inflation



Source: National statistical agencies and Refinitiv.
Note: JP is Japan. US is United States. CA is Canada. EA is euro area. UK is United Kingdom. CN is China.

Chart 2.5: Deviation of inflation from central bank targets



Source: National statistical agencies and Refinitiv.
Notes: Inflation target reflects mid-point of target range for Canada. US is United States. UK is United Kingdom. CA is Canada. JP is Japan. EA is euro area. CN is China.

Key risks to the international outlook

The global outlook remains complex and uncertain. Heightened geopolitical tensions in the Middle East have added to the risks associated with Russia's invasion of Ukraine. A further escalation in geopolitical tensions remains a key risk to inflation and global growth, with the potential to disrupt energy and commodity markets and increase shipping costs by compromising traditional trade routes.

Elevated geopolitical risks have been reflected in asset markets during 2024. The price of gold increased sharply to all-time highs supported by safe-haven demand (Chart 2.6), and oil prices firmed to six-month highs in mid-April in response to the escalation of tensions between Iran and Israel (Chart 2.7).

Chart 2.6: Gold spot price

Source: Bloomberg.

Chart 2.7: Tapis oil spot price

Source: Bloomberg.

The evolution of global inflation and associated implications for the timing of monetary policy easing remain a key risk to the outlook. If inflation proves to be more persistent than expected, monetary policy settings may need to remain restrictive for longer. There may also be implications for financial stability. For example, in the United States, a prolonged period of high interest rates could generate additional stress in the commercial real estate sector.

Developments in China also present significant risks to global demand, particularly for key trading partners including Australia. Sharper or more persistent weakness in Chinese domestic demand associated with deleveraging in the residential property sector represents a downside risk to growth, particularly if it leads to more acute pressures in the Chinese financial system that adversely affects the balance sheets of households and local governments. In the near term, stronger-than-expected fiscal policy expansion would present an upside risk to Chinese growth.

Some governments, particularly in Europe, will be under pressure to repair public finances given the considerable expansion in debt and deficits to support growth during the pandemic and, more recently, to ease cost-of-living pressures. Fiscal consolidation may prove difficult due to a deterioration in the outlook for fiscal revenues in some economies, presenting longer-term challenges. At the same time, if consolidation is too rapid, it could disrupt growth.

Outlook for major trading partners

China's economy is forecast to grow by 4¾ per cent in 2024, broadly in line with the Chinese government's target of around 5 per cent, and then slow to 4¼ per cent in 2025 and 2026. If realised, this will be the slowest period of economic growth since the Chinese economy began opening up in the late 1970s.

In 2023, the Chinese economy grew by 5.2 per cent as investment in infrastructure and manufacturing offset weakness in residential property investment and consumer spending. Further adjustment in the residential property sector is expected to remain a drag on growth. Falling prices and financial stress in the residential construction sector will continue to weigh on consumer confidence and spending. Local governments also have limited capacity to support growth as finances are strained due to a reliance on property sales for revenue.

The Chinese economy faces increasing structural challenges from slowing urbanisation, an ageing population and lower productivity growth. Authorities are attempting to address these structural challenges by supporting new industries, such as electric vehicles and green energy, while pivoting away from traditional growth drivers, such as property.

The **United States** is forecast to grow by 2½ per cent in 2024, 1½ per cent in 2025 and 2 per cent in 2026. The US recorded stronger-than-expected growth through 2023, while inflation moderated largely as expected. This reflected buoyant demand and an expansion in supply capacity, given strong employment growth and a rebound in productivity.

Positive momentum in household consumption and business investment has carried over into 2024. Strong employment growth and a lift in real wages have supported consumption growth. Business investment has been boosted by government stimulus and tax incentives, including for investment in renewable energy. The impact of monetary policy tightening on growth has been more muted than expected. Stronger activity in 2023 and 2024 has pushed out the expected timing and quantum of monetary policy easing.

Growth is expected to slow somewhat in the second half of 2024 and into 2025 as an easing in the labour market, diminished household savings buffers that accumulated during the pandemic and less accommodative fiscal policy weigh on activity.

Monetary policy easing in the United States is assumed to commence towards the end of 2024 as inflation returns towards the Federal Reserve's target. Market pricing implies a slower pace of easing than was expected earlier in the year as progress towards the Federal Reserve's inflation target has slowed. Monetary policy easing from later this year would support a modest cyclical upswing towards the end of 2025.

Euro area GDP is forecast to grow by ¾ per cent in 2024, 1½ per cent in 2025 and 1½ per cent in 2026. The euro area economy experienced a mild recession in the second half of 2023 and its largest economy, Germany, contracted in 2023. Euro area manufacturers suffered a loss of market share due to sharp increases in energy costs and increased competition from China, particularly in emerging industries such as electric vehicle manufacturing.

Euro area growth is expected to pick up during 2024. Declining inflation is expected to support a recovery in real disposable income growth and household consumption across the region. The European Central Bank is also expected to begin easing monetary policy from mid-2024, which will provide further support for growth into 2025. Fiscal policy across the euro area will, however, drag on growth in 2024 and 2025 as fiscal support to cushion the impact of high energy costs is withdrawn and some member states reduce their deficits to conform with EU fiscal rules.

The **United Kingdom** is forecast to grow by ½ per cent in 2024, 1¼ per cent in 2025 and 1½ per cent in 2026. The United Kingdom entered a technical recession during the second half of 2023 due to high energy costs, cost-of-living pressures, restrictive monetary policy, and a decline in exports exacerbated by continued EU trade frictions following Brexit. Real income growth driven by moderating inflation will support a recovery in consumption growth across the forecast period, with monetary policy easing also expected to be a tailwind.

Japan is forecast to grow by ¾ per cent in 2024 and 1 per cent in 2025 and 2026. Japan recorded solid growth in the first half of 2023 supported by strong inbound tourism and the resolution of supply chain disruptions in the auto industry. However, growth slowed in the second half of the year as falling real wages weighed on consumption growth.

Recent wage negotiations imply a marked lift in the pace of nominal wages growth in 2024, which is expected to support real wages growth as inflation moderates. This, alongside households' access to savings accumulated during the pandemic, is expected to support a mild rebound in consumption growth. High corporate profits and the strengthening of supply chains are also expected to support business investment in the near term.

The Bank of Japan began withdrawing extraordinary monetary policy stimulus in March 2024 and is expected to gradually normalise its policy stance. Nonetheless, monetary policy is likely to remain accommodative for some time.

India is forecast to grow by 6½ per cent in 2024, 2025 and 2026. Growth in India was stronger than expected in 2023 and was driven by public investment in transport and energy infrastructure. India is expected to remain one of the world's fastest growing major economies over the next two years. Public investment is expected to remain a key source of growth though it will be dampened by expected fiscal consolidation. Restrictive monetary policy is expected to weigh somewhat on consumption and private investment growth in the near term.

Other East Asia is forecast to grow by 4 per cent in 2024 and 2025 and 4¼ per cent in 2026. Growth in the region is expected to be supported by rising domestic demand, an upturn in exports of goods and services, and continued recovery in the tourism sector. Foreign direct investment inflows are also expected to remain strong as multinationals continue to diversify their manufacturing supply chains.

Outlook for the domestic economy

The Australian economy has slowed in response to elevated inflation and higher interest rates here and the impact of global economic volatility. These factors have put people under pressure, weighing on consumption growth and dwelling investment (Chart 2.8). However, the economy is well placed to face these global and domestic economic challenges, with moderating inflation, a resilient labour market, a return to annual real wage growth and strong business investment.

Household consumption was flat over the past year, as people have responded to cost-of-living pressure by pulling back on discretionary spending to make room for essentials. Higher interest rates and elevated construction costs are weighing on the demand for new housing, with dwelling investment expected to contract further in 2023–24.

Although inflation remains elevated, it has moderated substantially and is now less than half of its peak in 2022. The moderation in inflation has occurred more quickly than forecast at MYEFO, with inflation now expected to be lower in 2023–24.

While there remains considerable uncertainty around the outlook for the domestic and global economy, the Government's targeted cost-of-living measures are expected to reduce inflation. Energy bill relief and Commonwealth Rent Assistance is expected to directly reduce inflation by ½ of a percentage point in 2024–25 and is not expected to add to broader inflationary pressures (see Box 2.2). This could see headline inflation return to the target band by the end of 2024, slightly earlier than expected at MYEFO. This will ease pressure on households and help to keep inflation expectations well anchored.

The labour market has been resilient, with faster employment growth than any major advanced economy, near historically low unemployment, and the participation rate near its record high. However, conditions in the labour market are softening and are expected to ease further over 2024–25. The unemployment rate is expected to remain low by historical standards but rise gradually to 4½ per cent by the June quarter 2025.

Nominal wages are growing at 4.2 per cent, their fastest annual rate in nearly 15 years. This has been driven by recent strength in the labour market and administered wage decisions. As labour market conditions ease, annual wage growth is expected to decline to 3¼ per cent in 2024–25 and 2025–26. Moderating inflation and a pick-up in wage growth resulted in a return to positive annual real wage growth at the end of 2023. Real wages are expected to rise by ½ per cent through the year to the June quarter 2024.

Business investment has withstood the global and domestic pressures and grew strongly at 8.3 per cent last year. The upswing in business investment is expected to continue through to 2025–26 and, if realised, will be the longest sustained increase in business investment since the mining boom.

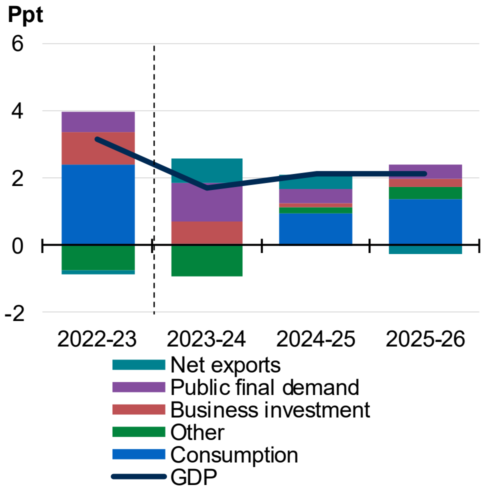
Growth is expected to remain subdued over the forecast period. Real GDP is forecast to grow by 2 per cent in 2024–25, and 2¼ per cent in 2025–26 (Chart 2.9). Higher wages growth, the forecast moderation in inflation, continuing employment growth and the Government's cost-of-living tax cuts should support real household disposable incomes and a recovery in household consumption. The cash rate is assumed to gradually ease from around the middle of 2025 to reach 3.6 per cent by the middle of 2026.

Recent strength in business investment, net exports and public investment is expected to continue and provide further support for the economy. Net exports are expected to contribute to growth in 2024–25 driven by the ongoing recovery of services exports. Public final demand is expected to support activity, driven by a record infrastructure investment pipeline and the Australian and state governments' strengthening essential government services.

There are substantial risks to the domestic outlook. Inflation could prove more persistent than forecast, with possible implications for policy settings and growth. If productivity does not pick up as expected, price pressures may be more persistent, with potential implications for unemployment and the real economy. There is also significant uncertainty about how quickly aggregate household consumption will respond to the expected recovery in real disposable incomes.

Internationally, there remains a risk that current geopolitical tensions could escalate into larger economic shocks that could derail the global recovery, with implications for Australian exports and supply chains. If downside risks to Chinese growth crystalise, this could directly impact the domestic economy through weaker commodity prices and lower national income. In the medium term, this could also impact activity through weaker mining investment and resources exports.

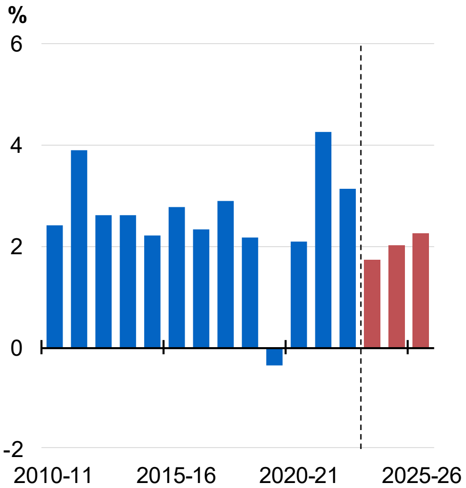
Chart 2.8 Contribution to GDP growth



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

Note: Other includes dwelling investment, change in inventories, ownership transfer costs and the statistical discrepancy. Data are seasonally adjusted.

Chart 2.9: Real GDP growth



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

Table 2.2: Domestic economy – detailed forecasts[a]

	Outcomes	Forecasts		
	2022-23	2023-24	2024-25	2025-26
Real gross domestic product	3.1	1 3/4	2	2 1/4
Household consumption	5.0	1/4	2	2 3/4
Dwelling investment	-3.8	-3	0	6 1/2
Total business investment[b]	8.3	5 1/2	1	2
By industry				
Mining investment	1.7	4 1/2	-3 1/2	2
Non-mining investment	10.5	5 1/2	2 1/2	2
Private final demand[b]	4.2	1	1 3/4	3
Public final demand[b]	2.4	4 1/2	1 1/2	1 1/2
Change in inventories[c]	-0.1	- 1/2	1/4	0
Gross national expenditure	3.5	1 1/4	1 3/4	2 1/2
Exports of goods and services	6.7	5	5	2 1/2
Imports of goods and services	9.3	2 1/2	4	4 1/2
Net exports[c]	-0.1	3/4	1/2	- 1/4
Nominal gross domestic product	9.9	4 3/4	2 3/4	4
Prices and wages				
Consumer price index[d]	6.0	3 1/2	2 3/4	2 3/4
Wage price index[d]	3.7	4	3 1/4	3 1/4
GDP deflator	6.5	3	1/2	1 3/4
Labour market				
Participation rate (per cent)[e]	66.6	66 1/2	66 1/2	66 1/4
Employment[d]	3.5	2 1/4	3/4	1 1/4
Unemployment rate (per cent)[e]	3.6	4	4 1/2	4 1/2
Balance of payments				
Terms of trade[f]	-0.5	-3 3/4	-7 3/4	-4
Current account balance (per cent of GDP)	1.1	1 1/4	- 3/4	-2
Net overseas migration[g]	528,000	395,000	260,000	255,000

a) Percentage change on preceding year unless otherwise indicated.
b) Excluding second-hand asset sales between the public and private sector.
c) Percentage point contribution to growth in GDP.
d) Through-the-year growth rate to the June quarter.
e) Seasonally adjusted rate for the June quarter.
f) Key commodity prices are assumed to decline from elevated levels over four quarters to the end of the March quarter of 2025: the iron ore spot price is assumed to decline to US$60/tonne; the metallurgical coal spot price declines to US$140/tonne; the thermal coal spot price declines to US$70/tonne; and the LNG spot price converges to US$10/mmBtu. All bulk prices are in free on board (FOB) terms.
g) Net overseas migration is forecast to be 235,000 in 2026–27 and 2027–28.

Note: The forecasts for the domestic economy are based on several technical assumptions. The exchange rate is assumed to remain around its recent average level – a trade-weighted index of around 62 and a $US exchange rate of around 65 US cents. Interest rates are informed by the Bloomberg survey of market economists. World oil prices (Malaysian Tapis) are assumed to remain flat around US$94 per barrel.

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

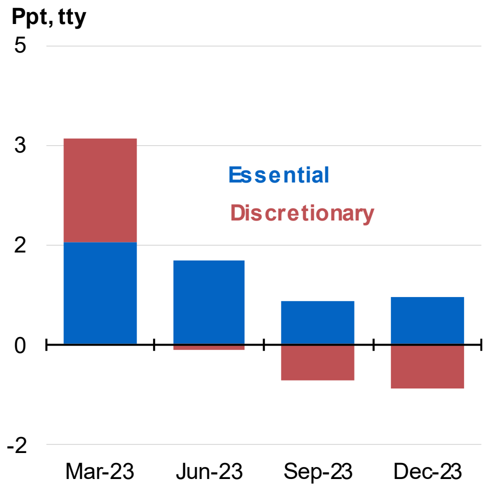
Household consumption

Households have pulled back sharply on consumer spending in response to sustained cost-of-living pressures and higher interest rates (Chart 2.10). However, higher wages growth, the forecast moderation in inflation, continuing employment growth and the Government's cost-of-living tax cuts are expected to support real household disposable incomes and household consumption from the second half of 2024 (see Box 2.1).

Household consumption was broadly flat over 2023. With subdued growth in real household disposable income, consumption is expected to remain weak in the first half of 2024 (Chart 2.11). A recovery in real disposable income growth is then expected to support household consumption, which is forecast to grow by 2 per cent in 2024–25 and 2¾ per cent in 2025–26.

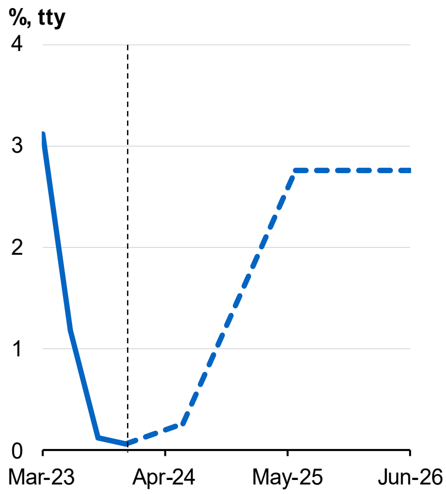
There remains significant uncertainty around the responsiveness of household consumption to evolving economic conditions. While aggregate real household disposable income is expected to pick up in 2024–25, households will still face tight budgets and may look to replenish savings as their real incomes increase. A faster-than-anticipated softening in labour market conditions could also temper the recovery in consumption.

Chart 2.10: Contribution to consumption growth



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

Chart 2.11 Growth in consumption



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

Box 2.1: Recovery in real household disposable income

Real disposable income is forecast to grow by 3½ per cent in 2024–25 (Chart 1). This is expected to be driven by a 4½ percentage point contribution from growth in labour incomes and a 1 percentage point contribution from the Government's cost-of-living tax cuts. Inflation is expected to be a smaller drag on real incomes compared to recent years. If realised, this would be the fastest rate in over a decade (excluding the pandemic).

Australia's resilient labour market and historically low unemployment rate means more Australians have jobs. Employment in Australia grew faster than in any major advanced economy over the past year, with more Australians now securing meaningful work. Employment is expected to continue to grow next year, even as the labour market softens in response to weaker growth. Nominal wages are now growing at their fastest rate in nearly 15 years. This is due to strength in the labour market and the Fair Work Commission's wage determinations, which the Government supported. Continued growth in wages will contribute to the improvement in household disposable incomes over the coming year.

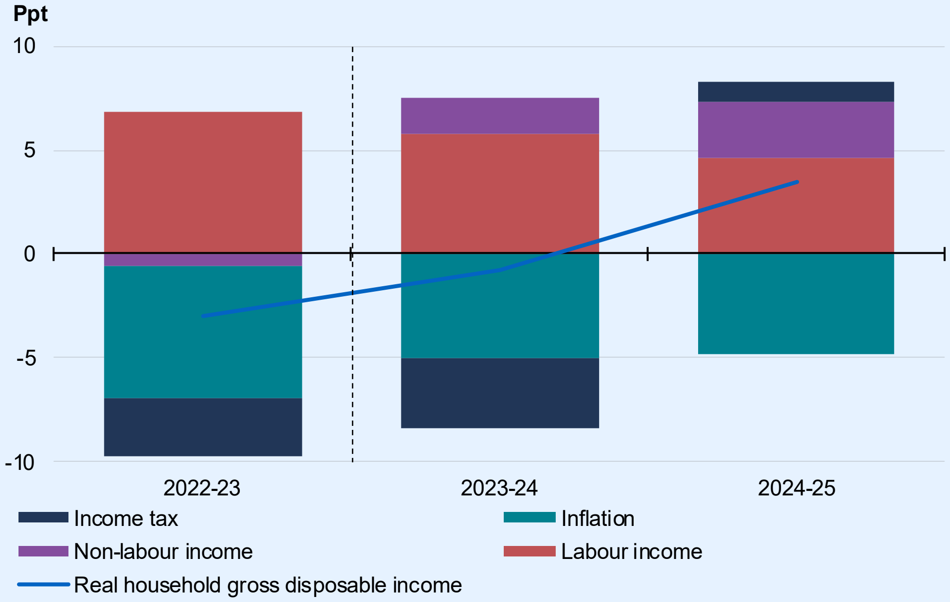
The Government's cost-of-living tax cuts will ensure households keep a greater proportion of their incomes to help navigate cost-of-living pressures. Compared to previously legislated settings, 11.5 million taxpayers will receive a larger tax cut. The Government's tax cuts deliver a permanent reduction in tax for all taxpayers, with an average tax cut of $1,888 in 2024–25 compared to 2023–24 settings.

In addition, the continued moderation of inflation and the Government's responsible cost-of-living policies will strengthen the purchasing power of households.

continued over next page

Box 2.1: Recovery in real household disposable income (continued)

Chart 1: Contribution to real household gross disposable income growth



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

Dwelling investment

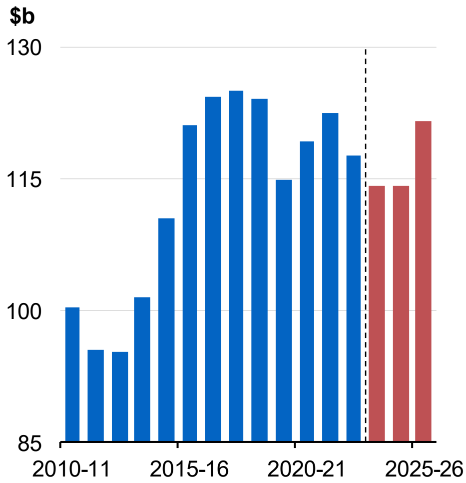
Higher interest rates and elevated construction costs are weighing on the demand for new housing (Chart 2.12). These factors are expected to cause dwelling investment to contract by 3 per cent in 2023–24 and remain flat in 2024–25. Alongside an improvement in household finances and asset returns, growth in new dwelling investment is expected to increase to 6½ per cent in 2025–26 (Chart 2.13).

Government initiatives to increase housing supply will help to support an increase in the stock of dwellings. The Government's $32 billion housing plan will deliver the biggest investment in social housing in over a decade, enable construction of more homes, reduce red tape and planning hurdles, train the necessary workforce, and support Australians into home ownership and those in the rental market. These initiatives will help support the shared Australian and state governments' ambition to deliver 1.2 million new homes over the next five years.

Chart 2.12: Private sector residential building approvals

Source: ABS Building Approvals and Treasury.
Note: 3-month rolling average.

Chart 2.13: Dwelling investment



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

Business investment

Recent growth in business investment has been underpinned by strong business balance sheets, elevated capacity utilisation, and resilient business sentiment. The upswing is expected to continue through to 2025–26 and, if realised, would be the longest sustained increase in business investment since the mining boom (Chart 2.14).

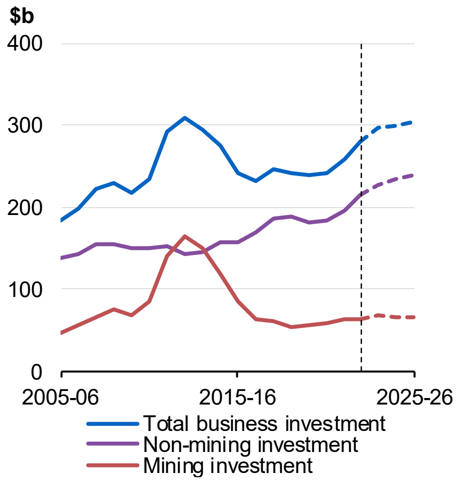
The positive outlook for business investment is reflected in the strength of recent outcomes as well as forward-looking capital expenditure intentions (Chart 2.15). High levels of capacity utilisation and the desire to drive cost efficiencies has, to date, offset the impact of global uncertainty and the drag from the slowdown in household demand. A large pipeline of non-dwelling construction projects should underpin near-term growth with business investment forecast to grow by 5½ per cent in 2023–24.

Business investment is expected to remain at high levels, with growth expected to be 1 per cent in 2024–25 and 2 per cent in 2025–26, as the pipeline of non-dwelling construction projects is worked through. Moderating domestic demand is expected to see investment in machinery and equipment ease, albeit from elevated levels.

At the sectoral level, non-mining investment is expected to be the main driver of growth in business investment over the coming years. Non-mining investment is forecast to increase by 5½ per cent in 2023–24, 2½ per cent in 2024–25 and 2 per cent in 2025–26. Continued expenditure on non-dwelling construction projects is driving growth throughout the profile, with investments focussed on renewable energy infrastructure, data centres and warehouses.

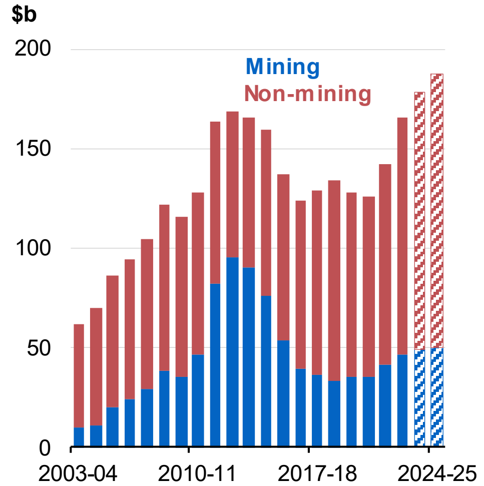
The outlook for mining investment primarily reflects expenditure to maintain existing resource production capacity along with a modest number of new LNG and metal ore projects. Mining investment is expected to grow by 4½ per cent in 2023–24, before falling by 3½ per cent in 2024–25 as large projects are worked through. In 2025–26, growth in mining investment is expected to pick up to 2 per cent.

Chart 2.14: Business investment by component



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

Chart 2.15: Capital expenditure expectations (CAPEX) by sector (nominal)



Source: ABS Private New Capital Expenditure and Expected Expenditure and Treasury.

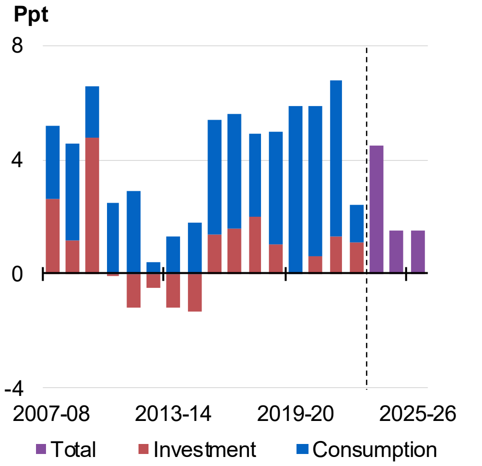
Note: Last two columns denote new capital expenditure expectations adjusted using long-run average realisation ratios for 2023–24 and 2024–25.

Public final demand

Public final demand is forecast to rise by 4½ per cent in 2023–24, before slowing to 1½ per cent in 2024–25 and 2025–26 (Chart 2.16). Government expenditure on goods and services is expected to continue to grow, which reflects, in part, an increase in public health spending by all levels of government.

A large pipeline of public infrastructure projects at the state and federal level is expected to support public investment (Chart 2.17). As capacity constraints ease, this will allow the pipeline of projects, including on energy, water and transport infrastructure, to be worked through and support growth.

Chart 2.16: Annual growth in public final demand by component



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

Chart 2.17: Public sector construction pipeline

Source: ABS Building Activity, Engineering Construction Activity and National Accounts: National Income, Expenditure and Product.

Note: Nominal pipeline of public infrastructure work is deflated by non-dwelling construction prices.

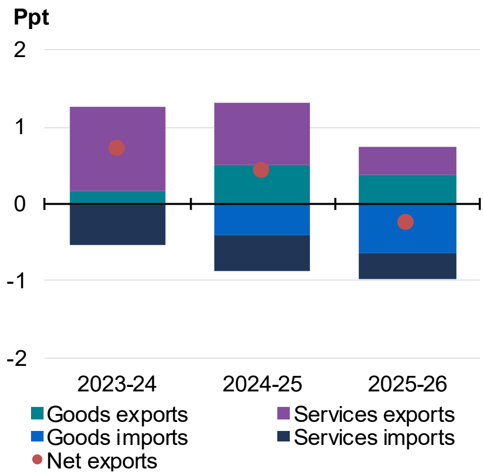
Net exports

Net exports are expected to add ¾ of a percentage point to GDP growth in 2023–24 and ½ of a percentage point in 2024–25 (Chart 2.18). This is largely the result of the ongoing rebound in services exports following the pandemic. In 2025–26, net exports are expected to subtract ¼ of a percentage point from GDP growth. This is largely due to the anticipated moderation in mining exports and increase in goods imports, which reflects the forecast upswing in household consumption and strong business investment.

Exports are forecast to grow by 5 per cent in both 2023–24 and 2024–25 (Chart 2.19). This reflects the expected ongoing recovery in tourism and international education exports following the prolonged period of international border closures during the pandemic. A recovery in mining exports from weather and supply disruptions is also forecast to support export growth. Export growth is then expected to slow to 2½ per cent in 2025–26, which is consistent with moderating growth in mining and services exports.

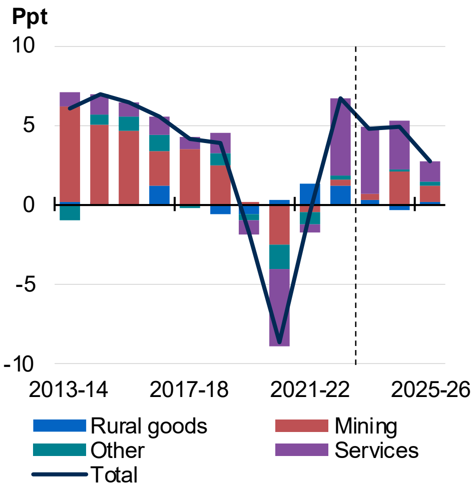
Imports growth is forecast to moderate to 2½ per cent in 2023–24, reflecting weaker domestic demand for goods imports and an expected moderation in service imports growth with Australians prioritising closer and less expensive holiday destinations amid cost-of-living pressures. Growth in imports is expected to pick up to 4 per cent in 2024–25 and then 4½ per cent in 2025–26, as domestic demand improves.

Chart 2.18: Net export contribution to GDP growth



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

Chart 2.19: Contribution to exports growth



Source: ABS Balance of Payments and International Investment Position and Treasury.

Note: 'Other' includes exports of non-commodity goods and additive differences due to rebasing of volume change measures.

Inflation

Although inflation remains elevated, it has moderated substantially and is now less than half of its peak in 2022. The moderation in inflation has occurred more quickly than forecast at MYEFO. Inflation is expected to be 3½ per cent through the year to the June quarter 2024, ¼ of a percentage point lower than previously forecast. This moderation in inflation has been assisted by a continued easing of goods inflation – and the Government's cost-of-living policies.

While there remains considerable uncertainty around the outlook for the domestic and global economy, the Government's responsible cost-of-living measures could see headline inflation return to the target band by the end of 2024, slightly earlier than expected at MYEFO (Chart 2.20). This will ease pressure on households and help to keep inflation expectations well-anchored.

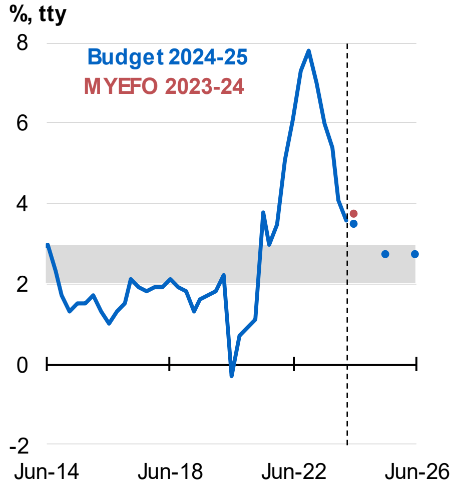
Annual headline inflation moderated to 3.6 per cent in the March quarter 2024, well below its peak of 7.8 per cent (Chart 2.21). The Energy Price Relief Plan and increases to Commonwealth Rent Assistance are estimated to reduce measured inflation in 2023–24 by ¾ of a percentage point. The extension of the Energy Bill Relief Fund (EBRF) and the further increase in Commonwealth Rent Assistance payments announced in this Budget are expected to directly reduce headline inflation by ½ a percentage point in 2024–25 (see Box 2.2).

The peak in services inflation lagged that of goods inflation. Services inflation remains elevated, driven by the increased cost of business inputs. However, services inflation is expected to gradually normalise over the next two years.

Rental market conditions remain very tight, with national vacancy rates persisting at near record lows. National advertised rents grew at over 8 per cent in the year to April 2024. Growth in rental costs is expected to remain elevated as increases in advertised rents flow through with the renewal of existing leases. Over the forecast horizon, rental pressures are expected to gradually ease. The demand for rental accommodation has increased sharply, owing to the reopening of international borders and strong nominal income growth. On the supply side, high interest rates and elevated costs of construction are weighing on activity, limiting the pace at which housing supply catches up to demand.

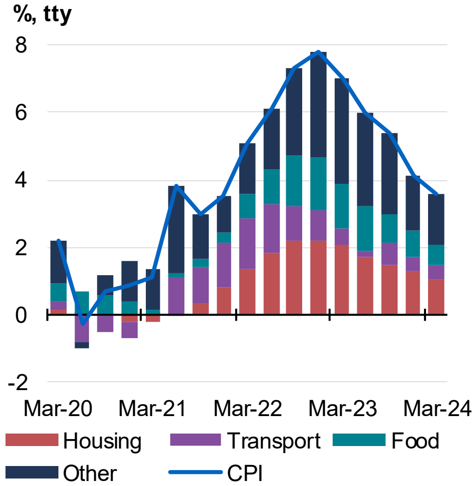
While inflation expectations over the medium-term have remained well-anchored, there are several risks to the inflation outlook. While productivity has grown for two consecutive quarters, the extent to which productivity growth will recover remains uncertain. A slower recovery in productivity growth could have implications for both inflation and growth. Any further escalation of current geopolitical tensions also present risks to the outlook.

Chart 2.20: Headline inflation



Source: ABS Consumer Price Index and Treasury.
Note: Grey shading denotes the RBA target band. Forecasts are June quarter through-the-year inflation rates.

Chart 2.21: Inflation decomposition



Source: ABS Consumer Price Index and Treasury.
Note: Contributions are approximations as they are back cast prior to the December quarter 2023 using the 2023 CPI expenditure weights, and use rounded analytical series contributions.

Box 2.2: The impact of cost-of-living relief on inflation

The Government's cost-of-living policies are providing responsible relief to households and small businesses with cost-of-living pressures.

The Government's existing Energy Price Relief Plan (EPRP), Cheaper Child Care and boost to Commonwealth Rent Assistance are directly easing cost-of-living pressures. These targeted polices are expected to take ¾ of a percentage point off inflation in 2023-24. New policies as part of the 2024–25 Budget will provide further cost-of-living relief for households. The Government's energy bill relief will support all households with their energy bills.

The Government's EPRP has shielded households from the worst effects of the extraordinary energy price rises in 2022–23 and 2023–24. The EPRP included temporary caps on wholesale coal and gas prices and up to $3 billion of targeted energy bill relief for households and small businesses, jointly funded by the Australian and state and territory governments. From the June quarter 2023 to the March quarter 2024, household energy bill relief directly reduced growth in CPI electricity prices by 12.9 percentage points (Chart 1).

As part of the October Budget 2022–23, the Government invested $4.6 billion to increase Child Care Subsidy rates to make early childhood education more affordable for eligible Australian families. In 2023, child care prices fell by 7.2 per cent; without increases to the child care subsidy, they would have risen by 13.0 per cent.

To alleviate rental pressures on low-income renters, the Government increased the maximum rates of Commonwealth Rent Assistance by 15 per cent at the 2023–24 Budget. This has reduced CPI Rents growth by 1.7 percentage points through the year to the March quarter 2024.

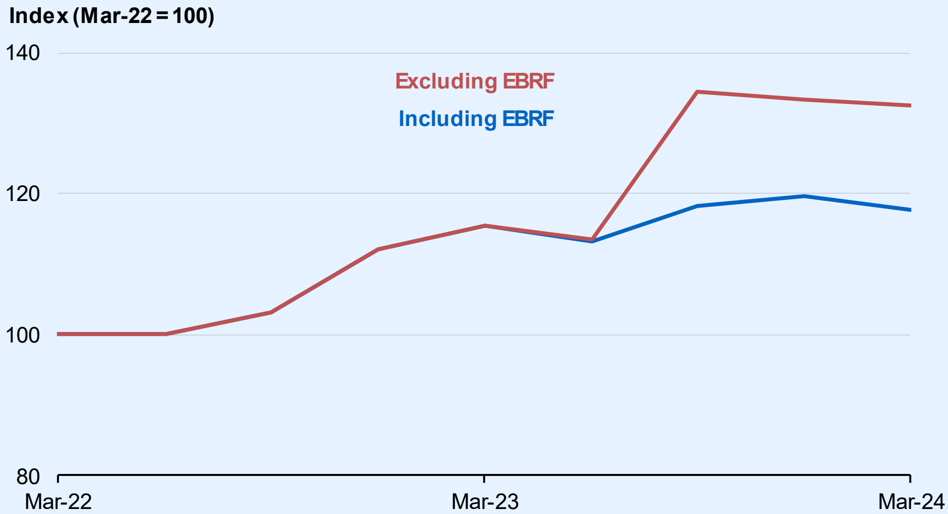
As households continue to face significant cost-of living- pressures, the Government has expanded electricity bill relief to all households and provided further increases to maximum Commonwealth Rent Assistance rates as part of Budget 2024–25. These two policies are estimated to directly reduce headline inflation by around ½ a percentage point in 2024–25 and are not expected to add to broader inflationary pressures in the economy.

Further cost-of-living relief is being delivered through a suite of other policy changes as part of Budget 2024–25. The Government's decision to redesign tax relief through its cost-of-living tax cuts will provide relief to all 13.6 million taxpayers and will not impact the inflation outlook.

continued over next page

Box 2.2: The impact of cost-of-living relief on inflation (continued)

Chart 1: Impact of Energy Bill Relief Fund (EBRF) on electricity prices in the CPI



Source: ABS Consumer Price Index and Treasury.

Note: All rebates in this period can be attributed to the EBRF except an additional $50 rebate for ACT concession households in July 2023. The ACT rebate is also included in the ‘including EBRF’ line above.

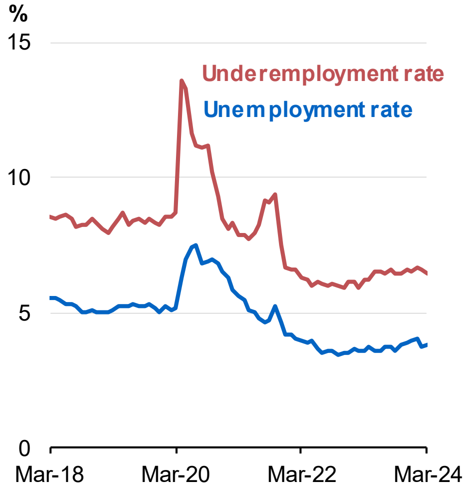
The labour market

The labour market has so far proven to be highly resilient. The unemployment rate remains low by historical standards, employment growth has been strong, and the participation rate is near record highs (Charts 2.22 and 2.23). The strength in the labour market reflects strong business balance sheets and the expansion of more labour-intensive sectors of the economy.

Despite this resilience, conditions in the labour market have begun to gradually ease and this is expected to continue over the coming year. To date, the moderation in the labour market has mainly occurred through a reduction in average hours.

Employment is forecast to continue to grow, albeit at a more modest pace and by less than the growth in the size of the labour force. Leading indicators of employment growth, such as job advertisements and vacancies, have consistently declined from record highs in mid-2022. This is expected to lead to a gradual rise in the unemployment rate, which is forecast to be 4½ per cent in the June quarter 2025. The participation rate is expected to decline modestly as easing labour market conditions discourage some workers from participating in the labour force. Even as labour market conditions ease, the unemployment rate will remain low by historical standards and is forecast to remain below the pre-pandemic decade average of 5.5 per cent.

Chart 2.22: Unemployment and underemployment rate



Source: ABS Labour Force Survey.

Chart 2.23: Employment growth

Source: ABS Labour Force Survey.

Nominal wages have picked up and are growing at their fastest rate in nearly 15 years. Nominal wages, as measured by the Wage Price Index (WPI), grew by 4.2 per cent through the year to the December quarter 2023 (Chart 2.24). Wages are expected to grow by 4 per cent through the year to the June quarter 2024. There are no signs of a wage-price spiral developing and medium-term inflation expectations are well anchored.

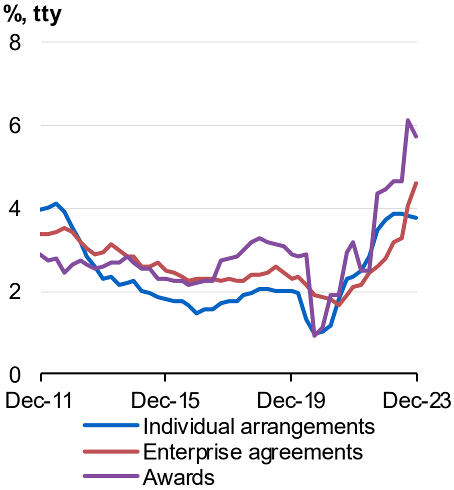
The pick-up in wages has been broad-based across both the private and public sectors. The improvement in wage outcomes was initially driven by private sector wages. Administered wage decisions have supported the pick-up in private-sector wage growth, particularly the Fair Work Commission's determinations on the minimum wage and the Aged Care Work Value Case. More recently, public sector wage outcomes have made a material contribution to wage growth. In both the public and private sector, multi-year enterprise agreements typically respond to higher inflation with a lag and, therefore, are expected to continue to support wages growth over coming years.

Administered wage decisions are expected to continue to support wage growth in the near term. The Government has recommended that the real wages of Australia's low-paid workers do not go backwards in its submission to the Fair Work Commission's Annual Wage Review. As a technical assumption, Treasury has assumed that the forthcoming Fair Work Commission determinations on both the Annual Wage Review and the aged care work value case are broadly consistent with the Government's submissions.

Moving through 2024–25, wage growth is expected to decline as labour market conditions ease in line with aggregate demand. Growth in wages set by individual arrangements is moderating in line with the softening in labour market conditions. Nominal wage growth is expected to ease to 3¼ per cent through the year to the June quarter 2025.

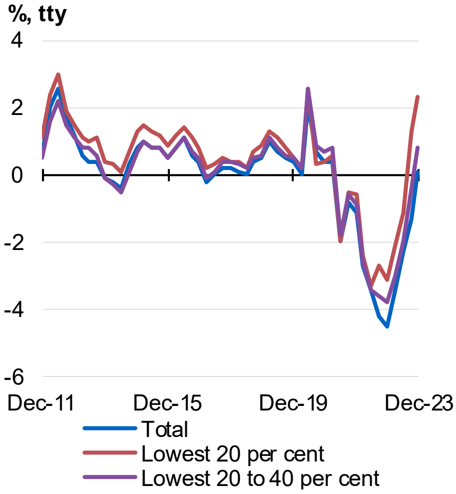
The moderation in inflation and higher nominal wage outcomes lifted real wages through the latter half of 2023. Annual real wages returned to growth at the end of 2023, which was earlier than had previously been expected. Real wage growth is expected to rise to ½ per cent by the June quarter 2024 (Chart 2.25).

Chart 2.24: WPI growth by method of pay-setting



Source: ABS Wage Price Index.

Chart 2.25: Real wage growth by income quintile



Source: ABS Wage Price Index and Treasury.

Box 2.3: Labour market resilience and employment opportunities

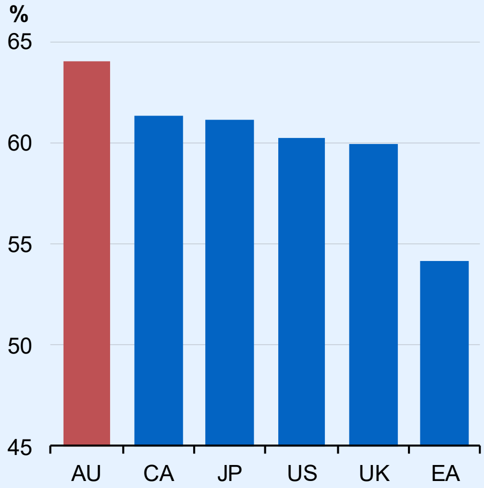
Employment growth in Australia has been stronger than any major advanced economy over the past two years (Chart 1). Strong employment and strong growth in labour supply has translated into a pick-up in the employment-to-population ratio. The share of Australians who have a job is larger than in any major advanced economy (Chart 2). If the employment-to-population ratio was the same level as Canada, the most comparable major economy to Australia, around 600,000 fewer Australians would be employed.

The resilient Australian labour market has provided employment opportunities for a broad section of the community, including cohorts that have traditionally faced barriers to employment. Youth and female employment-to-population ratios reached record highs over the past two years, while their respective unemployment rates reached record lows. Job attachment for these workers will have enduring benefits and ensure employment is more inclusive, despite the expected moderate rise in unemployment.

Chart 1: Employment growth since May 2022

Sources: National statistical agencies, Refinitiv.
Note: Euro area data is since June 2022. US employment growth represents growth in non-farm payrolls. AU is Australia. CA is Canada. US is the United States. EA is euro area. JP is Japan. UK is the United Kingdom.

Chart 2: Employment-to-population ratio



Source: National statistical agencies, Refinitiv.
Note: AU is Australia. CA is Canada. JP is Japan. US is the United States. UK is the United Kingdom. EA is euro area.

Outlook for the terms of trade

Australia's terms of trade, the ratio of export to import prices, are forecast to decline by 15 per cent over the next three years. As the terms of trade are falling from a high level, they are expected to stabilise to around the average level of the past 15 years in 2025–26. The decline in the terms of trade primarily reflects the assumption that bulk commodity export prices will trend to their long-run fundamental levels. Commodity prices are assumed to reach their long-run anchors over four quarters by the end of March quarter 2025 (Table 2.2).

The outlook for the terms of trade is highly uncertain, reflecting potential volatility in commodity prices. Recent developments in the outlook for demand for steel in China and a modest improvement in iron ore and metallurgical coal supply has driven a sharp correction in iron ore and metallurgical coal prices. Box 2.4 presents scenarios outlining the sensitivity of nominal GDP and tax receipts to alternative bulk commodity price assumptions.

Box 2.4: Commodity prices

Commodity prices have remained volatile over the past two years. Further volatility in the prices of Australia's bulk commodity exports remains a key source of uncertainty in the outlook for nominal GDP and Government tax receipts. This box explores the sensitivity of the outlook for nominal GDP and tax receipts to alternative near-term profiles for iron ore and metallurgical coal prices.

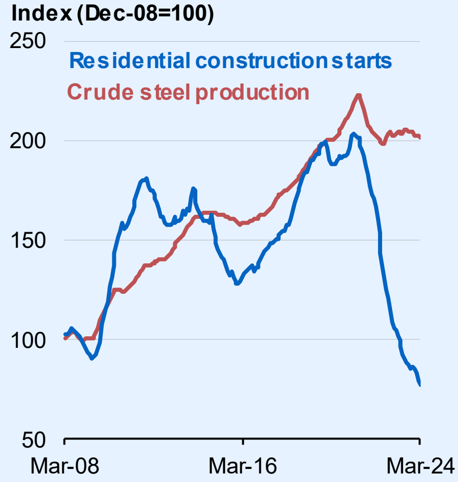
Iron ore and metallurgical coal prices have been elevated over the past two years due to strong demand from China and disruptions to supply both in Australia and globally. However, recent indications suggest that steel demand in China has likely peaked and a recovery in the supply of iron ore and metallurgical coal has put downward pressure on prices.

Chinese imports of iron ore reached record levels in 2023 in line with near-record steel production. This was due to strong demand from investment in infrastructure, expanding industrial capacity and exports, which offset weak demand from property investment. However, as property sector demand is expected to remain weak, with residential construction starts in China having fallen to their lowest level in over 15 years, steel production has likely passed its peak and is expected to ease in 2024 (Chart 1). Coinciding with the weak outlook for demand, global supply of iron ore has improved with a recovery in Brazilian supply in recent months (Chart 2).

continued over next page

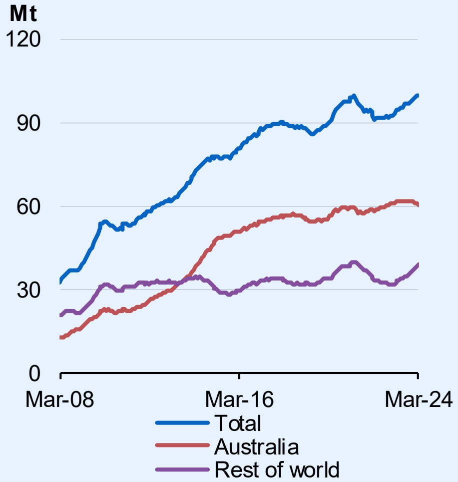
Box 2.4: Commodity prices (continued)

Chart 1: China crude steel production and residential construction starts



Source: National Bureau of Statistics, China; World Steel Association; Bloomberg; Refinitiv and Treasury.
Note: 12-month rolling average.

Chart 2: China iron ore imports



Source: General Administration of Customs, China; Bloomberg and Treasury.
Note: 12-month rolling average.

Two alternative price scenarios have been considered to assess the sensitivity of Budget forecasts to alternative profiles for iron ore and metallurgical coal prices (Charts 3 and 4).

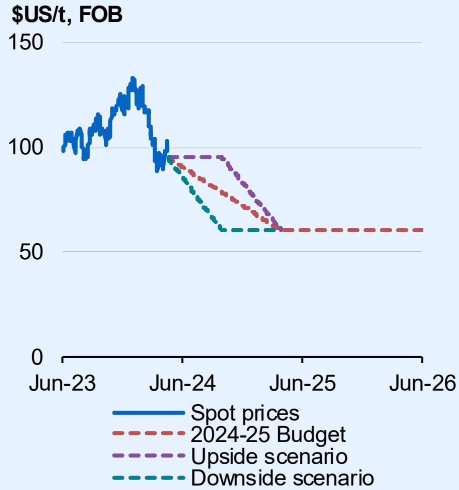
- In the upside scenario, iron ore and metallurgical coal prices are assumed to stay at their recent averages until the end of the September quarter 2024, after which they glide to their long-run anchor prices by the end of March quarter 2025.
- In the downside scenario, iron ore and metallurgical coal prices fall to their long-run anchor prices by the end of the September quarter 2024.

Compared with the Budget forecasts, nominal GDP is higher by $16.5 billion in the upside scenario and lower by $18.1 billion in the downside scenario over the forward estimates (Table 1). The level of company tax receipts is $4.1 billion higher in the upside scenario and $4.5 billion lower in the downside scenario over the forward estimates.

continued over next page

Box 2.4: Commodity prices (continued)

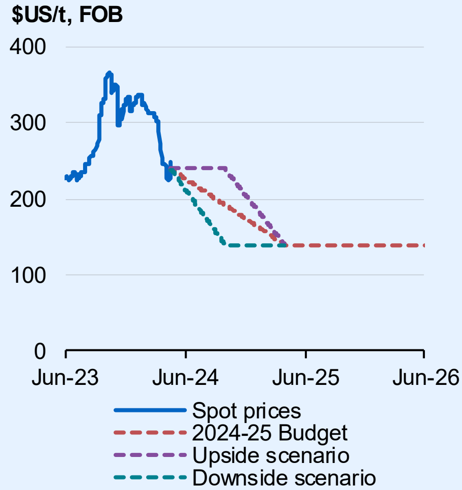
Chart 3: Iron ore spot price



Source: Argus Media and Treasury.

Note: Iron ore – 62% Fe, FOB.

Chart 4: Metallurgical coal spot price



Source: Argus Media and Treasury.

Note: Metallurgical coal – premium-hard low-vol, FOB.

Note: Calculations made by Treasury are based on confidential proprietary data from Argus Media under licence. Argus Media shall not be liable for any loss or damage arising from any party's reliance on, or use of, the data provided or the Treasury's calculations.

Table 1 – Changes in nominal GDP and company tax receipts relative to Budget forecast

	2023-24	2024-25	2025-26	2026-27	2027-28	Total
Upside scenario						
Nominal GDP ($b)	1.0	15.4	0.1	0.0	0.0	16.5
Company tax receipts ($b)	0.1	2.2	1.9	0.0	0.0	4.1
Downside scenario						
Nominal GDP ($b)	-1.1	-16.9	-0.1	0.0	0.0	-18.1
Company tax receipts ($b)	-0.1	-2.4	-2.0	0.0	0.0	-4.5

Note: Totals may not sum due to rounding.

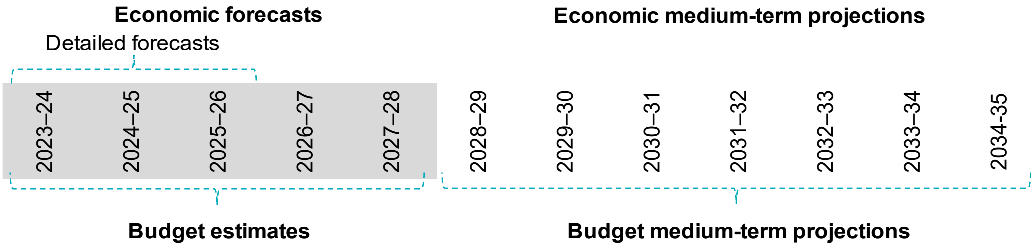
Outlook for nominal GDP growth

Nominal GDP is expected to grow 4¾ per cent in 2023–24. This reflects underlying growth in economic output as well as strength in prices for domestic consumption and investment. Nominal GDP growth is then expected to slow to 2¾ per cent in 2024–25, as higher output growth and domestic inflation are offset by the fall in the terms of trade.

Medium-term projections

The fiscal aggregates are underpinned by economic forecasts over the forward estimates period and projections over the medium term (Chart 2.26).

Chart 2.26: Medium-term projection period



Source: Treasury

Treasury uses a macroeconometric model of the Australian economy for its forecasts and projections beyond the detailed forecast horizon of 2025–26. The model informs how the economy returns to its trend level of output, known as potential GDP, following short-term fluctuations of the business cycle.

Potential GDP is estimated based on an analysis of trends for population, productivity, and participation. Potential GDP growth is projected to average 2½ per cent per annum over the 2028–29 to 2034–35 projection period.

Both the population (aged over 15) and the trend participation rate have been revised up by ¼ of a percentage point by 2034–35. The updated estimates for population and its age structure are reflected in trend participation.

The upgrade in the size of the workforce has been offset by a lower estimated level of trend productivity in the near term. This reflects weak underlying productivity growth, which pre-dated COVID-19 pandemic related disruptions that are largely expected to unwind. In the long run, underlying productivity is assumed to grow at 1.2 per cent per annum. The unemployment rate settles at Treasury’s Non-Accelerating Inflation Rate of Unemployment (NAIRU) assumption of 4¼ per cent by the June quarter 2028 and remains at that rate over the medium-term projection period.

Domestic price growth converges over time to the midpoint of the Reserve Bank of Australia’s inflation target band of 2 to 3 per cent. The terms of trade are projected to remain around their 2025–26 level over the medium term, with key commodity prices being at levels consistent with their long-term fundamentals. Nominal wage growth converges to around 3¾ per cent, reflecting the outlook for labour productivity growth and inflation.

Statement 3:
Fiscal Strategy and Outlook

Following a $22.1 billion surplus in 2022–23, a $9.3 billion surplus is now forecast for 2023–24 – the first back-to-back surpluses in nearly two decades. The Government's responsible economic and fiscal management has returned the budget to surplus faster than any major advanced economy.

This Government is continuing to support monetary policy, keeping pressure off inflation by targeting a second surplus and returning over 96 per cent of tax upgrades to the budget in 2023–24. Since the Pre-election Economic and Fiscal Outlook 2022 (PEFO), 82 per cent of tax upgrades have been returned to the budget over the forward estimates period.

Real payments growth has been limited since coming to government and over the forward estimates period to 1.4 per cent per year, compared to around 3.2 per cent over the past 30 years. The Government has identified $32.2 billion in budget improvements in this Budget, bringing the total to $104.8 billion since coming to government.

The Government is delivering cost-of-living relief, with energy bill relief and rent assistance estimated to directly reduce headline inflation by ½ of a percentage point in 2024–25. This could see headline inflation return to the target band by the end of 2024, slightly earlier than expected at the Mid-Year Economic and Fiscal Outlook (MYEFO).

Inflation is the primary focus of the Budget in the near term. As inflation moderates, fiscal policy will shift emphasis towards promoting sustainable economic growth and public finances over time. This is achieved through a balanced approach that manages near-term risks to inflation and growth, puts in place reforms to build a stronger and more resilient economy, and safeguards fiscal sustainability.

The underlying cash balance forecast for 2023–24 has improved by $10.5 billion since MYEFO and $65.9 billion since the PEFO. A deficit of $28.3 billion is forecast in 2024–25. The larger deficit is driven by the Government's cost-of-living relief and addressing unavoidable spending pressures including the extension of funding for terminating health measures and frontline services. The underlying cash balance has improved by a cumulative $214.7 billion over the six years to 2027–28 compared to the forecasts at the PEFO. Gross debt is projected to be $183.0 billion lower at 30 June 2025 than forecast in the PEFO, saving around $80 billion in interest costs over the decade.

In line with the Economic and Fiscal Strategy, the Government is on track to stabilise and reduce gross debt as a share of the economy. Gross debt as a share of the economy is lower than at MYEFO and the PEFO in every year of the forward estimates and medium term. Gross debt is projected to peak at 35.2 per cent of GDP at 30 June 2027, 9.7 percentage points lower than the peak forecast in the PEFO.

The underlying cash balance improves over the medium term. However, Australia faces long-term fiscal challenges due to climate change, an ageing population, regional security and rising demand for care and support services.

Statement contents

Statement 3: Fiscal Strategy and Outlook

The Government's responsible economic management has delivered a surplus in 2022–23, and a second surplus of $9.3 billion (0.3 per cent of GDP) is forecast in 2023–24 (Table 3.1). This is an improvement in 2023–24 of $10.5 billion since MYEFO and $65.9 billion since the PEFO.

This Government is continuing to support monetary policy, keeping pressure off inflation by targeting a second surplus and returning over 96 per cent of tax upgrades to the budget in 2023–24. Since the PEFO, 82 per cent of tax upgrades have been returned to the budget over the forward estimates period.

A deficit of $28.3 billion (1.0 per cent of GDP) is forecast in 2024–25. The larger deficit is driven by the Government's cost-of-living relief and addressing unavoidable spending including the extension of funding for terminating health measures and frontline services.

The upgrades to receipts in this Budget are much smaller than recent budget updates, at around a fifth of the average of the previous three Budgets. This Budget sees tax receipts, excluding GST and policy decisions, increasing by $8.2 billion in 2024–25 and $27.0 billion over the forward estimates.

Real payments growth has been limited since coming to government and over the forward estimates period to 1.4 per cent and 2.1 per cent between 2024–25 and 2027–28, compared to around 3.2 per cent over the past 30 years. The Government has identified $32.2 billion in budget improvements in this Budget, bringing the total to $104.8 billion since coming to government.

The underlying cash balance is projected to improve over the medium term. Gross debt as a share of the economy is projected to be lower than at MYEFO and PEFO in every year of the forward estimates and medium term, helping to rebuild fiscal buffers to prepare for future challenges.

Gross debt as a share of the economy is expected to peak one year earlier and 0.2 percentage points lower than projected in MYEFO. By 30 June 2034, gross debt is 31.5 per cent of GDP, 0.6 percentage points lower than projected at MYEFO. Gross debt is projected to be $183.0 billion lower at 30 June 2025 than at PEFO, and these improvements save around $80 billion in interest costs over the decade.

Table 3.1: Australian Government general government sector budget aggregates

	Actual	Estimates						Projections
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Total(a)	2034-35
	$b	$b	$b	$b	$b	$b	$b	% of GDP
Underlying cash balance	**22.1**	**9.3**	**-28.3**	**-42.8**	**-26.7**	**-24.3**	**-112.8**	
Per cent of GDP	0.9	0.3	-1.0	-1.5	-0.9	-0.8		-0.1
Receipts	**649.5**	**692.3**	**698.4**	**719.4**	**760.0**	**801.8**	**3,671.9**	
Per cent of GDP	25.3	25.8	25.3	25.1	25.1	25.2		26.2
Tax receipts	**601.3**	**638.8**	**642.5**	**661.6**	**702.3**	**742.3**	**3,387.5**	
Per cent of GDP	23.5	23.8	23.3	23.1	23.2	23.3		24.5
Non-tax receipts	**48.2**	**53.6**	**55.9**	**57.8**	**57.7**	**59.5**	**284.5**	
Per cent of GDP	1.9	2.0	2.0	2.0	1.9	1.9		1.7
Payments(b)	**627.4**	**683.0**	**726.7**	**762.2**	**786.7**	**826.2**	**3,784.8**	
Per cent of GDP	24.5	25.4	26.4	26.6	26.0	26.0		26.3
Gross debt(c)	**889.8**	**904.0**	**934.0**	**1,007.0**	**1,064.0**	**1,112.0**		
Per cent of GDP	34.7	33.7	33.9	35.1	35.2	34.9		30.2
Net debt(d)	**491.0**	**499.9**	**552.5**	**615.5**	**660.0**	**697.5**		
Per cent of GDP	19.2	18.6	20.0	21.5	21.8	21.9		18.7
Net interest payments(e)	**11.9**	**12.3**	**14.5**	**18.8**	**20.8**	**26.0**	**92.4**	
Per cent of GDP	0.5	0.5	0.5	0.7	0.7	0.8		1.1

a) Total is equal to the sum of amounts from 2023–24 to 2027–28.
b) Equivalent to cash payments for operating activities, purchases of non-financial assets and principal payments of lease liabilities.
c) Gross debt measures the face value of Australian Government Securities (AGS) on issue.
d) Net debt is the sum of interest-bearing liabilities (which includes AGS on issue measured at market value) less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).
e) Net interest payments are equal to the difference between interest payments and interest receipts. The increases in 2025–26 and 2027–28 primarily reflect Treasury Indexed Bonds maturing in those years.

Economic and Fiscal Strategy

The Government's Economic and Fiscal Strategy is making the economy and the 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 each budget update.

Box 3.1: The Government's Economic and Fiscal Strategy

The 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:

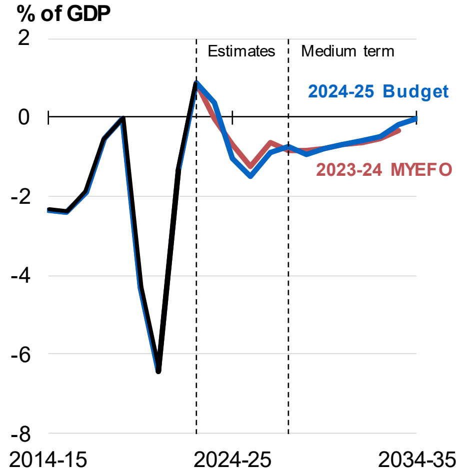
- Allowing tax receipts and income support to respond in line with changes in the economy and directing the majority of improvements in tax receipts to budget repair.
- Limiting growth in spending until gross debt as a share of GDP is on a downwards trajectory, while growth prospects are sound and unemployment 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.

Delivering on the Economic and Fiscal Strategy

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

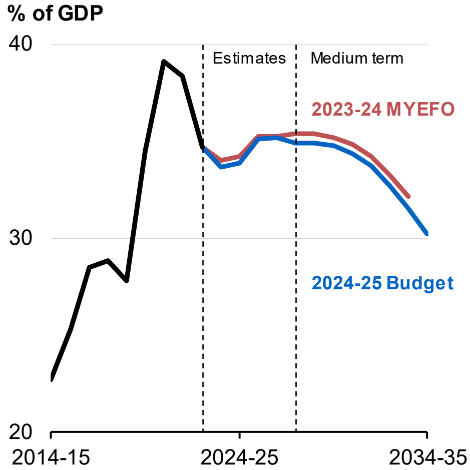
- Forecasting a $9.3 billion surplus in 2023–24 – this would be the first time a government has delivered back-to-back surpluses in nearly two decades (Chart 3.1).
- Reducing debt as a share of the economy over time. Gross debt-to-GDP is projected to peak at 35.2 per cent at 30 June 2027, before declining to 30.2 per cent at 30 June 2035 (Chart 3.2).
- Returning 96 per cent of tax receipt upgrades (excluding GST) to the budget in 2023–24, keeping pressure off inflation.
- Returning 82 per cent of revenue upgrades to the budget since coming to government over the forward estimates period.
- Repairing the budget through $27.9 billion in savings and spending reprioritisations and $3.1 billion in improvements to the tax system.
  - This brings total savings and spending reprioritisations to $77.4 billion and total budget improvements to $104.8 billion since the PEFO.
- Limiting spending, with real payments growth since coming to government and over the forward estimates period estimated to be 1.4 per cent.
  - This compares to the 3.2 per cent average over the past 30 years.

Chart 3.1: Underlying cash balance



Source: Treasury.

Chart 3.2: Gross debt



Source: Australian Office of Financial Management, Treasury.

The Government is keeping the pressure off inflation and supporting monetary policy by targeting a second consecutive surplus and continuing to bank the majority of revenue upgrades in 2023–24 (Box 3.2). The Government is directly reducing inflation through responsible cost of living measures. In 2024–25, extension of energy bill relief and increases to rental assistance are estimated to directly reduce inflation by ½ of a percentage point and are not expected to add to broader inflationary pressures.

Compared to the PEFO:

- The underlying cash balance has improved by a cumulative $214.7 billion over the six years to 2027–28.
- Gross debt is lower every year of the projection period. At 30 June 2025, gross debt is projected to be $183.0 billion (11.0 percentage points of GDP) lower than at the PEFO.
- The improvements to the Budget position over the 11 years to 2032–33 are expected to save around $80 billion in interest payments over this period.

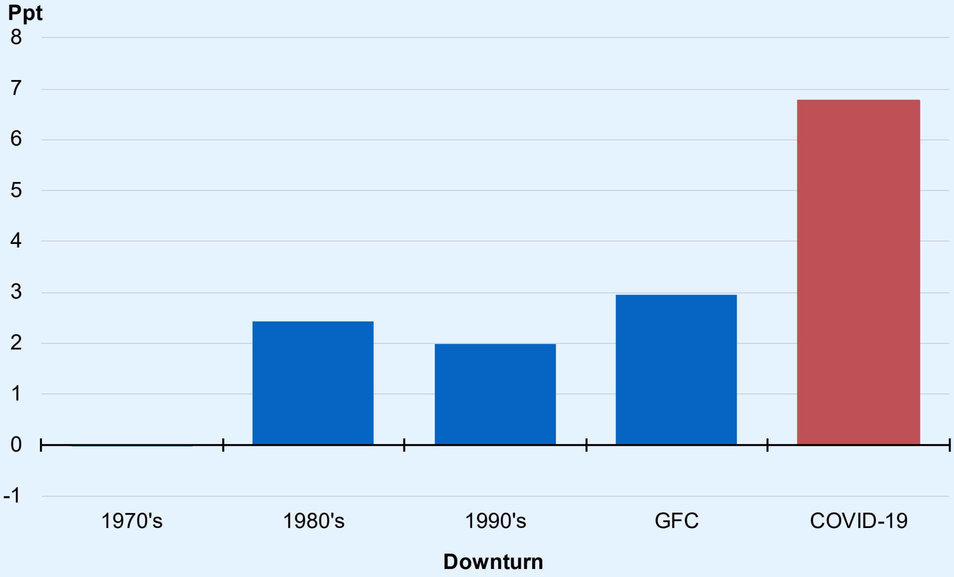
The Government's responsible economic and fiscal management has meant Australia's fiscal position has improved by more than any other G20 country since 2021. Australia remains one of only nine countries to retain a AAA credit rating from all three major credit rating agencies.

Box 3.2: Fiscal policy in a period of high inflation

In a high-inflation environment, fiscal policy can be used to reduce demand pressures while providing targeted cost-of-living support to those in need. This can help ease inflation and limit the adverse impact on household consumption and welfare relative to monetary policy working alone (IMF 2023).

In Australia, fiscal policy has tightened rapidly. Budget balance metrics – such as the underlying cash balance and net operating balance (as a per cent of GDP) – have increased by around seven percentage points since their pandemic trough. This is the fastest and largest tightening on record: typical improvements were around two to three percentage points in the three years coming out of recessions (Chart 3.3).

Chart 3.3 Budget balance to GDP improvements in economic recoveries



Source: Treasury.
Note: Cumulative underlying cash balance improvement over three years from the trough following an economic downturn.

This tightening was possible because of the Government's spending restraint, through returning the majority of upward revisions to tax receipts to the budget and keeping real spending growth low.

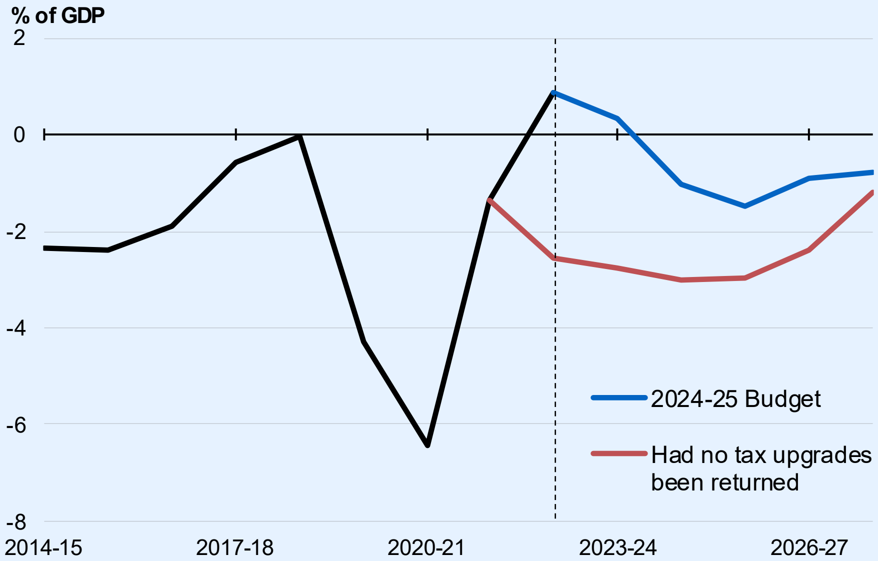
Continued on next page

Box 3.2: Fiscal Policy in a Period of High Inflation (continued)

Economic strength, a resilient labour market and high commodity prices drove an increase in personal income and company tax collections. This saw large upward revisions to tax receipts as the Australian economy rebounded from the pandemic.

Returning 91 per cent of tax receipt upgrades to the budget in 2022–23 and 2023–24 has allowed these improvements in receipts to help moderate demand in the economy. If the upgrades were instead spent, the underlying cash balance would be around 3 per cent of GDP worse in 2023–24 (Chart 3.4).

Chart 3.4 Underlying cash balance scenario



Source: Treasury.

Spending restraint – including by not continuing to extend temporary pandemic fiscal measures or replacing them with new spending measures – and structural budget improvements further added to the fiscal tightening.

Within a tightening budget position, the Government provided responsible relief to support households facing significant cost-of-living pressures. The impacts of high but moderating inflation and higher interest rates put households under pressure. In response, the Government undertook measures – including energy bill relief, child care subsidies, and rent assistance – to support households to pay for essentials.

By tightening fiscal policy in aggregate and providing responsible relief in the period of high inflation, the Government's approach to fiscal policy has helped to reduce inflation from its peak while reducing the burden of inflation on lower and middle-income households.

Fiscal outlook

Underlying cash balance estimates

The underlying cash balance is estimated to be a $9.3 billion surplus (0.3 per cent of GDP) in 2023–24, an improvement of $10.5 billion compared to MYEFO (Table 3.2). This follows a $22.1 billion surplus in 2022–23. This would be the first back-to-back surplus nearly two decades. Australia's fiscal position has improved by more than any other G20 country since 2021, according to IMF data (Box 3.3).

An underlying cash deficit of $28.3 billion (1.0 per cent of GDP) is forecast for 2024–25, $9.5 billion lower since MYEFO. The underlying cash deficit is expected to increase in 2025–26 before declining to $24.3 billion (0.8 per cent of GDP) in 2027–28. Over the five years to 2027–28, the underlying cash balance is lower by a cumulative $11.8 billion since MYEFO.

Policy decisions since MYEFO have reduced the underlying cash balance by $24.4 billion over five years to 2027–28. This includes $7.8 billion dollars in responsible cost-of-living relief and $15.4 billion in unavoidable spending. Parameter and other variations since MYEFO have improved the underlying cash balance by $12.6 billion over five years to 2027–28.

Addressing Unavoidable and Legacy Issues

Over five years to 2027–28, there is $15.4 billion in unavoidable spending, including to extend terminating programs and continue to address legacy issues left by the former Government. Investment in these critical areas ensures that we keep existing programs in place to prevent any cuts to the services that Australians rely on. This includes funding to:

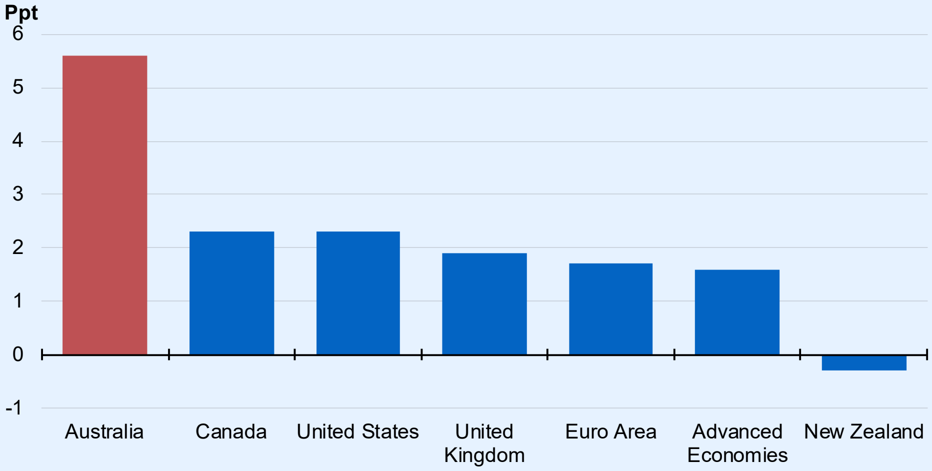
- address pressures at Services Australia, help stabilise claim processing performance and continue emergency response capability, continue to operate, maintain and enhance myGov, and improve safety for staff and customers.
- address unavoidable cost pressures for existing projects in the Infrastructure Investment Program.
- extend terminating health programs and continue the COVID-19 response.
- support digital capability and sustainment of aged care systems.
- address underfunding at Home Affairs and the Australian Border Force, helping to sustain operations and maintain capability to secure our borders.

Box 3.3: International fiscal comparisons

The Government's responsible budget management, where the proceeds from a resilient labour market and elevated commodity prices have been returned to the budget, has contributed to strong fiscal outcomes for Australia. Australia's budget balance as a share of GDP has continued to improve more quickly than in most countries, and gross debt-to-GDP remains at comparatively low levels.

Australia's general government fiscal deficit – which includes the fiscal positions of state and local governments – is expected to have narrowed to 0.9 per cent of GDP in 2023, from 6.5 per cent in 2021. This 5.6 percentage point improvement is much larger than the advanced-economy average of 1.6 percentage points over the same period (Chart 3.5). Australia had the second strongest fiscal balance in 2023 among G20 countries, up from fourteenth in 2021.

Chart 3.5: Change in fiscal balance to GDP (2021 to 2023)



Source: 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 Budget.

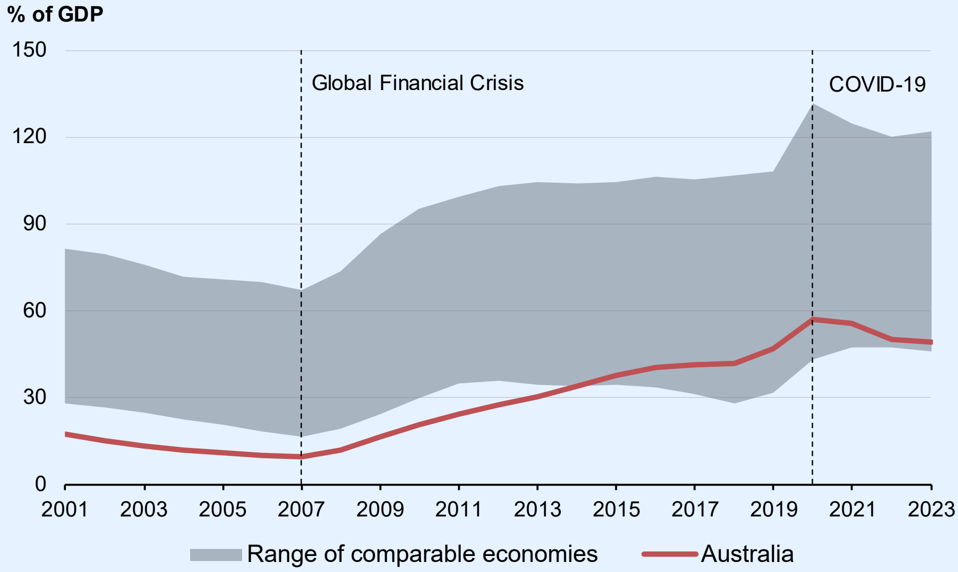
Debt-to-GDP has fallen faster and earlier than the IMF projected at the height of the pandemic. Between 2021 and 2023, Australia's general government gross debt-to-GDP fell by 6.1 percentage points. Australia's gross debt as a share of GDP has remained low compared to its international peers (Chart 3.6).

Continued on next page

Box 3.3: International Fiscal Comparisons (continued)

The recent debt reduction is a welcome development. However, across the world, government debt remains well above its pre-Global Financial Crisis levels. In Australia, general government gross debt increased to a peak of 57 per cent in 2020. The Government's Economic and Fiscal Strategy focuses on reducing gross debt as a share of the economy. The IMF projects Australia's general government gross debt to GDP to continue to fall to 44 per cent of GDP by 2029. This will ensure Australia continues to have the fiscal space to respond to future economic shocks.

Chart 3.6: General government gross debt



Source: 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 Budget. The range has been calculated using a subset of comparable advanced economies: Canada, the Euro Area, New Zealand, United Kingdom and United States.

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

	Estimates					
	2023–24	2024–25	2025–26	2026–27	2027–28	Total
	$m	$m	$m	$m	$m	$m
2023–24 Budget underlying cash balance	**-13,918**	**-35,058**	**-36,627**	**-28,450**	*	*
Per cent of GDP	-0.5	-1.3	-1.3	-1.0	*	
Changes from 2023–24 Budget to 2023–24 MYEFO						
Effect of policy decisions(a)	-650	-2,430	-1,025	-1,160	*	*
Effect of parameter and other variations	13,458	18,660	2,534	10,112	*	*
Total variations	**12,808**	**16,230**	**1,509**	**8,952**	*	*
2023–24 MYEFO underlying cash balance(b)	**-1,110**	**-18,828**	**-35,119**	**-19,498**	**-26,452**	**-101,007**
Per cent of GDP	0.0	-0.7	-1.2	-0.6	-0.8	
Changes from 2023–24 MYEFO to 2024–25 Budget						
Effect of policy decisions(a)(c)						
Receipts	*136*	*2,215*	*-1,000*	*1,989*	*4,725*	*8,064*
Payments	*298*	*11,724*	*9,304*	*5,243*	*5,934*	*32,503*
Total policy decisions impact on underlying cash balance	-162	-9,509	-10,304	-3,254	-1,209	-24,439
Effect of parameter and other variations(c)						
Receipts	*6,906*	*5,509*	*9,015*	*2,644*	*-298*	*23,776*
Payments	*-3,712*	*5,458*	*6,430*	*6,605*	*-3,614*	*11,167*
Total parameter and other variations impact on underlying cash balance	10,618	51	2,584	-3,961	3,316	12,609
2024–25 Budget underlying cash balance	**9,346**	**-28,286**	**-42,838**	**-26,713**	**-24,345**	**-112,837**
Per cent of GDP	0.3	-1.0	-1.5	-0.9	-0.8	

*Data is not available.

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

b) 2027–28 as published in the medium-term projections, page 59 of the Mid-Year Economic and Fiscal Outlook 2023–24.

c) 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). This provides a more representative measure of the Government's fiscal decisions.

The primary balance is expected to be in surplus by $21.6 billion (0.8 per cent of GDP) in 2023–24 and in deficit in 2024–25. In 2027–28, the primary balance is expected to return to surplus, reflecting an improving underlying cash balance.

Since MYEFO, the primary balance has improved $10.1 billion in 2023–24 and deteriorated by $9.9 billion in 2024–25. Movements in the primary balance over the forward estimates period are broadly consistent with movements in the underlying cash balance.

The underlying cash balance is expected to improve more than the primary balance in 2023–24 because net interest payments (which are excluded from the primary balance calculation) are lower than forecast at MYEFO.

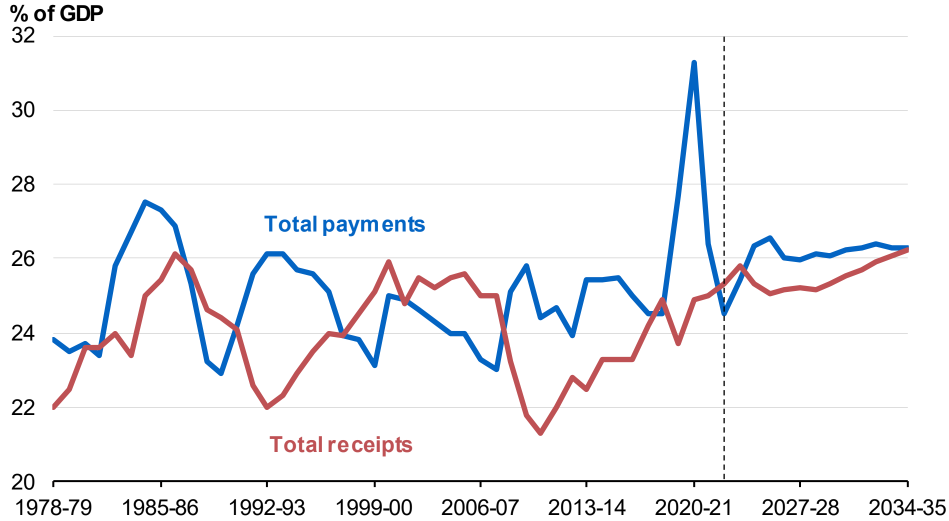
Medium-term projections

The medium-term fiscal outlook has slightly improved since the 2023–24 MYEFO. Modest underlying cash deficits of less than 1 per cent of GDP are projected over the medium term.

- The underlying cash balance in 2033–34 is expected to be a deficit of 0.2 per cent of GDP, a 0.1 percentage point improvement over that projected at MYEFO.
- The primary balance is expected to be in surplus from 2029–30. The primary surplus in 2033–34 is expected to be 0.9 per cent of GDP, 0.1 percentage points higher than projected at MYEFO.
- Gross debt-to-GDP is lower across the entire projection period compared to MYEFO. By 30 June 2034, gross debt is expected to be 31.5 per cent of GDP, 0.6 percentage points lower than projected at MYEFO.

Total receipts as a share of GDP are expected to increase from 25.2 per cent of GDP in 2027–28 to 26.2 per cent of GDP in 2034–35. Total payments as a share of GDP are expected to increase from 26.0 per cent of GDP in 2027–28 to 26.3 per cent of GDP in 2034–35 (Chart 3.7).

Chart 3.7: Payments and receipts



Source: Treasury.

Changes in the medium-term outlook since MYEFO

Receipts as a share of GDP are lower since MYEFO, including 0.1 percentage points lower in 2033–34.

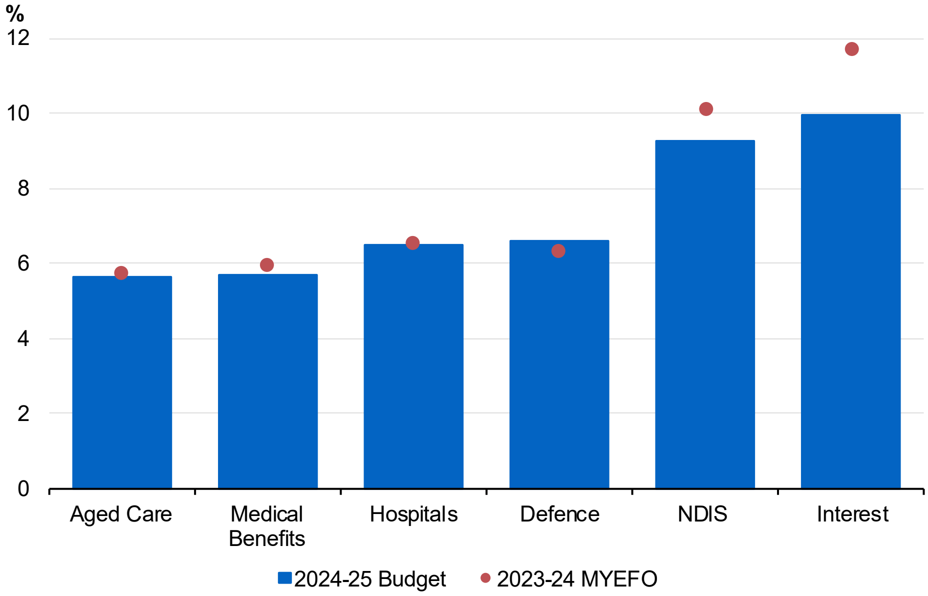
Payments are expected to be 0.3 percentage points of GDP lower than at MYEFO in 2033–34. Nominal GDP is also higher than at MYEFO, reducing receipts and payments as a share of the economy.

Payments over the medium-term

The fastest-growing major payments over the medium term are interest on government debt, the National Disability Insurance Scheme (NDIS), defence, health and aged care. Growth in some of these payments has changed since MYEFO (Chart 3.8).

- Interest payments growth is expected to average 9.9 per cent per year over the projections period (2024–25 to 2034–35) compared to 11.7 per cent at MYEFO (2023–24 to 2033–34).
- NDIS Commonwealth funded participant payments growth is expected to average 9.2 per cent per year over the projections period compared to 10.1 per cent at MYEFO. This largely reflects the shifting of the end of the projection period to 2034–35, which encompasses an additional year of moderation in scheme growth under the NDIS Financial Sustainability Framework. The Government's NDIS reforms are expected to moderate growth in NDIS expenditure from 2024–25 in line with MYEFO projections.
- Defence payments growth is expected to average 6.6 per cent per year over the projection period compared to 6.3 per cent at MYEFO. This reflects the introduction of the 2024 National Defence Strategy, which will increase defence payments as a share of GDP over the next decade (Box 3.4).
- Medical benefits payments growth is expected to be 5.7 per cent on average over the projection period, broadly similar to the 5.9 per cent at MYEFO.

Chart 3.8: Average annual growth in major payments 2024–25 to 2034–35



Source: Treasury.

Note: Shows major payments that are growing faster than nominal GDP over the projection period. Interest refers to interest payments on Australian Government Securities. NDIS refers to the Australian Government's contribution to payments for NDIS participant supports. Growth rate for the 2023–24 MYEFO is from 2023–24 to 2033–34. Growth rate for the 2024–25 Budget is from 2024–25 to 2034–35. Growth rates are consistent with parameters in current intergovernmental agreements.

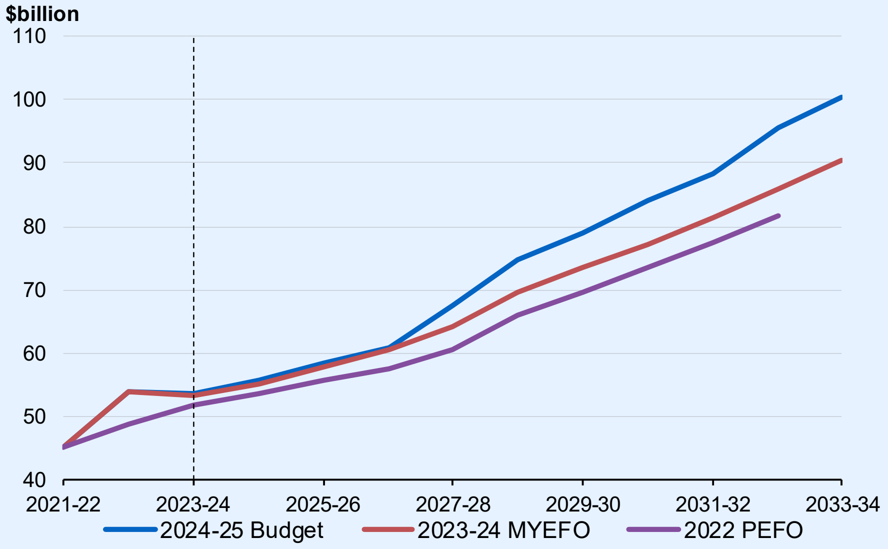
Box 3.4: Investing in our national defence

The Government is investing an additional $50.3 billion over the next decade, through the 2024 National Defence Strategy (NDS) to meet Australia's strategic needs. Defence's Integrated Investment Program has been rebuilt as part of the NDS to accelerate delivery of capability priorities, including the expansion of the Royal Australian Navy's surface combatant fleet. Defence funding will be higher in every year of the forward estimates and over the medium term compared to MYEFO and the PEFO (Chart 3.9). Total investment in defence will amount to $765 billion across 2024–25 to 2033–34.

The Government is reforming the Department of Defence's capability acquisition system to deliver capability more quickly while maximising value for money, transparency, and appropriate assurance mechanisms to support implementation of the NDS.

These investments and reforms will shift the Australian Defence Force to an integrated and focused force, strengthen cooperation with international partners, and enhance our capacity to address the complex strategic circumstances we face.

Chart 3.9: Defence payments at selected Budget updates

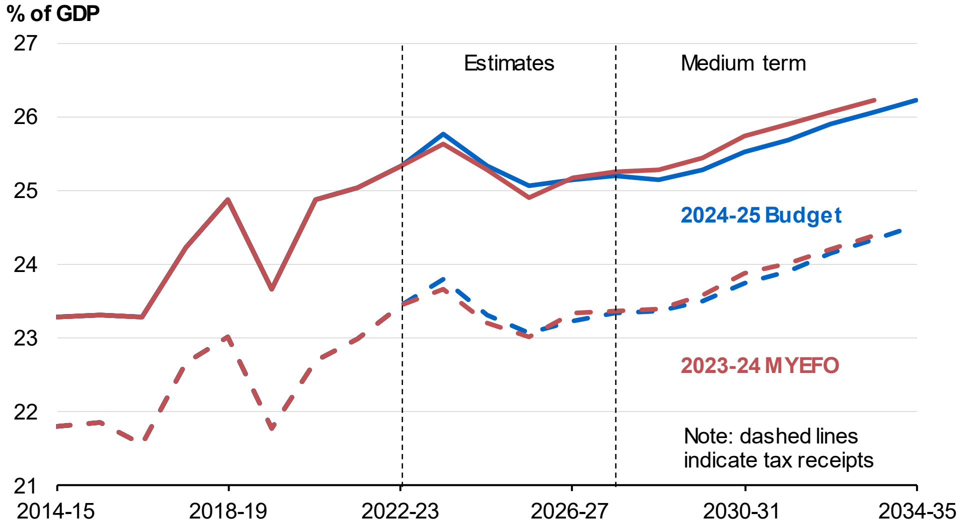


Source: Treasury.
Note: MYEFO figure does not include the provision made for the Defence Strategic Review at the 2023–24 Budget.

Receipts estimates and projections

Total receipts are expected to decrease from 25.8 per cent of GDP in 2023–24 to 25.2 per cent of GDP in 2027–28. This largely reflects changes in tax receipts, which are expected to decrease from 23.8 per cent of GDP to 23.3 per cent of GDP over this period (Chart 3.10).

Chart 3.10: Total receipts



Source: Treasury.

Receipts policy decisions over the forward estimates

Policy decisions in this Budget have increased total receipts by $2.2 billion in 2024–25 since MYEFO, and by $8.1 billion over five years to 2027–28.

Policy decisions since MYEFO have increased tax receipts by $4.9 billion over five years to 2027–28.

Key tax receipt measures include:

- delivering a tax cut for all 13.6 million Australian taxpayers from 1 July 2024. This measure is estimated to decrease receipts by $1.3 billion over the five years to 2027–28
- extending the ATO's Tax Avoidance Taskforce, Shadow Economy Compliance Program and Personal Income Tax Compliance Program. These measures are estimated to increase receipts by $4.5 billion over the five years to 2027–28, partially offset by an associated increase in payments of $1.8 billion, including GST payments to the states and territories of $0.4 billion
- strengthening the integrity of the foreign resident capital gains tax regime. This measure is estimated to increase receipts by $600 million over the five years to 2027–28, partially offset by an associated increase in payments of $8.0 million.

Since MYEFO, policy decisions are expected to increase non-tax receipts by $0.5 billion in 2024–25 and by $3.2 billion over the five years to 2027–28.

Further details of Government policy decisions are provided in Budget Paper No. 2, *Budget Measures 2024–25*.

Receipts parameter and other variations over the forward estimates

Parameter and other variations have increased total receipts since MYEFO by $6.9 billion in 2023–24, $5.5 billion in 2024–25 and by $23.8 billion over five years to 2027–28 (Table 3.3).

The increase in total receipts due to parameter and other variations primarily reflects tax receipts, which have been revised up by $7.3 billion in 2024–25 and by $21.1 billion over five years to 2027–28.

This Budget sees tax receipts excluding GST and policy decisions, increasing since MYEFO by $8.2 billion in 2024–25 and $27.0 billion over the forward estimates period. Higher employment and continuing strength in the labour market is a key driver of upgrades, accounting for $21.6 billion of the net $27.0 billion upgrade to tax receipts since MYEFO. Higher corporate profits make a broadly similar contribution to the upgrade to tax receipts. These have been partly offset by a weaker than expected outlook for tobacco excise and superannuation fund earnings.

Since MYEFO, parameter and other variations are expected to decrease non-tax receipts by $1.8 billion in 2024–25 and increase non-tax receipts by $5.6 billion over the five years to 2027–28. This movement is partially driven by the Commonwealth Superannuation Corporation reprofiling the transfer of funded benefits to the Consolidated Revenue Fund, higher earnings from the Future Fund and Australian Government Investment Funds, and higher interest on cash deposits.

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

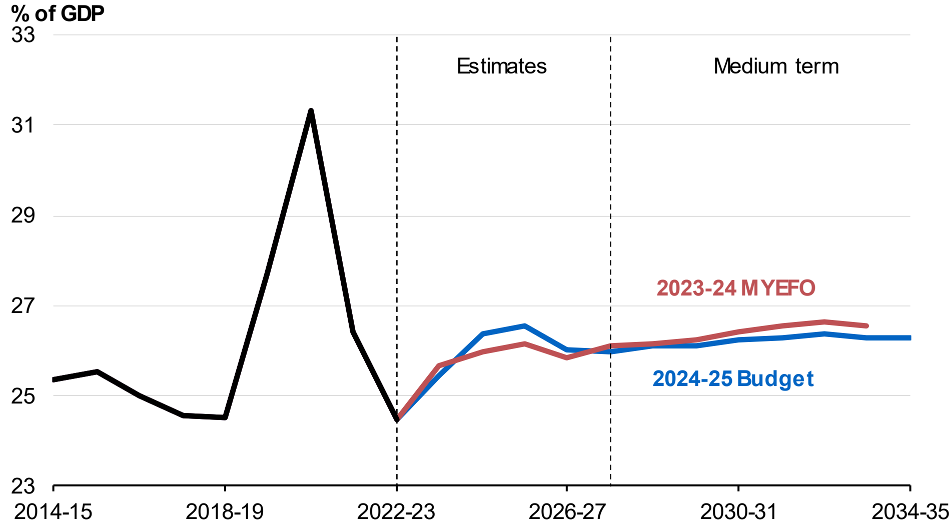
Payments estimates and projections

Since MYEFO, total projected payments have decreased by $3.4 billion in 2023–24 and increased by $43.7 billion over five years to 2027–28. Real payments growth since coming to government and over the forward estimates period is expected to be 1.4 per cent per year.

Payments due to parameter and other variations have been revised down by $3.7 billion in 2023–24, largely arising from delays in payments as a result of capacity constraints.

Payments as a share of GDP are lower from 2027–28 and in every year of the medium term compared to MYEFO. By 2034–35, payments are projected to be 26.3 per cent of GDP (Chart 3.11).

Chart 3.11: Total payments



Source: Treasury.

Payment policy decisions over the forward estimates

New policy decisions since MYEFO have increased total payments by $11.7 billion in 2024–25 and by $32.5 billion over five years from 2023–24 to 2027–28.

Major policy decisions since MYEFO that have increased payments include:

- the delivery of the 2024 National Defence Strategy and Integrated Investment Program, which is expected to increase payments by $5.7 billion over four years from 2024–25
- the extension and expansion of the Energy Bill Relief Fund to provide cost of living relief to all Australian households and eligible small businesses, which is expected to increase payments by $3.5 billion over three years from 2023–24
- funding for new and amended listing on the Pharmaceutical Benefits Scheme, which is expected to increase payments by $3.4 billion over five years from 2023–24
- funding towards priority road and rail infrastructure projects, consistent with the Government's more integrated, strategic and sustainable approach to infrastructure investment, which is expected to increase payments by $2.9 billion over five years from 2023–24
- funding to improve the way Services Australia delivers services to the Australian community, by maintaining frontline staff, enhancing safety and security at Services Australia centres and sustaining and enhancing the myGov platform, which is expected to increase payments by $2.8 billion over five years from 2023–24

- the delivery of the Government's Future Made in Australia agenda, which makes it easier to invest in Australia and promotes investment in key priority industries, including Australia's plan to become a renewable energy superpower, and investing in new digital capabilities, which is expected to increase payments by $2.6 billion over five years from 2023–24
- funding to continue aged care reforms, including in response to the Royal Commission into Aged Care Quality and Safety, which is expected to increase payments by $2.2 billion over five years from 2023–24
- increases to the maximum rates of Commonwealth Rent Assistance by 10 per cent to help address rental affordability challenges for recipients, which is expected to increase payments by $1.9 billion over five years from 2023–24
- increased investment in housing infrastructure to build more homes sooner, and support for social housing and homelessness services by states and territories under a new National Agreement on Social Housing and Homelessness, which is expected to increase payments by $1.5 billion over seven years from 2023–24
- funding to strengthen Medicare by supporting earlier discharge from hospital for older Australians, improving access to essential services, modernising Australia's digital health infrastructure, and ensuring the integrity of Medicare, which is expected to increase payments by $1.1 billion over five years from 2023–24
- strengthening of Australia's government-funded Paid Parental Leave scheme to improve women's retirement outcomes, which is expected to increase payments by $1.1 billion over five years from 2023–24
- funding for the first stage of reforms to Australia's tertiary education system to boost equity and access to higher education, progress tertiary harmonisation and drive future productivity growth, which is expected to increase payments by $667.6 million over five years from 2023–24

Major policy decisions since MYEFO that have decreased payments include:

- moderating the growth in NDIS participant support payments by $14.4 billion over four years from 2024–25, through the NDIS legislative reforms being undertaken by the Government as part of the *National Disability Insurance Scheme – Getting the NDIS back on track* measure, which will offset the expected increase in expenditure on supports for NDIS participants from 2024–25 based on the revised projections from the NDIS Actuary (see payment parameter and other variations below)
- further reducing spending on consultants, contractors and labour hire, will achieve a savings of $1.0 billion over four years from 2024–25
- funding for additional activities to strengthen the payment and accuracy of the Child Care Subsidy program, will achieve savings of $440.7 million over four years from 2024–25.

Payment parameter and other variations over the forward estimates

Parameter and other variations since MYEFO have increased payments by $5.5 billion in 2024–25 and by $11.2 billion over five years from 2023–24 to 2027–28.

This is primarily driven by higher estimates for payments related to the NDIS and for payments to veterans under the Military Rehabilitation Compensation Acts as the Government delivers on its commitment to clear the claims backlog. Offsetting this increase, in part, are an estimated decrease in GST payments to the states, a decrease in payments related to the Medical Benefits program, and lower expected recipient numbers for the Financial Support for Carers and Student Payments programs, reflecting continued strong labour market performance.

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

- payments related to the NDIS were estimated to increase by $1.3 billion in 2023–24 and $15.9 billion over five years from 2023–24 to 2027–28 based on revised projections from the NDIS Actuary showing increased expenditure on supports for NDIS participants, as well as other accounting adjustments. The NDIS legislative reforms being undertaken by the Government as part of the *National Disability Insurance Scheme – Getting the NDIS back on track* measure are expected to offset the increase projected by the NDIS Actuary and moderate this additional growth in NDIS payments by $14.4 billion over four years from 2024–25. Taken together, payments related to the NDIS are expected to increase by $1.5 billion over five years from 2023–24 to 2027–28 and will ensure the NDIS remains on track to achieve the NDIS Sustainability Framework agreed by National Cabinet from 1 July 2026.

- payments related to the Military Rehabilitation Compensation Acts – Income Support and Compensation program are expected to increase by $892.7 million in 2024–25 and $6.5 billion over five years from 2023–24 to 2027–28, largely due to more claims being processed because of increased staffing levels that the Government has agreed to in order to deliver on its commitment to clear the backlog, which results in increased payments to veterans.

- payments related to National Partnership Payments – Natural Disaster Relief are expected to increase by $814.0 million in 2024–25 and $3.9 billion over five years from 2023–24 to 2027–28, largely due to higher-than-expected spending related to past disaster events including New South Wales flooding events between March 2021 and September 2022 and flooding associated with Tropical Cyclone Jasper in December 2023.

- payments related to the Child Care Subsidy are expected to increase by $621.1 million in 2024–25 and $3.2 billion over five years from 2023–24 to 2027–28, largely reflecting additional support flowing to families due to the higher costs of providing care.

- payments related to Job Seeker Income Support are expected to increase by $496.6 million in 2024–25 and $2.7 billion over five years from 2023–24 to 2027–28, largely due to upward revisions to the expected number of recipients and average payment rates driven by changes to the composition of payment recipients.

- payments related to the Research and Development Tax Incentive are expected to increase by $499.0 million in 2024–25 and $2.6 billion over five years from 2023–24 to 2027–28. This is due to increases in the overall number and value of expected claims, with higher-than-expected growth in claims by companies in the 'Professional, Scientific and Technical Services' sector.

- payments related to Defence Force Superannuation Benefits payments are expected to increase by $414.9 million in 2024–25 and $2.1 billion over five years from 2023–24 to 2027–28, largely reflecting changes to invalidity payment projections by the actuary for the Military Superannuation and Benefits Scheme and to align the accounting treatment of Defence superannuation schemes with whole-of-government arrangements.

- payments relating to Non Government Schools are expected to increase by $136.7 million in 2024–25 and $1.7 billion over five years from 2023–24 to 2027–28, primarily due to revisions to enrolment projections.

- payments related to Public Sector Superannuation Benefits are expected to increase by $325.7 million in 2024–25 and $1.6 billion over five years from 2023–24 to 2027–28, largely reflecting Consumer Price Index (CPI) outcomes.

- payments relating to Government Schools are expected to increase by $209.0 million in 2024–25 and $1.1 billion over five years from 2023–24 to 2027–28, largely reflecting an increase in the number of students eligible to attract a 'student with a disability' loading.

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

- payments related to the provision of GST to the states and territories (including Horizontal Fiscal Equalisation transition payments) are expected to decrease by $987.8 million in 2024–25 and $3.5 billion over five years from 2023–24 to 2027–28. The decline in payments is a result of a decline in GST receipts, driven by lower discretionary consumption.

- payments related to the Medical Benefits Program are expected to decrease by $390.0 million in 2024–25 and $1.3 billion over five years from 2023–24 to 2027–28, largely reflecting lower-than-projected demand for medical services.

- payments relating to some road transport projects under the Infrastructure Investment Program are expected to decrease by $513.5 million in 2024–25 and $1.2 billion over five years from 2023–24 to 2027–28, to align with revised project delivery schedules and construction market conditions. This decrease is more than offset by decisions which have increased funding over the forward estimates by $1.3 billion.

- payments related to Financial Support for Carers are expected to decrease by $122.4 million in 2024–25 and $1.1 billion over five years from 2023–24 to 2027–28, largely due to lower-than-expected recipient numbers, reflecting continued strong labour market performance.

- payments related to Student Payments are expected to decrease by $193.3 million in 2024–25 and $903.2 million over five years from 2023–24 to 2027–28, largely due to a decrease in student numbers and average payment rates, reflecting continued strong labour market performance.

- payments related to Parents Income Support are expected to decrease by $134.8 million in 2024–25 and $639.5 million over five years from 2023–24 to 2027–28, largely due to lower-than-expected growth in recipient numbers reflecting a decline in recipients with a youngest child aged under 7 years old and a slightly lower-than-expected number of parents taking up the expanded Parenting Payment (Single).

- payments related to Paid Parental Leave are expected to decrease by $92.1 million in 2024–25 and $521.3 million over five years from 2023–24 to 2027–28, largely reflecting a reduction in expected recipient numbers driven by lower-than-expected births.

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

Table 3.3: Reconciliation of general government sector payments estimates(a)

	Estimates					
	2023-24	2024-25	2025-26	2026-27	2027-28	Total
	$m	$m	$m	$m	$m	$m
2023-24 Budget payments	**682,060**	**706,296**	**737,549**	**763,569**	*	*
Changes from 2023-24 Budget to 2023-24 MYEFO						
Effect of policy decisions(b)	1,100	2,686	1,112	1,567	*	*
Effect of parameter and other variations	3,216	568	7,795	9,739	*	*
Total variations	**4,316**	**3,254**	**8,908**	**11,306**	*	*
2023-24 MYEFO payments(c)	**686,376**	**709,549**	**746,457**	**774,875**	**823,836**	**3,741,094**
Changes from 2023-24 MYEFO to 2024-25 Budget						
Effect of policy decisions(b)	298	11,724	9,304	5,243	5,934	32,503
Effect of parameter and other variations	-3,712	5,458	6,430	6,605	-3,614	11,167
Total economic parameter variations	1,612	-2,160	-4,241	-4,097	*	*
Unemployment benefits	*437*	*354*	*-237*	*45*	*	*
Prices and wages	*-375*	*-1,456*	*-1,781*	*-1,417*	*	*
Interest and exchange rates	*-144*	*-130*	*-133*	*-133*	*	*
GST payments to the States	*1,694*	*-928*	*-2,090*	*-2,591*	*	*
Interest payments on AGS	943	929	-1,996	143	*	*
Program specific parameter variations	1,991	7,980	12,950	12,999	*	*
Other variations(d)	-8,259	-1,291	-283	-2,440	*	*
Total variations	**-3,414**	**17,182**	**15,735**	**11,847**	**2,320**	**43,670**
2024-25 Budget payments	**682,961**	**726,732**	**762,192**	**786,722**	**826,157**	**3,784,764**

*Data is not available.

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

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

c) 2027–28 as published in the medium-term projections, page 60 of the Mid-Year Economic and Fiscal Outlook 2023–24.

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

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. 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 loans reduce the headline cash balance but not the underlying cash balance. Table 3.4 provides details of differences between the underlying and headline cash balance estimates.

A headline cash deficit of $47.2 billion is estimated in 2024–25, compared to an estimated deficit of $32.9 billion in MYEFO. The lower headline cash balance compared to MYEFO is primarily driven by the change in the underlying cash balance. The headline cash balance moderates to an estimated deficit of $42.0 billion (1.3 per cent of GDP) in 2027–28.

Estimates for total net cash outflows from investments in financial assets for policy purposes increased by $11.6 billion over four years from 2023–24 to 2026–27 compared to MYEFO. This is primarily driven by additional equity and a loan provided to Snowy Hydro Limited and an increase in concessional finance for social and affordable housing projects from Housing Australia.

Net cash flows from student loans are expected to improve by $1.5 billion over the four years to 2026–27 compared to MYEFO. This largely reflects increased voluntary loan repayment forecasts, partially offset by the lower repayments resulting from reduced indexation under the 2024–25 Budget measure *Australian Universities Accord – tertiary education system reforms*.

Table 3.4: Reconciliation of general government sector underlying and headline cash balance estimates

	Estimates					
	2023-24	2024-25	2025-26	2026-27	2027-28	Total
	$m	$m	$m	$m	$m	$m
2024-25 Budget underlying cash balance	**9,346**	**-28,286**	**-42,838**	**-26,713**	**-24,345**	**-112,837**
***plus* Net cash flows from investments in financial assets for policy purposes(a)**						
Student loans	-1,626	-2,723	-3,511	-3,982	-4,393	-16,235
NBN loan(b)	5,500	0	0	0	0	5,500
NBN investment	-771	-1,227	-97	0	0	-2,095
Snowy Hydro Limited loan	0	-150	-1,450	-1,450	-1,450	-4,500
Snowy Hydro Limited investment	-277	-1,625	-975	0	0	-2,877
Australian apprenticeship support loans(c)	-112	-112	-102	-97	-95	-518
CEFC loans and investments	-799	-2,371	-5,097	-5,627	-5,419	-19,313
Northern Australia Infrastructure Facility	-762	-615	-747	-1,087	-940	-4,151
NRFC loans and investments	-50	-524	-1,076	-2,505	-3,050	-7,205
Australian Business Securitisation Fund	63	-482	-151	-101	-102	-773
Structured Finance Support Fund	178	122	55	0	0	355
Drought and rural assistance loans	-161	-302	-249	147	163	-402
Official Development Assistance - Multilateral Replenishment	-135	-142	-195	-170	-186	-829
Home Equity Access Scheme	-141	-197	-255	-318	-368	-1,277
Housing Australia(d)	-134	-2,848	-1,517	-1,800	-170	-6,470
National Interest Account loans and investments	-469	-911	-991	-365	78	-2,658
COVID-19 Support for Indonesia – loan	100	100	100	100	100	500
Financial Assistance to Papua New Guinea – loan	-474	141	141	141	141	89
Net other(e)	-2,808	-5,050	-4,814	-3,016	-1,985	-17,674
Total net cash flows from investments in financial assets for policy purposes	**-2,879**	**-18,916**	**-20,932**	**-20,130**	**-17,676**	**-80,532**
2024-25 Budget headline cash balance	**6,467**	**-47,202**	**-63,770**	**-46,843**	**-42,022**	**-193,369**

a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.
b) The loan from the Government to NBN Co is due to be repaid in full by 30 June 2024.
c) In January 2024, trade support loans were renamed Australian apprenticeship support loans.
d) In October 2023, the National Housing Finance and Investment Corporation was renamed Housing Australia.
e) 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 *Statement 10: 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 MYEFO and the PEFO in every year of the forward estimates period and medium term.

Gross debt is estimated to be 33.7 per cent of GDP ($904.0 billion) at 30 June 2024, 0.3 percentage points lower than the estimate of 34.0 per cent of GDP ($909.0 billion) at MYEFO. This primarily reflects the 2023–24 underlying cash surplus and lower yields on debt. The gross debt-to-GDP position also benefits from upgrades to nominal GDP.

In line with the Economic and Fiscal Strategy, the Government is on track to stabilise and reduce gross debt as a share of the economy. Gross debt is now projected to peak at 35.2 per cent of GDP at 30 June 2027, 0.2 percentage points lower and one year earlier than the peak at MYEFO. Gross debt is then projected to decline to 30.2 per cent at 30 June 2035.

Over the forward estimates period, bond yields are assumed to remain fixed at a recent average of daily spot rates at the time of the budget update. Since MYEFO, the assumed weighted average cost of borrowing for future issuance of Treasury Bonds has decreased from 4.7 to 4.2 per cent. This remains significantly above the 2.2 per cent at the PEFO.

Information on the impact of movements in yields on the underlying cash balance and gross debt is provided in *Statement 8*: *Forecasting Performance and Sensitivity Analysis*.

Total interest payments are estimated to be 0.9 per cent of GDP in 2024–25 before rising to 1.3 per cent of GDP by 2034–35.

Further information on government debt, yield assumptions and interest payments are provided in *Statement 7: Debt Statement*.

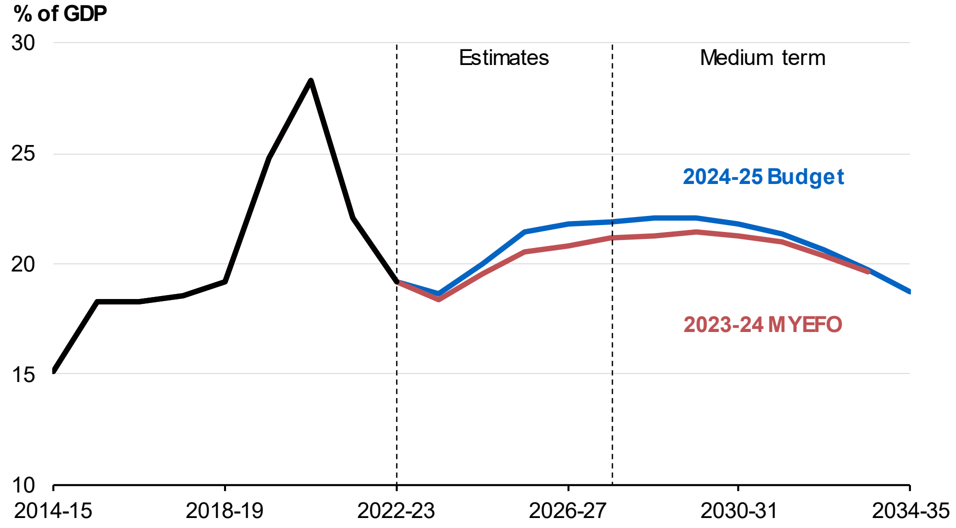
Net debt estimates and projections

Net debt is estimated to be 20.0 per cent of GDP ($552.5 billion) at 30 June 2025 (Table 3.5); slightly higher than the estimate of 19.5 per cent of GDP ($533.3 billion) at MYEFO.

The increase since MYEFO primarily reflects the increase in the market value of existing debt resulting from lower yields on government debt. Yields have fallen since MYEFO, making the fixed income stream from existing bonds relatively more attractive to investors. This increases the market value of existing bonds and hence net debt.

Net debt remains higher than estimated at MYEFO over the entire projection period. Net debt is projected to be 18.7 per cent of GDP at 30 June 2035 (Chart 3.12).

Chart 3.12: Net debt



Source: Treasury.

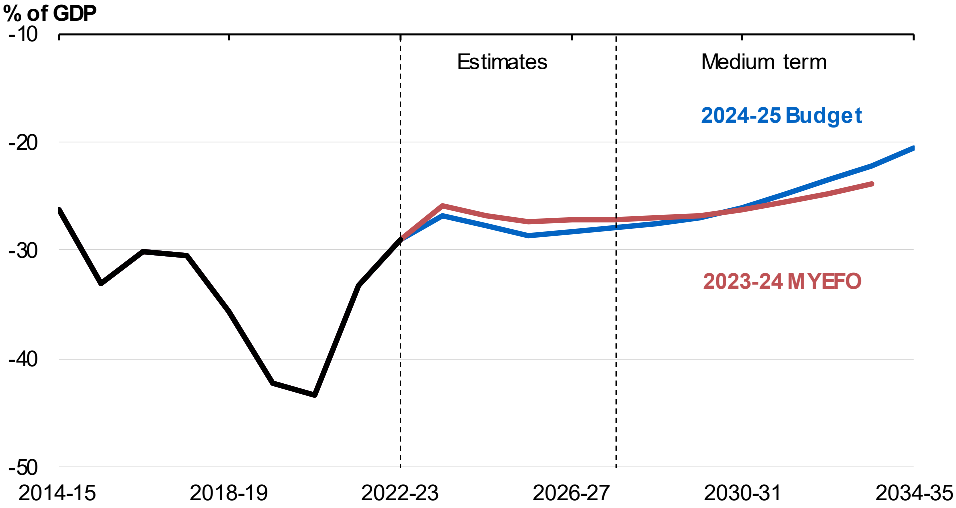
Further information on gross debt and net debt estimates across the forward estimates period is provided in *Statement 7: Debt Statement*.

Net financial worth and net worth estimates and projections

Net financial worth is estimated to be minus 27.7 per cent of GDP (minus $764.5 billion) at 30 June 2025 (Table 3.5), compared with the estimate of minus 26.9 per cent of GDP (minus $733.6 billion) at MYEFO.

Net financial worth is projected to deteriorate to minus 27.9 per cent of GDP at 30 June 2028 before improving to minus 20.6 per cent of GDP at 30 June 2035 (Chart 3.13).

Chart 3.13 Net financial worth



Source: Treasury.

Net worth is estimated to be minus 19.8 per cent of GDP (minus $545.1 billion) at 30 June 2025 (Table 3.5), compared with the estimate of minus 18.7 per cent of GDP (minus $510.3 billion) at MYEFO.

Net worth is projected to deteriorate to minus 20.7 per cent of GDP at 30 June 2026 before improving over the medium term.

The reduction in net worth and net financial worth over the forward estimates period relative to MYEFO largely reflects an increase in the market value of existing debt due to lower bond yields and an upward revision to the value of the Government's unfunded superannuation liability.

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

Table 3.5: Australian Government general government sector balance sheet aggregate

	Actual	Estimates				
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
	$b	$b	$b	$b	$b	$b
Financial assets	**585.5**	**614.2**	**618.2**	**650.6**	**685.1**	**717.5**
Per cent of GDP	22.8	22.9	22.4	22.7	22.7	22.5
Non-financial assets	**204.9**	**211.7**	**219.4**	**226.5**	**234.6**	**245.7**
Per cent of GDP	8.0	7.9	8.0	7.9	7.8	7.7
Total assets	**790.4**	**825.9**	**837.6**	**877.1**	**919.6**	**963.2**
Per cent of GDP	30.8	30.8	30.4	30.6	30.4	30.3
Total liabilities	**1,328.8**	**1,334.6**	**1,382.7**	**1,470.2**	**1,541.8**	**1,606.2**
Per cent of GDP	51.8	49.7	50.1	51.2	51.0	50.5
Net worth	**-538.4**	**-508.6**	**-545.1**	**-593.1**	**-622.1**	**-643.0**
Per cent of GDP	-21.0	-18.9	-19.8	-20.7	-20.6	-20.2
Net financial worth(a)	**-743.3**	**-720.3**	**-764.5**	**-819.6**	**-856.7**	**-888.7**
Per cent of GDP	-29.0	-26.8	-27.7	-28.6	-28.3	-27.9
Gross debt(b)	**889.8**	**904.0**	**934.0**	**1,007.0**	**1,064.0**	**1,112.0**
Per cent of GDP	34.7	33.7	33.9	35.1	35.2	34.9
Net debt(c)	**491.0**	**499.9**	**552.5**	**615.5**	**660.0**	**697.5**
Per cent of GDP	19.2	18.6	20.0	21.5	21.8	21.9
Total interest payments	**18.9**	**22.7**	**23.8**	**27.5**	**29.8**	**35.6**
Per cent of GDP	0.7	0.8	0.9	1.0	1.0	1.1
Net interest payments(d)	**11.9**	**12.3**	**14.5**	**18.8**	**20.8**	**26.0**
Per cent of GDP	0.5	0.5	0.5	0.7	0.7	0.8

a) Net financial worth equals total financial assets minus total liabilities.
b) Gross debt measures the face value of Australian Government Securities (AGS) on issue.
c) Net debt is the sum of interest-bearing liabilities (which includes AGS on issue measured at market value) less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).
d) Net interest payments are equal to the difference between interest payments and interest receipts. The increases in 2025–26 and 2027–28 primarily reflect Treasury Indexed Bonds maturing in those years.

Fiscal impacts of the net zero transformation

Climate change and global climate action will have profound impacts on the economy, reshaping Australia's industry mix and requiring effective mitigation and adaptation to manage climate impacts like more severe bushfires and floods. At the same time, the renewable energy economic transformation is well underway. It will continue to drive down energy costs and has the potential to help traditional and emerging industries compete internationally. Other sectors are also transforming as demand from domestic consumers and export destinations shifts to more sustainable products.

This net zero transformation presents opportunities for Australia's economy, regions, industries, and communities. Achieving Australia's emissions reduction commitments and realising the opportunities that accompany the transition will require significant investment by governments and the private sector.

Uncertainty about the physical impacts of climate change and the global transition to net zero emissions poses risks to the fiscal outlook. The global energy transition will bring new opportunities. Industries and jobs emerging from the net zero transformation will impact the structure of the economy and, in turn, the tax base. At the same time, the physical impacts of climate change and the associated cost for communities, business and government remain uncertain.

The 2024–25 Budget continues the practice introduced in the October 2022–23 and May 2023–24 Budgets of transparently reporting new climate-related spending, and builds on these budgets by further reporting on new spending that enables the net zero transformation. In the 2024–25 Budget there is $5.0 billion in net zero spending commitments over the forward estimates period and $24.3 billion over the medium term. This is in addition to the $4.6 billion in new climate-related spending announced in the May 2023–24 Budget and the historic $24.9 billion in new climate-related spending announced in the October 2022–23 Budget.

The Government's approach to reporting climate-related spending is informed by the climate reporting practices of international peers and is presented within the context of international best practice, as well as contributing to work underway to strengthen transparency in future budgets.

Physical Impacts of Climate Change

Global warming continues to change Australia's weather and climate, and over the course of this century this will drive changes in Australia's economy – with respect to both its size and structure. This includes impacts on human health, biodiversity, the location and movement of populations, the types of structures we live in, and the way we work.

Rising temperatures will also present new economic challenges, impacting labour productivity, capital investment, and demand for our exports. As shown in the 2023 Intergenerational Report (IGR), rising temperatures are expected to result in reductions in labour productivity and hours worked, particularly for employees who work outdoors such as in agriculture, construction and manufacturing. Agricultural yields are expected to decline with climate change. The increased frequency and severity of natural disasters will also lead to reductions in output through disruptions to economic activity and destruction of property and infrastructure.

Effective adaptation and investment in resilience can reduce the impacts of some climate change-related disruptions. However, the extent of economic disruption will increase significantly with greater temperature increases. This means mitigating further climate change through effective global action by way of decarbonisation has significant economic value to Australia.

Net zero spending

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

Australia's classification approach

The October 2022–23 and 2023–24 Budgets report climate-related measures up until June 2030. This Budget builds on this approach by extending the reporting period to over the forward estimates period and medium term, and additionally reporting investments in *Strengthening net zero industries and skills* (Box 3.5).

The Government's action on climate change is not limited to the four categories used in the previous two budgets, but also includes measures that enable net zero industries of the future. The new category of *Strengthening net zero industries and skills* highlights plans to transform Australia into a renewable energy superpower and other measures associated with the transformation of the economy to net zero by 2050.

These changes reflect the government's focus on developing a Net Zero Plan which considers the role all sectors will play in reducing emissions and transforming Australia's economy.

This reporting framework maintains alignment with international best practice and recent budgets. It will continue to evolve over time as the Government works with and learns from reporting entities and partners around the world. Australian Government Green Bonds will contribute to financing measures within the first and third categories of Box 3.5.

The reporting of climate-related categories in the budget process is complementary to the Australian Government Green Bond Framework, and to allocation and impacts reporting under this Framework, which aligns with international best practice in green bond financing.

Box 3.5: Defining and categorising net zero spending

The Government is currently investing in the net zero transformation in five ways:

- Reducing emissions in Australia's energy system and broader economy.
- Strengthening net zero industries and skills.
- Adapting to climate change and improving climate and disaster resilience (spending to support Australia manage the physical impacts of climate change).
- International climate leadership (spending to support how we engage through international fora and with other jurisdictions).
- Building Australian Government climate capability (spending on the capabilities of Government to ensure it effectively delivers on its objectives and to enable a national approach on climate change).

These categories provide a simple to understand framework for why each measure has been classified as contributing to net zero action. These categories are expected to evolve over time as Australia's approach to net zero budget transparency matures. Policies may contribute to multiple net zero or non-net zero objectives; spending is classified into the most appropriate category based on its primary purpose. Some policies may contribute indirectly to net zero objectives; these have not been included in the current approach.

In addition to direct funding towards programs, net zero spending may also include balance sheet and tax expenditure items. For example, a tax concession does not require an appropriation of funds, but reflects foregone revenue, and is classified as spending for this purpose.

Indirect benefit example

Health system funding supports responses to the health effects of climate change, such as more extreme heat days. It also supports services for existing health conditions. There are different ways the spending could be classified, the whole amount, none, or a proportion could be classified as net zero spending.

In this Budget, spending with only an indirect contribution to net zero action is excluded. If there is a specific program in health related to climate impacts, that would be counted (for example the 2022–23 October Budget measure: National Health and Climate Strategy).

Table 3.6

Australian Net Zero Action Category	Australian Definition
Reducing emissions in Australia's energy system and broader economy	Spending that supports emissions reduction within Australia. *Example: New Vehicle Efficiency Standard Implementation*
Strengthening net zero industries and skills	Spending that enables emissions reduction through strengthening workforce, critical supply chains or enabling decarbonisation *Example: Future Made in Australia – Workforce and Trade Partnerships for Renewable Energy Superpower Industries*
Adapting to climate change and improving climate and disaster resilience	Spending that supports better management of the physical impacts of climate change including adaptation, improving climate resilience, and reducing our vulnerability. *Example: Future Drought Fund – better support for farmers and communities to manage drought and adapt to climate change*
International climate leadership	Spending that relates to the above categories but is primarily targeted overseas. Including international partnerships and involvement in forums and initiatives. *Example: Australia's International Climate Change Engagement*
Building Australian Government climate capability	Spending that enables the Government to better act on climate change and the net zero transformation, supporting the categories above. *Example: Net Zero in Government Operations – Emissions Data Platform*

The role of net zero enabling industries in emissions reduction

Delivering net zero requires significant action to produce renewable energy and sustainable fuels, and reduce emissions from heavy industry, buildings and agriculture. Australia's abundant renewable energy resources will also support the once-in-a-generation opportunity to reposition the economy for future prosperity by supporting global decarbonisation. Achieving these changes at pace requires investing in secure and resilient net zero supply chains and a skilled workforce.

The Government is investing in these industries to prepare the economy for a net zero transformation. Targeted investments to ensure a resilient clean energy manufacturing supply chain and expanding the supply of scarce inputs, such as critical minerals, are essential to enable the net zero transformation. Moreover, investments to prepare the workforce for clean industries will also give Australia an enduring comparative advantage domestically and globally.

The Government's focus on these industries reflects the fact that Australia's exports will be increasingly comprised of low carbon products. Over 97 per cent of Australia's trading partners have set net zero targets. Australia is expected to be competitive in products that have renewable energy as an input, reflecting the low cost and growing abundance of our renewable electricity supply. This means Australia's net zero industrial transformation can also support major trading partners to reduce their emissions, making Australia an indispensable part of global net zero supply chains.

For instance, exports of critical minerals, renewable hydrogen and green metals could reduce global emissions significantly. In this way, pursuing Australia's industrial net zero opportunities could position Australia to make an outsized contribution to global climate mitigation and build resilience to changes in trade patterns due to a shift away from emissions-intensive resources.

The 2023–24 Budget identified $40 billion of industrial and energy commitments related to the Government's renewable energy superpower ambitions. In addition to that spending, a further $3.0 billion was announced in the 2023–24 MYEFO. This Budget contains $3.6 over the forward estimates period and $22.5 billion over the medium term in new spending on these new industries.

The emissions-reduction measures that are part of the Governments overall investment to establish Australia as a renewable energy superpower contribute to a broader set of climate-related spending, which includes measures that are related to adaptation, international engagement and public sector climate capability. Box 3.6 below explains the complementary scope of renewable energy and other net zero spending.

Box 3.6 Investing in our plan to become a Renewable Energy Superpower

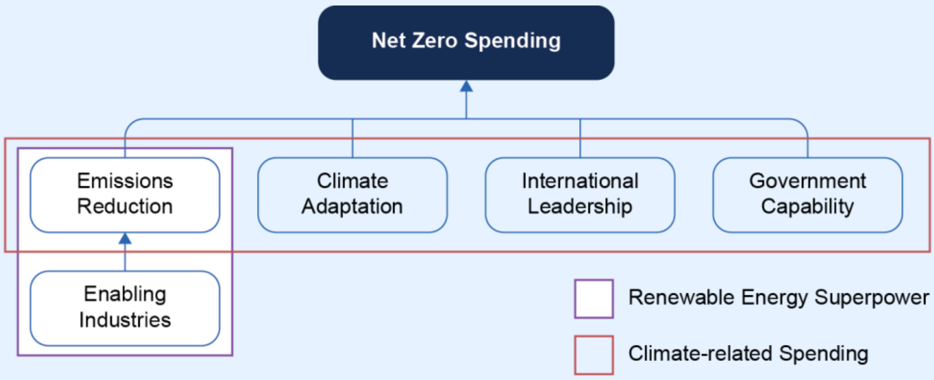
Australia's ambition to become a Renewable Energy Superpower will require investment into low emission industries and their underlying enablers that play an indirect yet important role in the net zero transformation. In particular:

- Critical minerals are essential for many low emissions technologies, including electric vehicles, solar panels, wind turbines and batteries. Investment will allow a sovereign supply chain resilient to external shocks.
- Low emissions fuels will be key to propelling clean industry and decarbonising hard to abate sectors and the broader economy.
- Decarbonising Australia's exports will assist global efforts to reduce emissions.

Spending towards measures that are directly related to climate change overlaps with the Government's investments to become a renewable energy superpower. However, these figures relate to a different yet complementary scope of activities, as highlighted in the figure below.

Of the five categories in Australia's climate reporting framework, items in the emissions reduction and enabling net zero industries categories contribute to the estimate of Australia's investment in becoming a renewable energy superpower.

Figure 3.1 Net Zero Spending Sub-Categories



New net zero spending measures

Table 3.7 sets out $5.0 billion in net zero spending commitments over the forward estimates period and $24.3 billion over the medium term. This is in addition to climate-related spending of $4.6 billion (to 2030) committed in the 2023–24 Budget and the $24.9 billion (to 2030) committed in the 2022–23 October Budget.

Classification of spending is informed by the net zero spending framework defined in Table 3.6 above. The total commitment includes spending, balance sheet and tax expenditure measures and therefore presents a broader view than the impact on the underlying cash balance.

Reporting new net zero spending measures supports transparency around the fiscal impacts of climate change and the net zero transformation. However, it does not provide a complete summary of climate action. Only measures that entail funding commitments or foregone revenue (such as tax concessions) are captured. Therefore, measures without spending, such as regulatory reforms to the Safeguard Mechanism, are not captured. Measures that may contribute to climate action but have a different primary purpose are not included.

Australia’s approach to reporting net zero spending commitments is a separate and independent framework to the established functional expense tables in *Budget Statement 6: Expenses and Net Capital Investment*, which aligns with international standards. These cannot be combined for analysis of government spending.

This summary focuses specifically on new net zero spending commitments in this Budget. The Government is developing an approach to presenting transparent spending information on existing spending commitments. Over time, this will provide a more holistic view of the total amount of Government spending, not just what is new in each budget.

Table 3.7 – New measures

Total[1]	Forward Estimates ($m)	Medium Term ($m)
Reducing Emissions in Australia's energy system and broader economy	**834.80**	**952.10**
New Vehicle Efficiency Standard Implementation[2]	551.0	629.0
Agriculture and Land Sectors – low emissions future	56.0	64.8
Improving the Australian Carbon Credit Unit Scheme[3]	48.0	48.0
Boosting Consumer Energy Resources[4] (component of (Harnessing the Energy Transition to Benefit Consumers)	27.7	32.6
Future Made in Australia – Promoting Sustainable Finance Markets[5]	17.3	38.7
Future Made in Australia – Strengthening Approvals Processes[6]	134.8	139.0
Strengthening net zero industries and skills	**2,751.9**	**21,577.0**
Future Made in Australia – Making Australia a Renewable Energy Superpower[7,8]	1,881.9	19,705.4
Net Zero Economy[9]	399.1	1015.9
Resourcing Australia's Prosperity (component of Future Made in Australia – Investing in Innovation, Science and Digital Capabilities)	200.3	566.1
Future Made in Australia – Workforce and Trade Partnerships for Renewable Energy Superpower Industries[10]	204.5	223.5
Future Made in Australia – Attracting Investment in Key Industries[11]	66.1	66.1
Adapting to climate change and improving climate and disaster resilience	**1,150.1**	**1,507.7**
Australian Antarctic Program – additional funding[12]	290.5	498.3
Sustaining Water Functions	262.2	262.2
National Water Grid Fund – responsible investment in water infrastructure for the regions[13]	150.8	174.6
Murray-Darling Basin Plan – continuing delivery[14]	48.5	48.5
Tourism Reef Protection Initiative – continuing delivery[15]	5.0	5.0
Future Drought Fund – better support for farmers and communities to manage drought and adapt to climate change	393.1	519.1
International climate leadership	**226.2**	**226.6**
Australia's International Climate Change Engagement[16]	76.2	76.6
International Climate Finance[17]	150.0	150.0
Building Australian Government climate capability	**2.1**	**3.3**
Net Zero in Government Operations – Emissions Data Platform (component of Finance Portfolio – additional resourcing)[18]	2.1	3.3
Total Net Zero Spending	**4,965.10**	**24,266.70**

1 This table summarises the Government's key net zero spending commitments in this Budget over the medium term, and presents a broader view than the impact on the underlying cash balance. Some measures extend beyond the end of the medium term or include both initial and ongoing funding to the end of the medium term. Figures align with the timeframes for measures reported in Budget Paper No. 2, but may differ in some instances due to exclusions described in footnotes. Measures may not add with measures in Budget Paper No. 2 due to rounding. Figures do not account for the reallocation of funds from previous Budgets to finance measures this Budget.
2 This measure contains $60.0 million for the installation of electric vehicle charging infrastructure with funding redirected from the 2022–23 October Budget Measure titled Powering Australia – Driving the Nation Fund – establishment. This measure also contains $10.0 million for a national communications campaign with funding already provided for by the Government.
3 Costs of this measure will be met from the Powering the Regions Fund.
4 Costs for this measure will be partially met from existing resources of the Department of Climate Change, Energy, the Environment and Water.
5 The spending outlined in this measure for the purposes of this table excludes receipts received by the Australian Securities and Investment Commission.
6 The spending outlined in this measure for the purposes of this table excludes funding for cultural heritage reform and the foreign investment framework.
7 This measure includes tax concessions which do not require an appropriation of funds, but reflect foregone revenue, and is classified as spending.
8 The cost of this measure will be partially met through funding from the Strategic International Partnerships Investment Stream and from savings identified in the Department of Industry, Science and Resources.
9 Costs of this measure will be partially offset by a reduction in the Labour Market Support Scheme.
10 Costs of this measure will be partially met through funding from the Strategic International Partnerships Investment Stream and savings identified in the Department of Industry, Science and Resources.
11 The spending outlined in this measure for the purposes of this table excludes funding for independent statutory review of the Northern Australia Infrastructure Facility Act 2016.
12 Costs of this measure will be partially met from a reprioritisation of the Macquarie Island Research Station Modernisation Project.
13 Costs of new water infrastructure projects in this measure will be met by reallocating existing funding within the National Water Grid Fund and funding allocated to improve water security for remote First Nations communities under the 2023–24 Budget measure titled Closing the Gap – further investment.
14 Costs of this measure will be met from funding within the Water for the Environment Special Account and Sustainable Rural Water Use and Infrastructure Program.
15 Costs of this measure will be met from a reprioritisation of funding from the 2022–23 March Budget measure titled Strengthening the Great Barrier Reef through Stewardship and Leadership.
16 Costs of this measure will be offset by redirecting funding from savings identified in the Strategic International Partnerships Investment Stream.
17 Costs of this measure will be partially met from within the existing resourcing of the Department of Foreign Affairs and Trade.
18 Costs of this measure will be partially met from within the existing resourcing of the Department of Finance.

Appendix A: Other fiscal aggregates

Accrual aggregates

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

Net operating balance estimates

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

The net operating balance is expected to be a surplus of $15.8 billion (0.6 per cent of GDP) in 2023–24 (Table 3.8). It is then expected to be a deficit of $23.0 billion (0.8 per cent of GDP) in 2024–25, compared to an expected deficit of $15.7 billion in MYEFO.

Fiscal balance

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

The fiscal balance is expected to be a surplus of $8.1 billion (0.3 per cent of GDP) in 2023–24 (Table 3.8). It is then expected to be a deficit of $29.3 billion (1.1 per cent of GDP) in 2024–25, compared to an expected deficit of $24.8 billion in MYEFO.

Table 3.8: Australian Government general government sector accrual aggregates

	Actual	Estimates					
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Total(a)
	$b	$b	$b	$b	$b	$b	$b
Revenue	**668.4**	**706.9**	**711.5**	**732.7**	**776.2**	**819.6**	**3,747.0**
Per cent of GDP	26.1	26.3	25.8	25.5	25.7	25.8	
Expenses	**637.0**	**691.1**	**734.5**	**767.3**	**793.8**	**829.8**	**3,816.4**
Per cent of GDP	24.8	25.7	26.6	26.7	26.3	26.1	
Net operating balance	**31.4**	**15.8**	**-23.0**	**-34.5**	**-17.5**	**-10.1**	**-69.4**
Per cent of GDP	1.2	0.6	-0.8	-1.2	-0.6	-0.3	
Net capital investment	**9.4**	**7.8**	**6.3**	**8.1**	**9.0**	**11.9**	**43.0**
Per cent of GDP	0.4	0.3	0.2	0.3	0.3	0.4	
Fiscal balance	**21.9**	**8.1**	**-29.3**	**-42.6**	**-26.5**	**-22.0**	**-112.4**
Per cent of GDP	0.9	0.3	-1.1	-1.5	-0.9	-0.7	

a) Total is equal to the sum of amounts from 2023–24 to 2027–28.

Table 3.9 provides a reconciliation of fiscal balance estimates, including the impact of policy decisions and parameter and other variations on revenue and expenses since MYEFO. The drivers of movements in the fiscal balance estimates are largely the same as for the underlying cash balance.

Table 3.9: Reconciliation of general government sector fiscal balance estimates

	Estimates					
	2023-24	2024-25	2025-26	2026-27	2027-28	Total
	$m	$m	$m	$m	$m	$m
2023-24 Budget fiscal balance	**-14,144**	**-45,278**	**-35,035**	**-32,813**	*	*
Per cent of GDP	-0.5	-1.7	-1.3	-1.1	*	
Changes from 2023-24 Budget to 2023-24 MYEFO						
Effect of policy decisions(a)	-1,012	-2,488	-781	-823	*	*
Effect of parameter and other variations	17,577	22,992	2,842	10,770	*	*
Total variations	**16,565**	**20,503**	**2,061**	**9,947**	*	*
2023-24 MYEFO fiscal balance	**2,421**	**-24,775**	**-32,974**	**-22,866**	*	*
Per cent of GDP	0.1	-0.9	-1.2	-0.8	*	
Changes from 2023-24 MYEFO to 2024-25 Budget						
Effect of policy decisions(a)(b)						
Revenue	*54*	*2,267*	*-956*	*3,366*	*5,972*	*10,702*
Expenses	*292*	*12,049*	*7,893*	*4,523*	*1,923*	*26,680*
Net capital investment	*12*	*1,587*	*1,843*	*1,028*	*3,980*	*8,449*
Total policy decisions impact on fiscal balance	-250	-11,369	-10,691	-2,186	69	-24,427
Effect of parameter and other variations(b)						
Revenue	*6,201*	*8,945*	*7,652*	*2,521*	*	*
Expenses	*1,472*	*6,480*	*7,453*	*5,705*	*	*
Net capital investment	*-1,153*	*-4,362*	*-862*	*-1,722*	*	*
Total parameter and other variations impact on fiscal balance	5,882	6,827	1,061	-1,461	*	*
2024-25 Budget fiscal balance	**8,053**	**-29,316**	**-42,604**	**-26,514**	**-22,026**	**-112,408**
Per cent of GDP	0.3	-1.1	-1.5	-0.9	-0.7	

*Data is not available.

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

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

Revenue estimates

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

Total revenue since MYEFO has been revised up by $11.2 billion in 2024–25 and by $30.0 billion over four years from 2023–24 to 2026–27.

Expense estimates

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

Total expenses since MYEFO have been revised up by $18.5 billion in 2024–25 and by $45.9 billion over four years from 2023–24 to 2026–27.

Movements in expenses over the forward estimates period 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 nonfinancial 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.

Detailed information on expenses can be found in *Statement 6: Expenses and Net Capital Investment.*

Structural budget balance estimates

The structural budget balance estimate adjusts the underlying cash balance to remove the estimated effects of cyclical factors that have a temporary impact on receipts and payments. These 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.

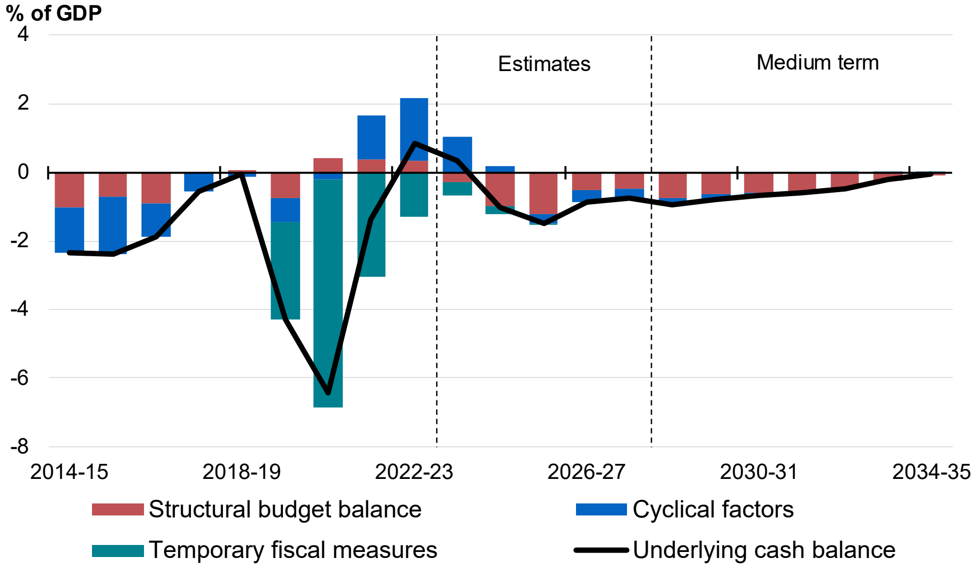
The structural balance is estimated rather than observed, so it is sensitive to the assumptions and parameters that underpin it. Commodity price volatility has increased the uncertainty around the estimate.

The estimated structural budget balance has been revised up in 2023–24 but is lower in most years over the forward estimates period compared to MYEFO (Chart 3.14). These changes largely reflect revisions to the underlying cash balance.

The contribution of cyclical factors to the underlying cash balance is estimated to remain positive in 2023–24 and 2024–25. The smaller contribution in 2023–24 compared to MYEFO in large part reflects revisions to the terms of trade (see *Budget Statement 2: Economic Outlook* for more information on developments in commodity prices and the terms of trade).

Over the medium term, the structural budget balance is projected to improve gradually towards balance.

Chart 3.14: Structural budget balance



Source: Treasury.

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

Statement 4: Meeting Australia's Housing Challenge

Australia has a housing shortage. There are not enough homes being built in the right areas to meet the needs of our communities. This statement focuses on the reasons for the current undersupply of housing, how it affects affordability, and the changes required to more quickly unlock supply to meet the housing needs of all Australians. It also sets out how the Government's policy responds to these drivers of undersupply.

The Government is responding to build more homes for Australia. It has a $32 billion plan, including $6.2 billion of new initiatives in this Budget. It represents a long-term response to a complex structural challenge.

Australia's housing supply is low by international standards. Australia has among the lowest number of homes as a proportion of the population in the OECD. Undersupply is a key factor that has driven increases in rents, mortgage repayments and house prices.

Australia's housing system has been too slow to respond to demand. The causes of this are multifaceted, complex and affect all stages of the housing construction process, including all levels of government and industry. Planning and zoning and land release practices are often slow and are not effectively factoring in urgent need for housing in suburban areas. Industry's capacity to add new supply has been hampered by a lack of essential infrastructure in greenfield developments, a critical shortage of skilled labour and falling productivity in the sector. At the same time, there has been a long-term, chronic under-investment in social housing.

Higher interest rates have added to Australians' cost of living, particularly through higher mortgage repayments. Supply chain bottlenecks flowing from the COVID-19 pandemic and higher costs of construction and finance have contributed to making new housing supply more expensive, limiting how quickly homes can be built.

Fixing supply and improving affordability will require concerted, cooperative and substantive efforts from all levels of government. The Government has a plan to increase supply, fund more social homes, better support renters, provide a pathway to home ownership and double its dedicated funding for homelessness services.

In recognition of the national leadership needed to address Australia's housing supply challenges, the Government agreed with states, local government, industry and investors to deliver 1.2 million new, well-located homes in the five years to 30 June 2029 through the National Housing Accord (the Accord). This is being supported by $3 billion in incentive payments to the states, and other investments. This substantial commitment would be the equivalent of adding a city around the size of Brisbane to Australia's housing supply.

The National Housing Supply and Affordability Council has found the target is suitably ambitious to help galvanise stakeholders into action. But it can be achieved with early, and sustained, policy effort from all levels of government. It requires a significant uplift in the number of homes built in every state and territory. Governments will need to work quickly to identify and clear roadblocks to new supply and ensure homebuyers and renters are able to buy or rent new housing where they want to live.

Addressing undersupply requires more than continued expansion of housing in outer suburbs. State, territory and local governments will need to focus on rebuilding the 'missing middle' in Australia's cities – delivering more medium and high-density housing where infrastructure, transport, jobs, education and community amenities already exist. Regional areas need new approaches to supplying housing. This is needed to break the cycle of housing shortages making it difficult to attract the skills and labour – including construction labour – to support and sustain vital towns and regions.

As part of the Government's commitment to this target, $1.5 billion will be made available to the states and territories, including $1 billion through the Budget, to help clear infrastructure bottlenecks delaying the construction of new housing. This support, coupled with the work underway through National Cabinet's Planning Reform Blueprint, provides the mechanism for states and territories to address structural inefficiencies in the planning, zoning and land release systems that prevent the market from responding more efficiently to demand. The Government is also investing $88.8 million in the Budget to train more construction workers to help build more homes more quickly.

The Government is supplementing this long-term structural reform with increased support for those who need it most. Low vacancy rates and falling numbers of rental properties have placed pressure on rental prices over time; while lower income earners have less capacity to absorb higher prices. That is why the Government is increasing Commonwealth Rent Assistance (CRA) as part of this Budget, in addition to the increase in last year's Budget. Because of these increases and indexation, maximum rates of CRA will be 40 per cent higher than they were in May 2022 which will benefit up to 1 million households.

The Government has committed to an unprecedented program to support an increase in the supply of social and affordable housing by around 55,000 homes through the Accord, the Housing Australia Future Fund, the Social Housing Accelerator Payment and other Housing Australia programs. New investment in this Budget includes $423.1 million in additional funding offered for the new $9.3 billion five-year funding agreement to deliver social housing and homelessness services. The Government has already helped more than 110,000 low- to middle-income Australians overcome the deposit hurdle to get into home ownership and will help more through the expansion of the Home Guarantee Scheme and the new Help to Buy program.

Collectively, the Government's plan to meet Australia's housing challenge goes to the heart of problems with structural undersupply, underinvestment in social and affordable housing, fairness for renters and barriers to home ownership.

Statement contents

Statement 4: Meeting Australia's Housing Challenge

Australia has underinvested in housing for too long

Box 4.1. Government's plan to correct Australia's housing underinvestment

The Government has committed to $32 billion in new commitments including $6.2 billion in this Budget, to address historic underinvestment in the Australian housing system.

Actions under the Government's plan include:

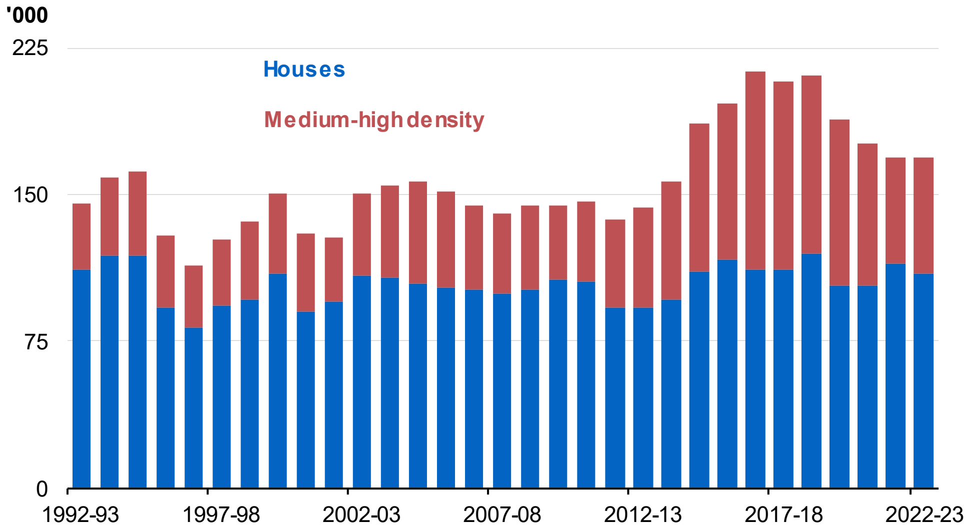
- A target for 1.2 million new, well-located homes backed by funding for the states to clear the bottlenecks and red tape preventing new homes from being built.
- Funding 40,000 new social and affordable homes.
- Increasing support to renters by 40 per cent.
- Helping more Australians into home ownership.
- Requiring universities to build more student accommodation.

Australia has a housing shortage – we have too few homes for those who need them

Australia's housing system has been unable to build enough new housing stock to keep up with the needs of our population. This has caused a growing supply deficit, resulting in worsening affordability for both renters and first-home buyers. Concerted action and national leadership are needed to increase investment in housing and improve supply. Additional supply is necessary to accommodate our population. However, lags between increased demand for housing and additional supply of dwellings can create acute pressures for households. This can include a tighter rental market and upward pressure on rents.

Between 1993 and 2011, steady rates of housing construction were able to meet the needs of a growing population which increased by 27 per cent over the same period. From 2014 to 2018 strong growth in medium-high density dwellings contributed significantly to supply, with low interest rates encouraging a significant pick up in investor activity (Chart 4.1). Supporting the housing market to respond more flexibly to changes in demand – including well-located medium-high density housing – will help address Australia's housing supply shortage and meet the needs of current and future generations.

Chart 4.1: New private dwelling completions, by type



Source: ABS Building Activity

Note: Data are original.

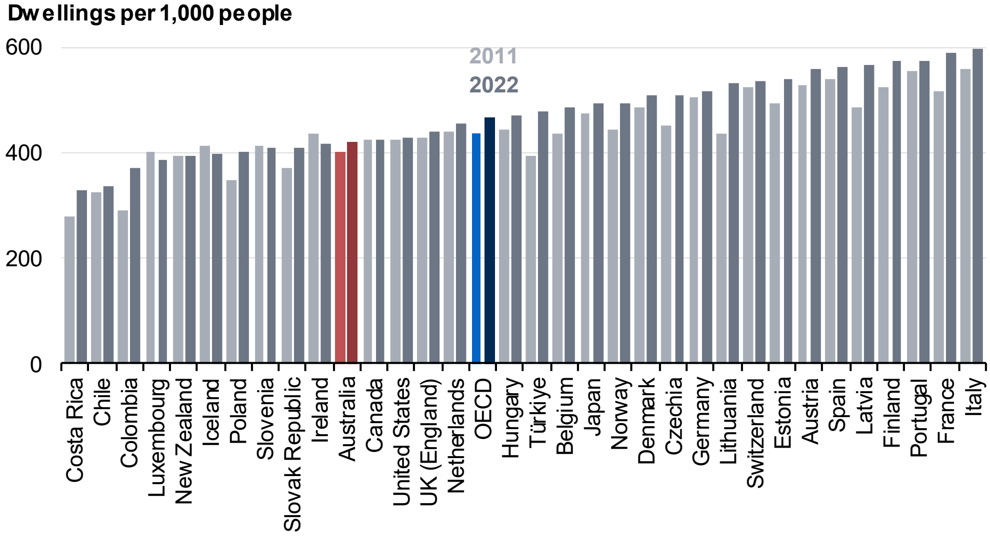
Australia's level of housing supply is low by international standards

Chart 4.2 shows Australia's housing supply relative to other OECD countries. While differences across OECD countries reflect a range of factors including differences in age structure, population growth, cultural norms, and the size and quality of the housing stock, Australia has fewer dwellings per 1,000 people than the OECD average.

According to the OECD, Australia's level of housing supply was at 403 per 1,000 people in 2011. This increased to 420 per 1,000 people in 2022. However, this increase in supply was insufficient to keep pace with international peers, falling from around 92 per cent of the OECD average in 2011 to 90 per cent of the OECD average by 2022.

Australia lags behind other countries like Canada, the US and the UK (England) in terms of dwellings per 1,000 people.

Chart 4.2: Dwellings per 1,000 people, Australia and OECD average



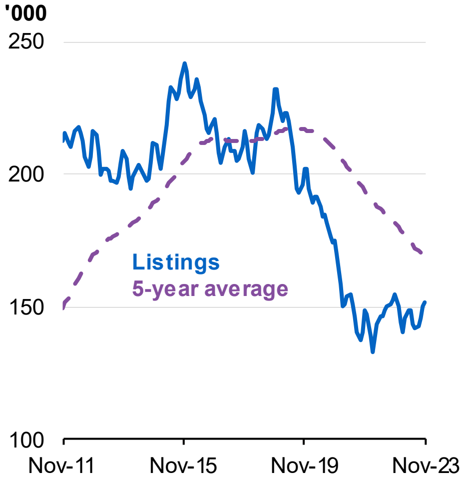
Source: OECD, Treasury

Note: Greece, Israel, Mexico, Sweden and the Republic of Korea (OECD members) are not included in this analysis due to missing data points. 2011 data is either from 2011 or nearest available year and 2022 data is either from 2022 or latest available year.

A lack of supply is making it harder for people to buy or rent

A shortage of housing stock is making it difficult to find a property to buy or rent. The number of homes being offered for sale has fallen since 2015 (Chart 4.3), while the number of homes for rent has been falling since early 2020 (Chart 4.4).

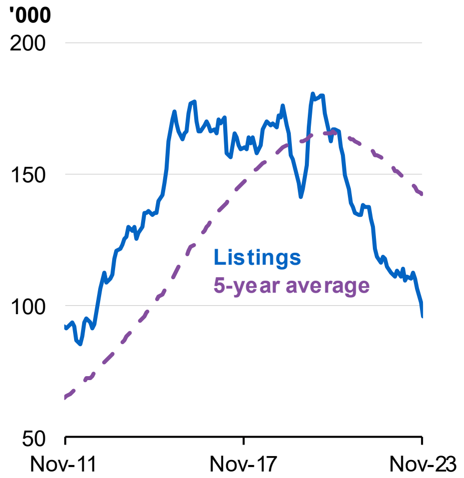
Chart 4.3: Total national established property market listings



Source: CoreLogic[1], Treasury

Note: Listings are the total monthly volume of properties available. Listings line is a 3-month rolling average. Average line is a 5-year rolling average.

Chart 4.4: Total national rental market listings



Source: CoreLogic, Treasury

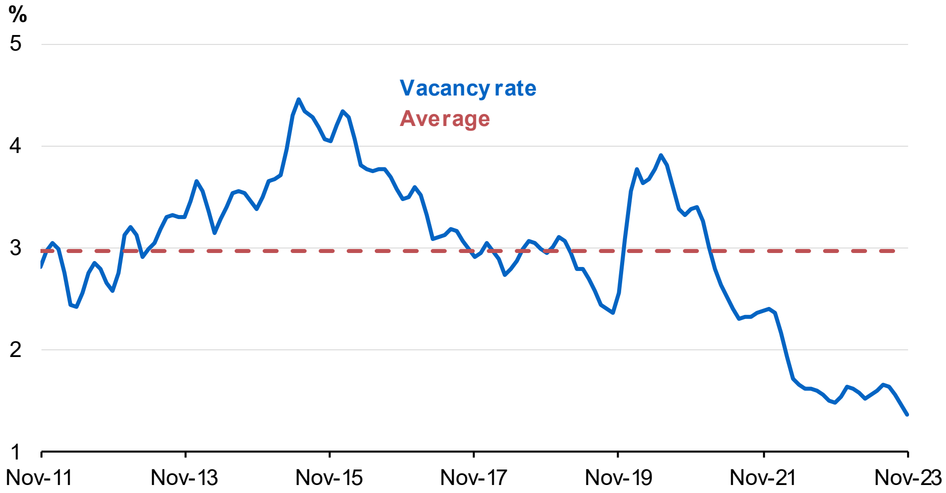
Note: Listings are the total monthly volume of rental properties available. Listings line is a 3-month rolling average. Average line is a 5-year rolling average.

The rental vacancy rate is well below the rate considered to reflect a balanced rental market of around 3 per cent (Chart 4.5). In some parts of the country, including some capital cities, it is as low as 0.5 per cent.[2]

1 This publication contains data, analytics, statistics, results and other information licensed to us by RP Data Pty Ltd trading as CoreLogic Asia Pacific (CoreLogic Data) © Copyright 2024. RP Data Pty Ltd trading as CoreLogic Asia Pacific (CoreLogic) and its licensors are the sole and exclusive owners of all rights, title and interest (including intellectual property rights) subsisting in the CoreLogic Data reproduced in this publication. All rights reserved. The CoreLogic Data provided in this publication is of a general nature and should not be construed as specific advice or relied upon in lieu of appropriate professional advice. While CoreLogic uses commercially reasonable efforts to ensure the CoreLogic Data is current, CoreLogic does not warrant the accuracy, currency or completeness of the CoreLogic Data and to the full extent permitted by law excludes all loss or damage howsoever arising (including through negligence) in connection with the CoreLogic Data.

2 CoreLogic Data.

Chart 4.5: National dwelling rental vacancy rate



Source: CoreLogic, Treasury
Note: 3-month rolling average.

Box 4.2. Government actions to increase market housing supply

More homes need to be built in the places that households need them, including close to places of work and education for families, workers and students This requires careful planning and better collaboration with non-government partners to meet the changing needs of our communities.

Australia's growing international education sector requires adequate supply of purpose-built student accommodation to ensure its ongoing sustainability. To deliver more accommodation for students and to reduce pressure on the private rental market, the Government will work with the higher education sector to develop regulations that will require universities to increase their supply of student accommodation.

The Government is also developing the National Housing and Homelessness Plan (the Plan). The Plan will be a 10-year strategy and outline how all levels of government can work together with the private and the community sector to deliver the short-, medium- and long-term actions needed.

The Plan will build on the Accord, where the Government is working with states and territories, local governments, industry and investors to deliver 1.2 million new, well-located dwellings in the five years from 1 July 2024.

New homes are needed in every state and territory – not just in the major population centres that attract most of the population growth. That is why the Government is offering $3 billon in incentive payments through the New Homes Bonus to be shared amongst all states and territories to reach their share of the 1.2 million target.

The Government will provide state, territory and local governments with payments to fund the enabling infrastructure (water and sewage connections, roads and footpaths) needed to develop new homes through the $1.5 billion Housing Support Program.

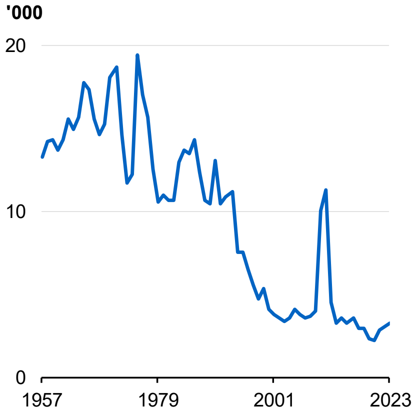
Investment by governments in social housing has declined over decades

In addition to low levels of aggregate housing stock, rates of construction of social housing (which includes both public housing and community housing) have also fallen steadily. Public housing is defined by the Australian Institute of Health and Welfare (AIHW) as rental housing that state and territory governments provide and manage, and is a subset of social housing. Social housing is rental housing fully or partly funded by government, owned or managed by community organisations or governments, and includes public housing, state owned and managed Indigenous housing, community housing and Indigenous community housing.[3] Public housing completions (Chart 4.6) and the share of social housing stock as a proportion of the total stock has declined for the last three decades (Chart 4.7). Research notes that since 1996, the level of social housing construction has not been enough to keep pace with sales and demolitions of existing social housing stock.[4]

Since 1958, the Australian Government has provided rent assistance which helps people on income support payments with the cost of rental housing. As an income supplement, Commonwealth Rent Assistance is able to respond to recipients' needs in a timely way, can adapt as their needs change over time, supports housing choice, and can help meet the cost of increases in rent.[5] The National Housing Supply and Affordability Council suggests that renter households receiving Commonwealth Rent Assistance have seen improved affordability in recent years.[6] In March 2024, Commonwealth Rent Assistance helped reduce the percentage of recipient households experiencing rental stress by around 31 percentage points.[7]

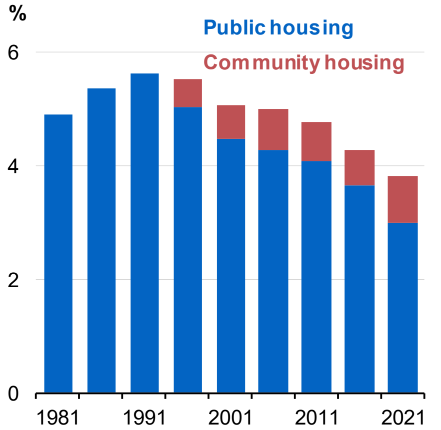
3 Australian Institute of Health and Welfare (n.d.), 'Housing assistance glossary', accessed 6 May 2024.
4 Pawson, H., Milligan, V., & Yates, J. (2020), Housing Policy in Australia: A Case for System Reform, Palgrave Macmillan, p. 95.
5 Productivity Commission (2022), 'In need of repair: the National Housing and Homelessness Agreement', p. 18.
6 National Housing Supply and Affordability Council (2024), 'State of the Housing System 2024', p. 107.
7 In this context, rental stress is defined as spending more than 30 per cent of gross income on rent. Commonwealth Rent Assistance data sourced from Department of Social Services administrative data.

Chart 4.6: Public housing completions



Source: ABS Building Activity, Treasury

Chart 4.7: Social housing stock as a share of housing stock



Source: National Housing Supply and Affordability Council analysis of ABS Census data, Treasury

Notes: Social housing as a share of occupied private dwellings (excludes visitor-only and other non-classifiable households from 2006 onwards).

Box 4.3 Government actions to increase social and affordable housing

The Government is tackling housing stress for lower income households, with investments expected to support around 55,000 new social and affordable homes, increasing the stock of social and affordable housing by over 12 per cent. This will be achieved through:

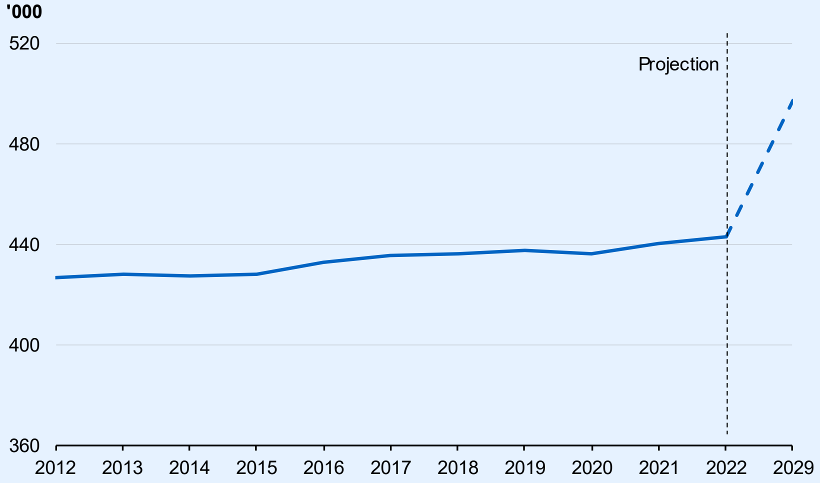
- The $10 billion Housing Australia Future Fund (HAFF), which seeks to deliver 30,000 new social and affordable homes over its first five years, including homes for women and children impacted by family and domestic violence.
- The National Housing Accord, under which the Australian Government will deliver 10,000 affordable homes, to be matched by states and territories.
- Additional concessional financing for community housing providers and other charities to support the HAFF and Accord of $1.9 billion.
- The $2 billion Social Housing Accelerator Payment, which will fund 4,000 new and refurbished social homes.
- Expanding the Affordable Housing Bond Aggregator by increasing Housing Australia's liability cap to $10 billion from $5.5 billion.
- Providing an additional $1 billion to the National Housing Infrastructure Facility, targeted toward crisis and transitional accommodation for women and children fleeing domestic violence, and youth.

Chart 4.8 shows how these measures, coupled with Housing Australia's existing programs, will affect the level of social and affordable housing.

continued on next page

Box 4.3 Government actions to increase social and affordable housing (continued)

Chart 4.8 Social and affordable housing stock levels and impact of Government's investment



Source: AIHW, Treasury

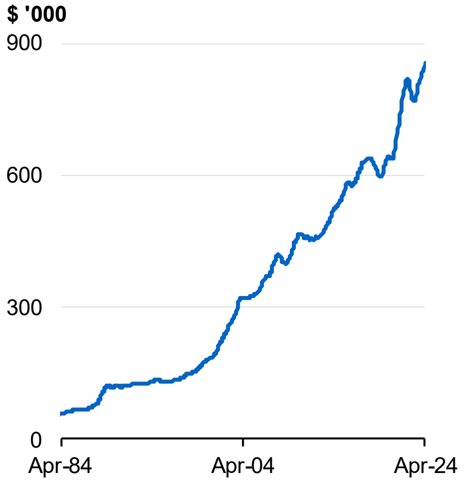
Notes: This chart measures social housing stock levels from 2012 to 2022 using data from AIHW. For the purposes of this analysis, Treasury is including State Owned and Managed Indigenous Housing, Indigenous community housing, community housing and public housing, in the count of social and affordable housing. This analysis may not include other forms of affordable housing due to unavailable data. It is projected that the Australian Government will help support around 55,000 new social and affordable homes between May 2022 and 2029.

Affordability pressures are high

Supply shortages contribute to affordability pressures

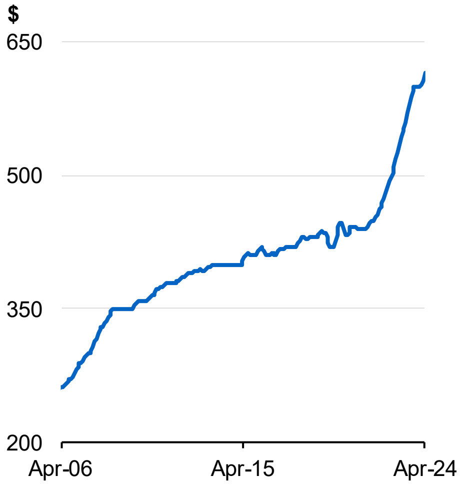
The lag in housing supply responding to changes in population has contributed to rising house prices and worsening affordability. Charts 4.9 and 4.10 show that nominal dwelling prices and advertised rents have more than doubled since the mid-2000s.

Chart 4.9: Median nominal dwelling values



Source: CoreLogic
Note: Median monthly dwelling values are reported for eight capital cities combined.

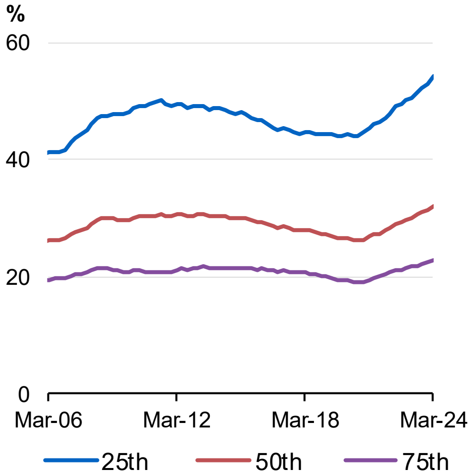
Chart 4.10: Median nominal advertised rents



Source: CoreLogic
Note: Nominal dwelling rents are reported for eight capital cities combined, 3-month rolling average.

As a result of price pressures, an increasing share of household incomes is going towards housing and housing services, particularly for lower-income rental households, with marked growth since 2020 (Chart 4.11). For prospective homebuyers, the portion of income needed to service a new loan has risen from an average of 29 per cent in 2020 to 46 per cent in 2023. This is above the long-run average of 35.7 per cent and above the 30 per cent threshold for mortgage stress (Chart 4.12).

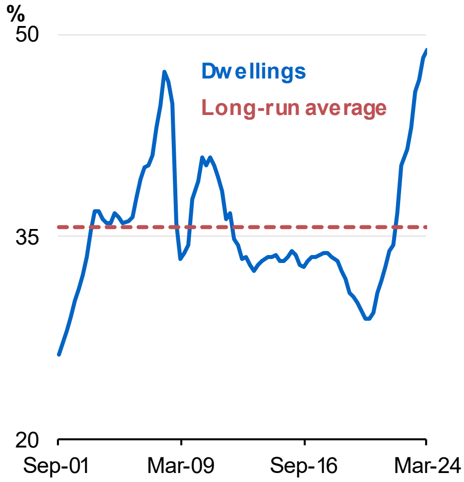
Chart 4.11: Share of income to service rent, by income and rent quartile



Source: CoreLogic, POLIS@ANU Centre for Social Policy Research

Note: Income refers to median gross disposable household income. Data is for national dwellings, reported quarterly. Households in a given income quartile are matched to the equivalent rent quartile.

Chart 4.12: Share of income to service new loan, dwellings



Source: CoreLogic, POLIS@ANU Centre for Social Policy Research

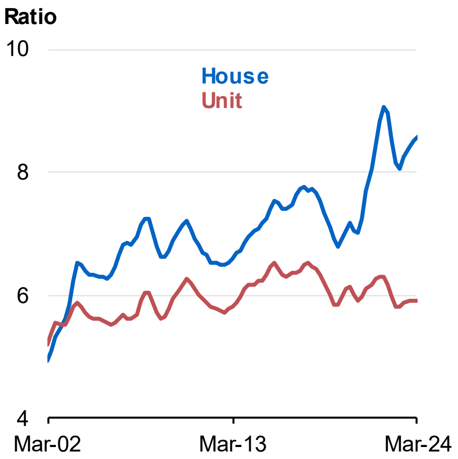
Note: Income refers to median gross disposable household income. Data is for national dwellings, reported quarterly.

Long term decline in affordability

In the March quarter of 2002, the median house price was 4.9 times the median gross disposal household income. By the March quarter of 2024, this had increased to 8.6 times median gross annual income (Chart 4.13). The unit price-to-income ratio has not grown as fast – reflecting recent growth in the supply of medium-high density housing and rising land values, as medium-high density developments contain more dwellings per square metre of land.[8] While there has been short term volatility, Australians are also taking longer to save for a deposit, with the time taken to save a 20 per cent house deposit reaching almost 11.4 years in the March quarter 2024, down from a historic peak of 12.1 years in the March quarter 2022 (Chart 4.14). These factors have contributed to declining rates of home ownership over time, and more people are now renting (Chart 4.15).

8 Daley, J & B, Coates (2018), 'Reimagining the Australian dream', Grattan Institute, p. 17, 111.

Chart 4.13: Price-to-income ratio



Source: CoreLogic, POLIS@ANU Centre for Social Policy Research

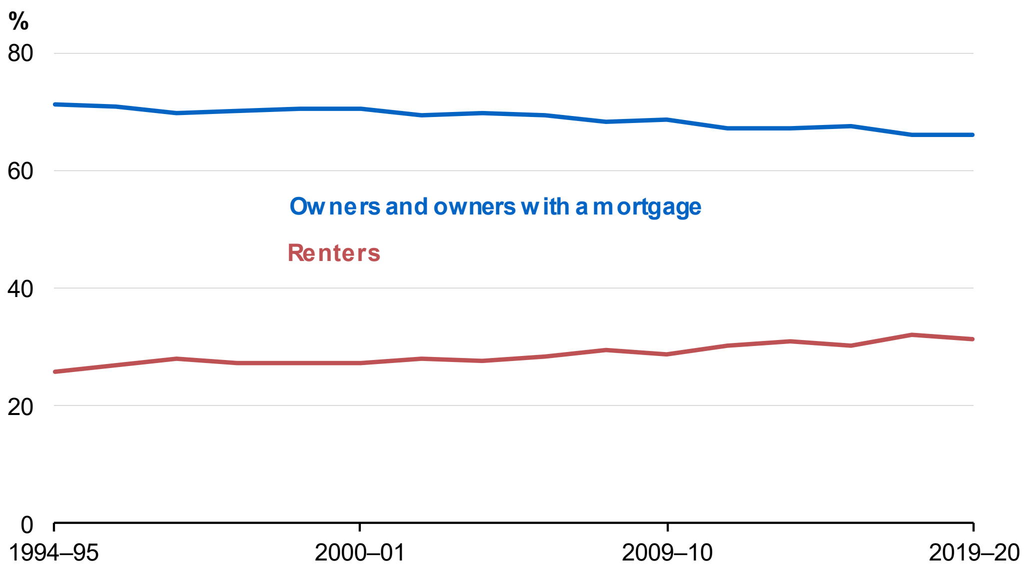
Note: Income refers to median annual gross disposable household income. Data is quarterly for combined capital regions.

Chart 4.14: Time to save for a house deposit

Source: Source: CoreLogic, POLIS@ANU Centre for Social Policy Research

Note: Income refers to median gross disposable household income. Chart assumes 20 per cent deposit. Data is quarterly for combined capital regions.

Chart 4.15: Rates of Home Ownership



Source: ABS Housing Occupancy and Costs, Treasury

Box 4.4 Government actions to help renters and support more people into home ownership

As prices have risen, more Australians are finding it difficult to pay their rent. This is why the Government is stepping in to ease the burden while the housing system is improved to bring on more supply over time.

As part of the Government's broader responsible and affordable cost-of-living relief package, Commonwealth Rent Assistance (CRA) will be increased by a further 10 per cent. Alongside the 15 per cent increase provided in September 2023 and regular indexation, this will take maximum rates over 40 per cent higher than in May 2022. Outside of regular indexation, the 2023–24 Budget and 2024–25 Budget CRA increases are the first back-to-back increases to maximum rates of CRA in three decades. This will help to address pressure in the rental market caused by low vacancy rates and falling supply.

In recognition of the more challenging situation renters are facing, the Government is also working with states and territories to strengthen renters' rights through A Better Deal for Renters. As part of this package, all levels of government have agreed to implement a 9-point plan that includes:

- Developing a nationally consistent policy to implement a requirement for genuine reasonable grounds for eviction.
- Moving towards limiting rent increases to once a year.
- Phasing in minimum rental standards.

In addition, the Government is introducing concessional tax treatment to encourage the development of more build-to-rent accommodation to increase the supply of rental properties and increase their affordability. The Government has also lowered foreign investment application fees for new build-to-rent developments to further encourage an increase in the supply of rental properties.

The Government is also helping more renters to transition to home ownership through introducing legislation to establish the Help to Buy scheme. The Help to Buy scheme will support up to 40,000 eligible households to purchase a home by providing them an equity contribution of up to 40 per cent of the purchase price for new homes and 30 per cent for existing homes. Together with the expanded Home Guarantee Scheme, this will help more Australian households achieve home ownership.

Affordability challenges have productivity, health and social inclusion implications

A well-functioning housing system allows workers to be close to their employment, reduces commute times and travel costs, and encourages labour force participation, social mobility and cohesion.

A collective lack of investment in housing – both public and private – can result in a housing system that entrenches adverse health and socio-economic outcomes. Unstable housing prevents workers from finding meaningful employment and creates more disruptions for children's education. This is especially pronounced for children vulnerable to socioeconomic inequality, living in disadvantaged neighbourhoods or being unable to rely on intergenerational wealth transfers. Quality housing improves children's development and wellbeing, and can lead to better education outcomes, particularly for those with intergenerational disadvantage.[9]

An undersupplied and underinvested housing system creates more instances of overcrowded and poor-quality dwellings, which Brackertz et al. (2019) identifies as increasing the likelihood of developing chronic physical and mental health conditions, and increasing the risk of domestic and family violence.[10] In 2022–23 around 38 per cent of all specialist homelessness services clients had experienced family and domestic violence.[11]

Increased housing supply and affordability in well-located areas can positively affect wages and productivity by reducing barriers to job switching. Job switching rates in Australia are low and have declined over the past 30 years.[12] Research suggests job switchers are likely to move to more productive firms, with the average productivity gap between origin and destination firms at 13.1 per cent. It can also enable workers to move to a role which better matches their individual skillset.[13] These factors can influence aggregate productivity as they allow firms with higher average productivity to increase output. Workers are also more likely to realise wage gains when switching into a new role, which can improve their standard of living.[14]

9 Dockery, M, Ong, R, Colquhoun, S, Li, J & Kendall, G (2013), 'Housing and children's development and wellbeing: evidence from Australian data', Final Report No. 201, Australian Housing and Urban Research Institute Limited, p. 5.

10 Brackertz, N, Davidson, J, Borrowman, L & Roggenbuck, C (2019), 'Overcrowding and severe overcrowding: an analysis of literature, data, policies and programs', Australian Housing and Urban Research Institute Limited, p 61, 67-68.

11 Australian Institute of Health and Welfare (n.d.), 'Specialist Homelessness Services Annual Report 2022-23', accessed 3 May 2024.

12 Wong, A (2024), 'Climbing the wage ladder: linking job mobility and wages', e61 Institute.

13 Buckley, J (2023), 'Productivity in motion: the role of job switching', e61 Institute.

14 Deutscher, N (2019), 'Job-to-job transitions and the wages of Australian workers', Treasury Working Paper 2019-7, Australian Government the Treasury; Wong, A (2024), 'Climbing the wage ladder: linking job mobility and wages', e61 Institute.

As Australia has shifted towards a service-based economy, many firms have set up offices in central business districts. National Housing Supply and Affordability Council research shows workers are living an increasingly further distance from their place of work, associating this with a lack of affordable housing in cities.[15] An increase in well-located housing in urban areas with access to public transport and amenities will make it easier for workers to switch jobs to more productive firms and seek higher wages, and will improve the productive capacity of the Australian economy. A lack of affordable housing in regional areas can also undermine the ability of businesses to attract workers and represents lost economic potential for regions.

Barriers to the construction of new homes need to be addressed

Action is needed to improve housing system responsiveness

Australia's housing system has been unable to sufficiently respond to demand. Housing requires longer lead times to respond to price signals than many other goods and services. On average, in 2022–23 a house in Australia took around nine months to build, while a block of apartments took over 24 months to complete.[16] Structural factors influence the speed at which new housing can be supplied, with planning and approvals to release land necessary for construction to take place. These are often delayed, and timing can vary significantly between state and territory jurisdictions. In addition, planning and zoning processes, the capacity and productivity of the construction sector and expensive materials costs can further slow the pace of housing construction.

15 National Housing Supply and Affordability Council (2024), 'State of the Housing System 2024', p. 35-37.

16 Australian Bureau of Statistics (released 18 October 2023), 'Building activity, average dwelling completion times, Australia', accessed 30 April 2024.

This relationship between supply and prices means that accelerating new supply will help to lower prices and ease affordability pressures. This is supported by empirical research which shows that:[17]

- OECD countries that built more housing between 1990 to 2015 experienced lower growth in real house prices;[18]
- Adding an extra 50,000 homes a year for a decade could reduce house prices up to 20 per cent;[19]
- A 1 per cent increase in the stock of dwellings could lower house prices by 2.5 per cent.[20]

Rates of construction need to be accelerated

Rates of construction are reducing the capacity of the market to respond to increased demand. Apartment, townhouse and detached house completion times increased nationally by 39 per cent, 34 per cent and 42 per cent respectively over the 10-year period to 2022–23.[21] Most of this increase is concentrated over the pandemic period, however there has been a relatively consistent upward trend in apartment construction times since 2018–19.

Modelling from the National Housing Supply and Affordability Council shows Australia's existing unmet demand for housing will not be satisfied unless the responsiveness of supply to demand is improved. Over the Council's 6-year projection horizon, new market demand is expected to exceed new market supply by around 39,000 dwellings.[22] While new supply and new demand will roughly be in balance from the 2026–27 financial year onwards, this suggests that without concerted action to reduce barriers to new supply, Australia's excess demand for housing will continue to go unmet.

17 This empirical research cannot be extrapolated to imply a price impact of the 1.2 million new homes target under the National Housing Accord.
18 The Centre for Independent Studies (2021), 'Submission to the Inquiry into Housing Affordability and Supply in Australia', submission to the House of Representatives Standing Committee on Tax and Revenue, p. 9; Productivity Commission (2022), 'In need of repair: the National Housing and Homelessness Agreement', p. 462.
19 Daley, J & B, Coates (2018), 'Reimagining the Australian dream', Grattan Institute, p. 3; Productivity Commission (2022), 'In need of repair: the National Housing and Homelessness Agreement', p. 462.
20 Saunders, T & Tulip, P (2019), 'A model of the Australian housing market', Research Discussion Paper 2019-01, Reserve Bank of Australia, p .28. Productivity Commission (2022), 'In need of repair: the National Housing and Homelessness Agreement', p. 462.
21 Australian Bureau of Statistics (released 18 October 2023), 'Building activity, average dwelling completion times, Australia', accessed 30 April 2024.
22 National Housing Supply and Affordability Council (2024), 'State of the Housing System 2024', p. 88.

Faster planning and zoning approval processes can help unlock supply

Planning and zoning restrictions can limit the speed at which land is made available for development. Development application processes grant approvals for land to be released for development, often at the local government level. Delays in assessment timelines can increase cost and uncertainty for developers.[23] For example, longer approval timeframes may be indicative of aversion to new development in a particular area, particularly for larger developments.[24] Average observed approval times for development application decisions vary by state, with Victoria and New South Wales experiencing the longest average approval wait times at 143.6 and 114 days respectively as at 8 May 2024.[25] Lengthy approval timeframes can increase effective development times for new dwellings and limit the responsiveness of housing supply to demand.

Planning and zoning processes should focus on ensuring housing is delivered where it is needed

Planning and zoning restrictions divert additional housing away from well-located areas where demand is greatest. Medium- to high-density housing in urbanised areas is necessary to ensure Australia's housing supply efficiently responds to demand. It offers a more efficient use of construction sector resources, can better cater to household location and amenity preferences and reduce demand pressures in inner-city locations.

Dense development in the 'missing middle' of major Australian cities, where households can reside closer to jobs in areas with higher quality amenities and infrastructure, has been limited by planning and zoning restrictions and slow release of infill land.[26] Using 2016 data, the gap between the cost of supplying a new apartment and its market value in Sydney was $355,000 (68 per cent of costs), $97,000 in Melbourne (20 per cent of costs) and $10,000 in Brisbane (2 per cent of costs).[27] These gaps are sustained by planning and zoning restrictions, which force additional development outwards rather than where demand is greatest. As a result, recent development has been concentrated in city fringes where detached dwellings are more likely to be constructed, particularly in Melbourne and Brisbane. All jurisdictions except the Australian Capital Territory have approved more

23 Productivity Commission (2022), 'In need of repair: the National Housing and Homelessness Agreement', p. 525.
24 Productivity Commission (2022), 'In need of repair: the National Housing and Homelessness Agreement', p. 468.
25 Department of Transport and Planning (n.d.), 'Planning permit activity reporting', Victorian Government, accessed 8 May 2024; New South Wales Government (n.d.), 'NSW Planning Performance Dashboard', accessed 27 April 2024.
26 Daley, J & B, Coates (2018), 'Reimagining the Australian dream', Grattan Institute, p. 56.
27 Jenner, K & Tulip, P (2020), 'The apartment shortage', Research Discussion Paper 2020-04, Reserve Bank of Australia, p. 5.

detached dwellings than townhouses and apartments over the five years to March 2024 as a result.[28]

Barriers to building homes in well-located areas not only reduce supply in areas of high demand and increase commute times but make new and existing homes less affordable. Building new homes in greenfield areas requires new infrastructure, which can add to the time and cost of development. For example, infrastructure costs in some outer-urban parts of Sydney are up to $75,000 higher per dwelling than for inner-city areas.[29]

Rezoning urban areas to allow greater density can increase the supply of housing. In 2016, Auckland Council upzoned around three quarters of its residential land to permit higher maximum site coverage and height. This led to a significant increase in housing permits and construction in the upzoned areas, particularly in locations close to transport and employment opportunities, which contributed to Auckland rents for three bedroom dwellings being 22 to 35 per cent lower than they otherwise would have been six years on from the introduction of the policy.[30]

It is also important that new medium-high density builds are constructed to a high quality, to maintain consumer confidence and ensure demand for higher density housing.

28 Australian Bureau of Statistics (released May 2024), 'Building approvals, Australia', accessed 6 May 2024.
29 NSW Productivity Commission (2023), 'Building more homes where infrastructure costs less', p. 13.
30 Greenaway-McGrevy, R, & Jones, J. A. (2023), 'Can zoning reform change urban development patterns? Evidence from Auckland', Working Paper No. 012, Economic Policy Centre, The University of Auckland, p. 26.

Box 4.5 Government actions to reform the planning system

Planning and zoning decisions have a significant impact on the rate of land release and where and how quickly new housing supply can be built.

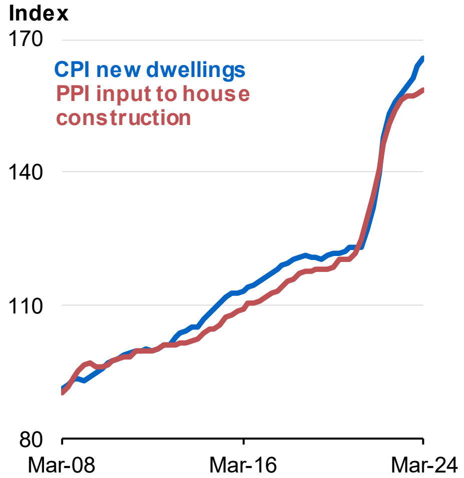
To help the planning system more effectively facilitate the number of new homes needed, National Cabinet has agreed the National Planning Reform Blueprint. The Blueprint brings state and territory planning ministers together to progress 17 reforms to deliver more homes, including:

- Streamlining development approvals.
- Identifying well-located development ready land.
- Increasing housing density in target areas.
- Identifying how housing can be built faster on sites with development approval but where development has not commenced (i.e. activating 'zombie' approvals).
- Ensuring that state, regional and local strategic plans reflect their share of the national 1.2 million new homes target.

Action to make construction cheaper will also help more homes be built faster

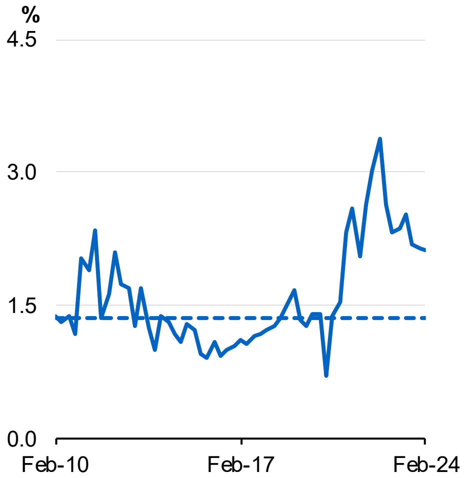
Global price shocks and supply constraints associated with COVID-19 have added to the costs of construction. Materials input costs, as captured in Producer Price Index, increased significantly over the pandemic, including for timber, concrete, and metal products. Alongside elevated labour costs, these drove a sharp increase in the price of building a new dwelling, as measured in the Consumer Price Index, which contributed to the sharp rise in inflation (Chart 4.16). Although growth in construction costs for new dwellings have eased, they continue to grow from an already elevated level.

Chart 4.16: Residential construction costs and prices



Source: ABS Producer Price Index, ABS Consumer Price Index

Chart 4.17: Construction sector vacancies as a proportion of employment



Source: ABS Job Vacancies, ABS Labour Force
Note: Dashed lines are pre-COVID long run averages.

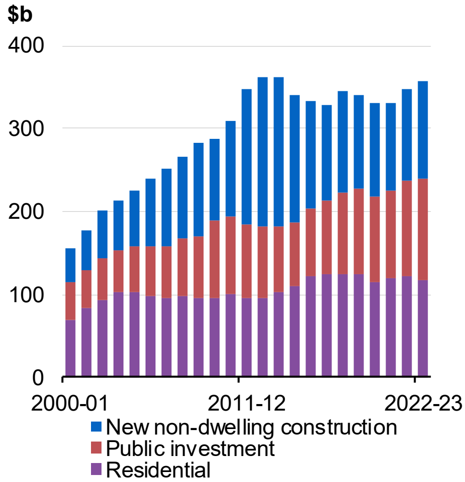
Labour shortages have also slowed the pace of construction. A shortage of skills and labour in the construction sector has persisted since the pandemic given high demand and existing shortages. Industry estimates suggest the construction sector is facing a shortfall of around 90,000 workers.[31] The most acute trade shortages in the first quarter of 2024 existed in bricklaying, ceramic tiling, plastering, carpentry and roofing.[32] Construction sector job vacancies have fallen considerably from the peak in 2022 but remain well above historical averages (Chart 4.17).

These labour shortages can partially be explained by an increase in non-dwelling construction activity, that has drawn on the supply of labour available for dwelling construction. The rate of growth of investment in public infrastructure and non-dwelling construction has increased significantly relative to residential construction activity (Chart 4.18). At the same time as labour shortages have worsened, labour productivity in the construction industry has not increased from the level it was in the early 2000s (Chart 4.19), while other sectors have seen significant productivity growth.

31 Master Builders Australia (2024),'2024-25 Pre-Budget submission: finding Australia's missing tradies: how to harness the skilled migrant workforce', accessed 29 April 2024.
32 Housing Industry Association (2023), 'Access to skilled labour a barrier to 1.2 million new homes', accessed 29 April 2024.

Growing costs and lengthening build times have reduced the ability of investors, builders, and developers to add to the housing stock, despite the strong signal provided by market conditions.

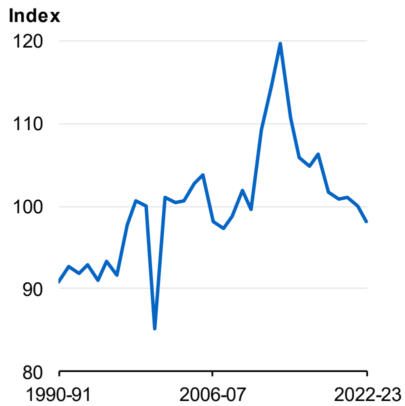
Chart 4.18: Construction related investment expenditure



Source: ABS National Accounts: National Income, Expenditure and Product

Note: Public investment is total public investment including infrastructure related investment.

Chart 4.19: Labour productivity in the construction sector



Source: ABS Estimates of Industry Multifactor Productivity, Treasury

Box 4.6 Government actions to invest in more skilled construction workers

Capacity constraints in the construction sector are a key impediment to faster delivery of new homes. According to industry, there has been a significant shortage of construction workers in recent years, driven by a drop off in rates of skilled migration during the COVID-19 pandemic and competition from infrastructure projects. This has slowed the ability of builders to build more homes quickly and driven up the price of labour.

The Government is responding to this challenge by investing $88.8 million to grow the pipeline of construction workers through 20,000 additional fee-free TAFE and pre-apprenticeship places. The Government will also provide $1.8 million to deliver streamlined skills assessments for around 1,900 migrants from comparable counties to work in Australia's housing construction industry.

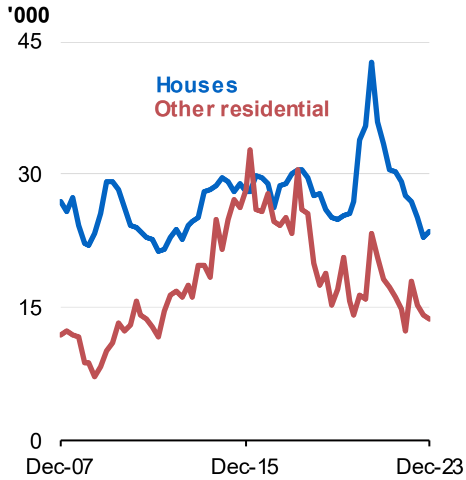
The HomeBuilder program provided grants of up to $25,000 to eligible owner-occupiers to build or substantially renovate a home. HomeBuilder was intended to support confidence in the residential construction sector and encourage consumers to proceed with purchases or renovations that may have been delayed due to uncertainty caused by the COVID-19 pandemic.

While HomeBuilder, alongside low interest rates, increased investment in the residential construction sector, it concentrated this demand in the detached sector (Chart 4.20). The program brought forward investment demand ahead of what the detached sector was able to sustainably build (Chart 4.21). The program added to inflation pressures in the sector by placing additional pressure on constrained supply chains. It also contributed to national land price growth of 14 per cent in 2021 and 22 per cent in 2022, alongside reduced greenfield lot releases.[33] This demonstrates the potential risk to affordability presented by programs which stimulate investment demand for housing without addressing supply constraints.

Chart 4.20: Private sector residential building approvals

Source: ABS Building Approvals, Treasury
Note: 3-month rolling average.

Chart 4.21: Private sector residential commencements



Source: ABS Building Activity

Productivity Commission research has suggested that for government programs assisting households to purchase a home, the assistance is likely to be capitalised into house prices when not accompanied with an increase in supply. This tends to benefit sellers and existing owners, rather than buyers, which in turn further prices low- and middle-income households out of owning their own home.[34] Any support for home ownership should be specific and targeted.

33 Urban Development Institute of Australia (2024), 'State of the land 2024: national residential greenfield and apartment market study', p. 6.
34 Productivity Commission (2022), 'In need of repair: the National Housing and Homelessness Agreement', p. 381.

Box 4.7 Targets to increase supply: an alternative to demand stimulation

The initial target of 1 million new, well-located homes set in the Accord in October 2022 aimed to deliver significant new housing supply above that needed to keep pace with demand. Based on estimates at that time, it would have delivered sufficient new homes to achieve this.

Higher interest rates were expected to dampen demand and slow the rate of new household formation. This would have reduced the pressure on the construction sector, allowing it to work through the large pipeline of work in progress that developed through the COVID-19 pandemic due to labour force shortages, supply chain challenges and demand stimulus.

However, the housing market remained resilient despite the changes in interest rates, and demand remained high. In part, this was driven by a recovery in population growth as Australia emerged from the pandemic and international borders reopened and Australians demanding more space for housing to accommodate new activities, such as working from home. This higher-than-expected demand, combined with cost pressures and delays in the construction sector, has contributed to worsening affordability for many Australians.

As a result, the Australian Government agreed with state and territory governments to increase the target under the Accord to 1.2 million new, well-located homes. This higher target will require additional policy reform to be met, but will ensure housing supply grows quickly enough to meet the needs of our population. Housing supply growth at this rate will enable more Australians to find the housing they want and will reduce pressure on prices.

Changes to the supply side of the housing system required to meet this target will have long term benefits beyond the period of the Accord target. They will ensure Australia has a housing supply system responsive to demand as conditions change over time.

The Government's plan to meet Australia's housing challenge

The challenges in Australia's housing system are caused by complex structural factors that have built up over time, and will take long term co-operative effort to address.

That is why the Government is working with all levels of government, industry and investors to reform our housing system to make it fairer and more efficient; a system that delivers more homes and offers more assistance to those who need it. Australia needs a system more attuned to our future than our past.

The Government's vision is ambitious and deliberately designed to provoke change in the housing system. While change will take time, the Government is laying the foundations and working across all parts of the system to improve affordability and fairness.

It is in this context that the Government has a plan to meet Australia's housing challenge. It seeks to:

- Kickstart construction of more homes by building infrastructure, training tradies, and cutting planning hurdles.
- Deliver the biggest investment in social and affordable housing in over a decade.
- Provide more support for renters – including the biggest increase to rent assistance in more than 30 years.
- Help Australians buy their own home.
- Double its dedicated homelessness funding and provide shelter for people in crisis – including women and children fleeing domestic violence, veterans, and youth.

This plan is backed up by $32 billion in new commitments. It is backed by an unprecedented level of cooperation with state, territories and local governments, industry and investors through the National Housing Accord. Actions include:

- A target for 1.2 million new, well-located homes.
- Funding 40,000 new social and affordable homes.
- The first back-to-back increase in the maximum rates of Commonwealth Rent Assistance outside of indexation changes in three decades.
- Helping more Australians into home ownership.

The development of the 10-year **National Housing and Homelessness Plan (the Plan)** is a critical component of the Government's housing strategy. It seeks to set a shared vision from all levels of government and work with the private and community sector to address housing challenges, including the need to deliver more housing supply.

Kickstarting construction of more homes

Correcting Australia's housing shortage requires governments to create a policy environment that better enables industry and investors to respond to demand. This means getting the planning system right, fixing labour and skills shortages and providing the infrastructure to enable more homes to come on-line faster and more economically. It means creating the governance arrangements for these cross-jurisdictional issues to be resolved effectively so communities can better hold their governments to account for the homes they deliver.

The **National Housing Accord**, which creates a framework for inter-government collaboration, is central to the Government's plan to address the inter-jurisdictional factors affecting supply. It brings together state, territory and local governments, along with industry and investors to work cooperatively to increase the supply of new homes.

The Accord seeks to deliver 1.2 million new, well-located homes from 1 July 2024 to 30 June 2029. It will focus on developing strategies for the planning system to support more homes, to make sure the right skills are available to build more homes and that investors supply more finance to fund more homes. The target is aimed to deliver significant new housing supply above that needed to keep pace with demand, to accommodate our population and support a slow but steady decline in average household size.

Work under the National Housing Accord, including progress under its targets, is regularly monitored by Treasurers through the Council on Federal Financial Relations.

Delivering the enabling infrastructure to support new developments can be costly, and in some cases, uneconomical for private developers. That is why it can often act as a bottleneck preventing new supply from coming on the market. To overcome this barrier to new housing, the **Housing Support Program** will offer state and local governments $500 million to develop the infrastructure required to enable new homes to be built (for example, connecting sewerage and water and roads). This will be boosted by an additional $1 billion made available in this Budget to states and territories to deliver enabling infrastructure, taking the Government's total investment in the Housing Support Program to $1.5 billion.

The Australian Government has committed $3 billion in incentive payments to help deliver the 1.2 million new homes target through the **New Homes Bonus.** This will give states and territories greater financial capacity to fund changes to planning and zoning systems as well as support the land release programs needed to reach the target.

Improving the planning system so it facilitates more homes will also be progressed through the **National Planning Reform Blueprint (the Blueprint).** The Blueprint brings planning ministers together to progress 17 reforms to deliver more homes. These include:

- Streamlining development approvals.
- Identifying well-located development ready land.

- Increasing density in target areas.
- Identifying how housing can be built faster on sites with development approval but where development has not commenced (i.e. activating 'zombie' approvals).
- Ensuring that state, regional and local strategic plans reflect their share of the national 1.2 million new homes target.

Planning ministers will report on their progress in implementing the Blueprint twice a year to National Cabinet.

The structural barriers to new homes will not be overcome unless the skills and labour shortages are addressed. That is why the Government is investing $88.8 million **to grow the pipeline of construction workers** through 20,000 additional fee-free TAFE and pre-apprenticeship places. This is in addition to the more than 355,000 fee-free TAFE places already delivered in 2023, of which 24,200 were in the construction sector. The Government will also provide $1.8 million to deliver streamlined skills assessments for around 1,900 migrants from comparable countries to work in Australia's housing construction industry.

The Government will implement regulatory requirements to ensure universities **deliver more purpose-built student accommodation (PBSA)**. This will increase the level of housing supply and help to ensure that increases in international student numbers do not put pressure on the domestic housing market. Following consultation with the sector, the Government will set limits for how many international students can be enrolled by each university based on factors including how much student accommodation they provide. The Government will require universities to establish new, purpose-built student accommodation should they wish to increase their international student enrolments above their initial allocation. Any new accommodation built will be available to both local and international students. This reform will build more student housing, reduce pressure on house prices and rents in our cities and ensure universities continue to benefit from the overseas student market.

Deliver the biggest investment in social and affordable housing in a decade

The Government has been working to address the long-term decline in the delivery of social and affordable housing and to increase support for vulnerable Australians, including women and children leaving family and domestic violence. This would increase the stock of social and affordable housing by over 12 per cent from 2022 levels. It is a significant investment and would mean that the Government would be adding one new social and affordable home for every eight currently available. This would also be the equivalent of adding a city the size of Darwin to Australia's housing stock.

The Government's investment will help to overcome the liquidity challenges some construction firms are facing because of the current cyclical downturn in residential building approvals. It will also help to reduce demand at the lower end of the private rental market, which will help to reduce the pressures that some other renters are feeling because of the current low rental vacancy rates.

Central to the Government's plan to deliver more social and affordable housing is the $10 billion **Housing Australia Future Fund (HAFF)**, which seeks to deliver 30,000 new social and affordable homes over its first five years. Disbursements from the HAFF will also be used to deliver the Government's commitments to help address acute housing needs. This includes $200 million for the repair, maintenance and improvement of housing in remote Indigenous communities, $100 million for crisis and transitional housing options for women and children impacted by family and domestic violence and for older women at risk of homelessness, and $30 million for veterans who are experiencing or are at risk of homelessness.

This will be supported by the **National Housing Accord**. In addition to the actions being progressed to increase supply, the Government has agreed to deliver 10,000 affordable homes under the National Housing Accord, which will be matched by states and territories.

This Budget provides additional **concessional financing of up to $1.9 billion** for community housing providers and other charities to support delivery of new social and affordable dwellings under the HAFF and the National Housing Accord.

The Government will supplement these initiatives by enhancing the programs administered by Housing Australia that provide concessional financing arrangements to facilitate the delivery of more social and affordable homes. This includes an additional $1 billion for the **National Housing Infrastructure Facility (NHIF),** which will be targeted towards crisis and transitional housing for women and children experiencing domestic violence and youth. The NHIF provides concessional loans and grants for eligible housing enabling infrastructure and social and affordable housing. This assistance is also part of the Government's plan to provide shelter for people in crisis.

The Government is also expanding the **Affordable Housing Bond Aggregator** by increasing Housing Australia's liability cap to $10 billion from $5.5 billion and lending an additional $3 billion to Housing Australia to support ongoing delivery of the program.

These initiatives will be supplemented by existing Housing Australia programs that provide concessional finance to support more social and affordable homes.

The Government has provided states and territories with $2 billion through the **Social Housing Accelerator Payment**. It will deliver around 4,000 new and refurbished social homes.

As part of the $4 billion, 10-year **Northern Territory Homelands and Housing package**, the Australian and Northern Territory Governments are working towards a commitment to halve overcrowding in the Northern Territory from 55 per cent to 23 per cent by 2034. The investment package will deliver up to 270 homes each year and continue urgent repairs and maintenance of existing housing and essential infrastructure on homelands.

The Government is also spending $7 million to support building and construction industry firms to gain Work Health and Safety (WHS) accreditation and $6.2 million to support building industry peak employer associations to assist their members in gaining the WHS accreditation required to participate in Government-funded housing projects.

Provide more support to renters

While new housing supply is being brought online, affordability pressures are likely to remain a challenge for many Australians who are renting or looking to rent. The Government recognises that many renters are under pressure and that rising rents are causing hardship for some Australians and pushing some into insecure housing arrangements. The Government is committed to providing more support to the third of Australians who rent. This is being delivered through greater levels of financial assistance, working with states and territories to deliver stronger protections for renters and facilitating the supply of new rental housing.

As part of the Government's broader responsible and affordable cost-of-living relief package**, Commonwealth Rent Assistance** (CRA) is increasing by 10 per cent in this Budget. Taken alongside the increases in last year's Budget and indexation, this will increase the maximum rates of assistance by over 40 per cent. Outside of regular indexation, the 2023–24 Budget and 2024–25 Budget CRA increases are the first back-to-back increases to maximum rates of CRA in three decades. It is also higher than the average increase in market rents in this period. It will provide eligible renters with greater opportunities to participate in the private rental market.

Low rental vacancy rates are posing unique challenges for renters. In addition to being harder to find a suitable place and placing upward pressures on prices, it limits tenants' bargaining power with landlords. In recognition of these unique challenges, the Government is working with states and territories to strengthen renters' rights through the **Better Deal for Renters package.** As part of this package, all levels of government have agreed to implement a 9-point plan that includes:

- Developing a nationally consistent policy to implement a requirement for genuine reasonable grounds for eviction.
- Moving towards limiting rent increases to once a year.
- Phasing in minimum rental standards.

In addition to the broader supply measures the Government is pursuing, the Government has a plan to increase the supply of specialist rental accommodation. This will help to moderate affordability pressures and introduced more equilibrium between renters and landlords.

Build-to-rent accommodation is designed to be supplied exclusively to the rental market. This model, which is much more common in overseas market, is less prevalent in Australia where most new developments are build-to-sell properties (i.e. they are built and sold to investors or owner-occupiers). To encourage more build-to-rent developments, the Government will introduce legislation to offer concessional tax treatment for these developments.

The **build-to-rent incentives** includes halving the managed investment trust withholding tax rate from 30 per cent to 15 per cent and increasing the capital works tax deduction (depreciation) rate from 2.5 to 4 per cent per year for newly constructed build-to-rent properties. Analysis commissioned by the Property Council of Australia suggest this could unlock 150,000 apartments over the next decade.[35] The Government has also lowered foreign investment application fees for new Build to Rent developments and will also allow foreign investors to purchase established Build to Rent developments and apply lower fees to these applications, conditional on the property continuing to be operated as a Build to Rent development.

Help Australians buy their own homes

The Government recognises that affordability pressures are being felt by people seeking to transition from renting into home ownership. Rising house prices have led to rising deposits. This means more Australians are renting for longer, increasing pressure on the already constrained rental market. It is harder for people to save enough to clear the deposit hurdle and seek the finance necessary to enter home ownership.

To help overcome this challenge, the Government offers potential home buyers the **Home Guarantee Scheme (the Scheme)**. It gives prospective home buyers support to purchase a home sooner by reducing the deposit they need to save to buy a house. Participants can access the Scheme with a deposit as little as 2 per cent. Around one in three first homebuyers in 2022–23 were supported by the Scheme.

The First Home Guarantee component of the Scheme was heavily subscribed by teachers (32 per cent of recipients), nurses (24 per cent of recipients) and social workers (19 per cent of recipients).

Since May 2022, the Scheme has already supported more than 110,000 Australians into home ownership and with an expansion to the eligibility of the Scheme this will continue to grow.

But the Government wants more renters who wish to transition to home ownership to have the opportunity to do so. That is why the government has introduced legislation to establish **Help to Buy**. Help to Buy will support up to 40,000 eligible households to purchase a home by providing them an equity contribution of up to 40 per cent of the purchase price for new homes and 30 per cent for existing homes. Participants would also

35 EY (April 2023), 'A new form of housing supply in Australia: build-to-rent housing', prepared for Property Council of Australia, p. 8

not be required to pay Lenders Mortgage Insurance, as the equity contribution and their deposit would decrease the loan to value ratio to 80 per cent or below.

Double dedicated homelessness funding and provide shelter for people in crisis

The Government is taking action to support people experiencing homelessness and help people in crisis who are finding it difficult to access shelter and safety, including women and children fleeing domestic violence, veterans, and youth.

The Government has included $9.3 billion in the Budget for a new **National Agreement on Social Housing and Homelessness** with the states and territories. This includes a doubling of the Australian Government's dedicated homelessness funding to $400 million a year.

Further support will be provided through the additional $1 billion for the **National Housing Infrastructure Facility (NHIF),** which will be targeted towards crisis and transitional housing for women and children experiencing domestic violence and youth. The NHIF provides concessional loans and grants for eligible housing enabling infrastructure and social and affordable housing. This assistance is also part of the Government's plan to deliver more social and affordable homes.

The **Safe Places** program provides capital works grants to support the renovation, building or purchase of new emergency accommodation for women and children experiencing family and domestic violence. The Safe Places inclusion round grant opportunity will provide up to 720 new safe places, bringing the total number of safe places to be delivered by the program to around 1,480 across Australia. Projects are expected to commence from mid–2024.

Australian Government housing measures since May 2022

Measure	Description	New Commitments	Impact
2024-25 Budget Measures			
Removing barriers preventing new homes being built			
Housing Support Program – additional funding for enabling infrastructure (linked to later Housing Support Program measure)	Additional funding for states and territories to deliver more housing-enabling infrastructure.	$1 billion (in 2023-24)	Will support the supply of new homes through delivering enabling infrastructure earlier.
Skilling the construction workforce to support housing supply	Additional funding to develop the future construction workforce, with a focus on additional training and incentives.	$88.8 million (over three years from 2024-25)	Will build the pipeline of critical skills in the construction sector.
Increasing the availability of purpose-built student accommodation	As part of the response to the Australian Universities Accord, the Government will work with universities to increase the availability of student housing, by limiting international student enrolments based on factors including how much student accommodation they provide.	$2.1 million over four years from 2024-25	Will ensure better provision of student accommodation and help reduce pressure on local housing markets.
National Housing Accord – Commonwealth land release	The Government will undertake feasibility studies on a number of surplus Commonwealth-owned land holdings to determine their suitability for release as housing to support the 1.2 million new, well located homes target under the Accord.	Nil	Subject to findings of the feasibility studies, will support delivery of new housing to meet the Accord's housing supply target.
Delivering more social and affordable homes for those who need them			
National Agreement on Social Housing and Homelessness	Under the new National Agreement on Social Housing and Homelessness, the states and territories will receive $9.3 billion over five years. The new agreement provides $423.1 million in additional funding.	$423.1 million (over five years from 2024-25) in additional funding. Total funding of $9.3 billion over five years from 2024-25	The new agreement is outcomes-focused and will enhance support for social housing and homelessness services, in conjunction with other investments by both Commonwealth and state governments.

Measure	Description	New Commitments	Impact
Housing Australia Future Fund and National Housing Accord – additional finance – concessional Commonwealth loans	Provide additional concessional financing of up to $1.9 billion for community housing providers and other charities to support the delivery of new homes under the HAFF and Accord.	$1.9 billion (up to)	Will support delivery of the 40,000 social and affordable homes the Government committed to under the Housing Australia Future Fund and Accord.
Capacity building support for the social and affordable housing sector	Support to build the capacity of Community Housing Providers and Aboriginal and Torres Strait Islander Community Controlled Housing Organisations to enable them to better engage with available support and improve their delivery of new housing	$2 million (over three years from 2024-25)	Supports eligible organisations to better engage with available support.
Expanding the Affordable Housing Bond Aggregator to support Community Housing Providers	Building on the previous increase, a $2.5 billion increase in the liability cap on the Commonwealth guarantee of Housing Australia's liabilities to $10 billion and a $3 billion increase in Housing Australia's line of credit.	Increased Commonwealth balance sheet support for the lending program	Continues Housing Australia's support to Community Housing Providers through provision of low-cost financing.
10-year Northern Territory Housing and Homelands Agreement	10-year Agreement to fund delivery of housing and property and tenancy management measures in remote communities when the current one-year NT Remote Housing FFA schedule expires.	$698.4 million (over four years from 2024-25 and $2 billion over ten years)	Deliver up to 270 houses a year to reduce the proportion of overcrowded dwellings.
Remote Housing Northern Territory Federation Funding Agreement	Deliver an additional 49 houses under the existing Remote Housing Northern Territory Federation Funding Agreement, in partnership with and jointly funded by the Northern Territory Government, delivering a total of 206 houses under the one-year agreement	$20 million in 2023-24	Deliver an additional 49 houses in the current financial year to reduce overcrowding
Northern Territory Homelands funding extension	Funding to continue the delivery of urgent repairs and maintenance of existing housing and essential infrastructure through an extension of the Northern Territory Homelands Federation Funding Agreement	$120 million (over three years from 2024-25)	Will enable an increase in housing supply in remote homelands in the Northern Territory.
Community-controlled housing model development	Work to develop a sustainable Community-controlled housing model.	$1 million (over two years from 2024-25)	Will enable an increase in housing supply.
Targeted assistance to residential builders seeking WHS accreditation	Provide targeted assistance to residential builders seeking to obtain accreditation under the *Work Health and Safety Accreditation Scheme*	$7 million (over three years from 2023–24)	Increased availability of accredited builders will support delivery of Government-funded housing projects

Measure	Description	New Commitments	Impact
Grants to building industry peak employer associations to assist residential builders seeking WHS accreditation	Support for building industry peak employer associations to assist residential builders in obtaining accreditation under the *Work Health and Safety Accreditation Scheme*	$6.2 million (over two years from 2024–25)	Increased availability of accredited builders will support delivery of Government-funded housing projects
Delivering more support to renters			
Commonwealth Rent Assistance – 10 per cent increase	An increase of 10 per cent in the maximum rates of Commonwealth Rent Assistance, to be provided from September 2024.	$1.9 billion (over five years from 2023–24) This measure has an ongoing cost.	Will provide additional payments to nearly one million households to help meet the costs of renting.
Other measures			
Improved housing policy, research and data	Additional support for the Australian Housing and Urban Research Institute and for the Treasury to continue its work supporting development of evidence-based housing policy.	$20.8 million (over five years from 2024-25)	Enables provision of evidence-based policy advice to examine existing policies and develop new interventions to improve housing outcomes.
Other new measures since the May 2022 election			
Removing barriers preventing new homes being built			
National Housing Accord – incentives to meet supply target (New Homes Bonus)	A performance-based payment for states and territories that exceed their share of the original 1 million well-located homes target agreed under the National Housing Accord.	$3 billion (payable after 2028-29)	Will support the delivery of an additional 200,000 homes above the initial National Housing Accord target of 1 million homes.
National Housing Accord – Housing Support Program	Competitive funding program for local and state governments for initiatives such as connecting essential services, amenities to support new housing development, or building planning capability.	$500 million (over two years from 2023-24)	Will support the supply of new homes.
National Housing Accord – National Planning Reform Blueprint	National Cabinet agreed to a National Planning Reform Blueprint with planning, zoning, land release and other measures to improve housing supply and affordability.	Nil	Planning, zoning and land release reform will enable an increase in the supply of housing.

Measure	Description	New Commitments	Impact
Delivering more social and affordable homes for those who need them			
National Housing Accord – affordable homes commitment	10,000 affordable homes over five years from 2024 – states and territories will support the delivery of up to an additional 10,000 affordable homes.	Original allocation of $350 million, updated to an initial $72 million a year by 2028–29, indexed from 2029–30.	Will support the delivery of up to 20,000 new affordable homes.
National Housing Infrastructure Facility (NHIF)*	Since November 2022, the NHIF can support new social or affordable housing projects. In September 2023, the Government committed an additional $1 billion in federal funding which will support housing for women and children experiencing domestic violence and youths.	$1 billion (from 2023-24)	Expanding the role of the NHIF will support the supply of new affordable and social homes. The additional $1 billion will support additional housing for women and children leaving domestic violence; and youth.
Social Housing Accelerator	A one-off payment to states and territories to permanently increase the stock of social housing across the country.	$2 billion (in 2022-23)	Will support the delivery of around 4,000 new and refurbished social homes.
Housing Australia Future Fund	The Government established the $10 billion Housing Australia Future Fund (HAFF) to provide a sustainable funding source to increase the supply of social and affordable housing and to address other acute housing needs.	$10 billion	Will support the delivery of 30,000 social and affordable homes over five years and will provide $330 million to address acute housing needs.
Affordable Housing Bond Aggregator	The cap on the Government guarantee of Housing Australia's liabilities was increased by $2 billion to $7.5 billion in the 2023-24 Budget to provide lower cost and longer-term finance to community housing providers through the Affordable Housing Bond Aggregator. These loans can be used to acquire, construct, or maintain social and affordable housing, as well as to refinance existing debt.	Increased Commonwealth balance sheet support for the lending program	Will support the ongoing delivery of the program to provide long-term and low-cost finance to community housing providers.
National Housing and Homelessness Agreement – Transitional Funding	The 1-year extension to the National Housing and Homelessness Agreement provides around $1.7 billion to states and territories to 30 June 2024. This includes additional funding of $67.5 million in 2023 24 to support states to meet the homelessness challenges identified in the 2021 Census.	$67.5 million (for 2023-24)	The National Housing and Homelessness Agreement contributes to improving access to affordable, safe and sustainable housing across the housing spectrum, including to prevent and address homelessness, and to support social and economic participation.

Measure	Description	New Commitments	Impact
Northern Territory Remote Housing Partnership	A 1-year partnership over 2023–24 with the Northern Territory Government to accelerate building of new remote housing to reduce overcrowding.	$111.7 million (for 2023-24)	Will increase housing supply in remote communities in the Northern Territory and support the delivery of 157 homes
Restoring funding for Homelands	For housing and essential infrastructure in the Northern Territory Homelands, delivered through a new federal financial agreement with the Northern Territory Government.	$100 million (over two years from 2022-23)	Will enable an increase in housing supply in remote homelands in the Northern Territory.
Delivering more support to renters			
Commonwealth Rent Assistance – 15 per cent increase	An increase to the maximum rates of Commonwealth Rent Assistance, payable from September 2023.	$2.7 billion (over 5 years from 2022-23) This measure has an ongoing cost.	Benefits around 1 million households.
A Better Deal for Renters	National Cabinet agreed to A Better Deal for Renters to harmonise and strengthen renters' rights across Australia.	Nil	A Better Deal for Renters will make a tangible impact on the rights of the almost one-third of Australians who rent.
Build to Rent tax incentives	Tax incentives to encourage more Build to Rent developments. Includes halving the managed investment trust withholding tax rate from 30 per cent to 15 per cent and increasing the capital works tax deduction (depreciation) rate from 2.5 to 4 per cent a year for newly constructed Build to Rent properties.	$34.3 million (over five years from 2022-23)	Will incentivise Build to Rent developments to increase the supply of rental housing in Australia. Analysis commissioned by the Property Council of Australia suggests this could unlock 150,000 apartments over the next decade.
Foreign investment in Build to Rent	The Government has lowered foreign investment application fees for new Build to Rent developments. The Government will also allow foreign investors to purchase established Build to Rent developments and apply lower fees to these applications, conditional on the property continuing to be operated as a Build to Rent development.	Nil	Additional foreign investment in Build to Rent developments will encourage the construction of Build to Rent developments.

Measure	Description	New Commitments	Impact
Helping low- and middle-income Australians into home ownership			
Help to Buy	Help to Buy will assist people on low to moderate incomes to purchase a home with an equity contribution from the Government of up to 40% for new homes and 30% for existing homes.	$5.5 billion (from 2024-25)	Will assist up to 40,000 Australian households to purchase a home.
Home Guarantee Scheme	As part of the Home Guarantee Scheme, the Government has introduced the Regional First Home Buyer Guarantee and broadened eligibility criteria to support eligible citizens and permanent residents to purchase their first home, or their first property in Australia for at least ten years.	Nil	The Home Guarantee scheme is improving affordability of home ownership for up to 50,000 Australian households each year.
Double dedicated homelessness funding and provide shelter for people in crisis			
National Agreement on Social Housing and Homelessness*	Under the new National Agreement on Social Housing and Homelessness, the states and territories will receive $9.3 billion over five years. The new agreement provides $423.1 million in additional funding.	$423.1 million (over five years from 2024-25) in additional funding. Total funding of $9.3 billion over five years from 2024-25	The new agreement is outcomes-focused and will enhance support for social housing and homelessness services, in conjunction with other investments by both Commonwealth and state governments.
National Housing Infrastructure Facility (NHIF)*	Since November 2022, the NHIF can support new social or affordable housing projects. In September 2023, the Government committed an additional $1 billion in federal funding which will support housing for women and children experiencing domestic violence and youths.	$1 billion (from 2023-24)	Expanding the role of the NHIF will support the supply of new affordable and social homes. The additional $1 billion will support additional housing for housing for women and children leaving domestic violence; and youth.

Measure	Description	New Commitments	Impact
Other measures			
National Housing and Homelessness Plan	The Government has committed funding for the development, monitoring and evaluation of a National Housing and Homelessness Plan. The National Housing and Homelessness Plan is being developed in association with states and territories, industry bodies and not-for-profit organisations to identify short, medium and long-term reforms to improve housing and homelessness outcomes.	$38.6 million	The National Housing and Homeless Plan will outline a shared vision to inform future housing and homelessness policy in Australia. Note: Funding represents costs to develop the Plan.
National Housing Supply and Affordability Council	The National Housing Supply and Affordability Council (the Council) has been established to provide independent, evidence-based expert advice to the Government on housing supply and affordability matters.	$15.2 million (from 2022-23) This measure has an ongoing cost of $4.4 million a year from 2026-27.	The Council advises on national housing policy matters at the request of the Minister for Housing and on its own initiative.
Improved support for Commonwealth policy making – Treasury funding	Funding to support development of dedicated capability in the Treasury to better support delivery of the Government's housing agenda.	$2.3 million (in 2023-24)	Improved capacity to develop and implement the Government's ambitious policy agenda.

*Note: these measures are also counted elsewhere in the table.

Statement 5: Revenue

The upgrades to receipts in this Budget are much smaller than recent budget upgrades, at around a fifth of the average of the previous three Budgets. This Budget sees tax receipts excluding GST and policy decisions, increasing since MYEFO by $8.2 billion in 2024–25 and $27.0 billion over the forward estimates period.

Higher employment and continuing strength in the labour market is a key driver of upgrades, accounting for $21.6 billion of the net $27.0 billion upgrade to tax receipts since MYEFO. Higher corporate profits make a broadly similar contribution to the upgrade to tax receipts. These have been partly offset by a weaker than expected outlook for tobacco excise and superannuation fund earnings.

The revenue outlook continues to be exposed to underlying economic risks. The global economic outlook is uncertain, posing considerable risks for exports and global commodity prices. There is also uncertainty around the responsiveness of household consumption and the labour market to evolving economic conditions.

The Government has legislated tax cuts for all 13.6 million Australian taxpayers from 1 July 2024 to provide cost-of-living relief, return bracket creep and boost labour supply. The Government is also implementing production tax incentives to accelerate investment in Future Made in Australia priority industries and reforms to enhance tax system compliance and integrity.

Policy decisions taken since MYEFO increase tax receipts by $1.7 billion in 2024–25 and $4.9 billion over the five years from 2023–24 to 2027–28.

Statement contents

Statement 5: Revenue

Overview

Since MYEFO, tax receipts excluding GST and policy decisions have been revised up by $27.0 billion over the five years from 2023–24 to 2027–28, mainly reflecting higher personal income tax and company tax. The upgrades to receipts in this Budget are much smaller than recent budget updates, at around a fifth of the average of the previous three Budgets.

Higher employment and continuing strength in the labour market is a key driver of upgrades, accounting for $21.6 billion of the net $27.0 billion upgrade to tax receipts since MYEFO. Higher corporate profits make a broadly similar contribution to the upgrade to tax receipts. These have been partly offset by a weaker than expected outlook for tobacco excise and superannuation fund earnings.

Policy decisions are expected to increase tax receipts by $4.9 billion over the five years to 2027–28. An overview of key receipts measures is provided in this statement, with detailed information on all receipts policy decisions in *Budget Statement 1* and Budget Paper No. 2.

Since MYEFO, non-tax receipts are expected to decrease by $1.3 billion in 2024–25 and increase by $8.8 billion over the five years from 2023–24 to 2027–28.

Table 5.1: Australian Government general government receipts

	Actual	Estimates				
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
	$b	$b	$b	$b	$b	$b
Total taxation receipts ($b)	**601.3**	**638.8**	**642.5**	**661.6**	**702.3**	**742.3**
Growth on previous year (%)	12.1	6.2	0.6	3.0	6.2	5.7
Per cent of GDP	23.5	23.8	23.3	23.1	23.2	23.3
Tax receipts excluding GST ($b)	**520.0**	**553.1**	**555.0**	**569.4**	**604.5**	**639.0**
Growth on previous year (%)	12.3	6.4	0.3	2.6	6.2	5.7
Per cent of GDP	20.3	20.6	20.1	19.8	20.0	20.1
Non-taxation receipts ($b)	**48.2**	**53.6**	**55.9**	**57.8**	**57.7**	**59.5**
Growth on previous year (%)	0.8	11.2	4.4	3.3	-0.1	3.1
Per cent of GDP	1.9	2.0	2.0	2.0	1.9	1.9
Total receipts ($b)	**649.5**	**692.3**	**698.4**	**719.4**	**760.0**	**801.8**
Growth on previous year (%)	11.1	6.6	0.9	3.0	5.7	5.5
Per cent of GDP	25.3	25.8	25.3	25.1	25.1	25.2

Tax receipts outlook

Relative to MYEFO, tax receipts are forecast to be $9.0 billion (or 1.4 per cent) higher in 2024–25, and $26.0 billion (or 0.8 per cent) higher over the five years from 2023–24 to 2027–28. Over half of this upgrade is in the first two years of the forward estimates. This upgrade reflects a stronger outlook for personal income tax and company tax, partly offset by a weaker outlook for superannuation fund tax, tobacco excise and GST receipts. The upgrade since MYEFO is driven by continuing strength in the labour market and corporate profits.

Personal income taxes have been revised up by $8.0 billion in 2024–25 and $26.0 billion over the five years from 2023–24 to 2027–28. This principally reflects strength in tax withholding from salary and wages, supported by a higher level of employment. Relative to MYEFO employment reaches a higher level sooner, with smaller expected upgrades by the end of the forward estimates.

Company tax has been revised up by $5.5 billion in 2024–25 and $26.2 billion over the five years from 2023–24 to 2027–28. Strong corporate profits, including from iron ore and coal prices in late 2023 and the very early part of 2024 exceeding those assumed in MYEFO and robust demand, contribute to an upgraded company tax outlook. The stronger company tax outlook includes additional tax from resource companies that made significant payments when lodging their tax returns last year, after previously being in a tax loss position, owing to significant past investments.

Superannuation fund taxes have been revised down by $3.4 billion in 2024–25 and $12.6 billion over the five years from 2023–24 to 2027–28 reflecting lower-than-expected collections to date in 2023–24 and a weaker outlook for tax from earnings on investments.

Lower-than-expected collections of tobacco excise in 2023–24 coupled with a weaker forecast level of tobacco consumption contribute to a downgrade to tobacco excise receipts of $1.7 billion in 2024–25 and $12.5 billion over the five years from 2023–24 to 2027–28.

GST receipts have been revised down by $919.4 million in 2024–25 and $5.5 billion over the five years from 2023–24 to 2027–28. This is consistent with the outlook for nominal consumption subject to GST, which has been downgraded since MYEFO owing to weaker discretionary consumption.

Policy decisions in this Budget focus on reforms to provide cost-of-living relief, support investment, promote integrity and tackle fraud. Policy decisions taken since MYEFO increase tax receipts by $1.7 billion in 2024–25 and $4.9 billion over the five years from 2023–24 to 2027–28. Key policy decisions include:

- *Personal Income Tax – Cost of Living Tax Cuts*
- *Strengthening Tax Compliance – extending the Shadow Economy Compliance Program*
- *Strengthening Tax Compliance – extending the Tax Avoidance Taskforce*

- *Strengthening the foreign resident capital gains tax regime*
- *Small Business Support – $20,000 instant asset write-off*.

In addition to these measures the Government has announced production tax incentives to accelerate investment in Future Made in Australia priority industries. While delivered through the tax system, these tax credits are treated as expenses for budget purposes.

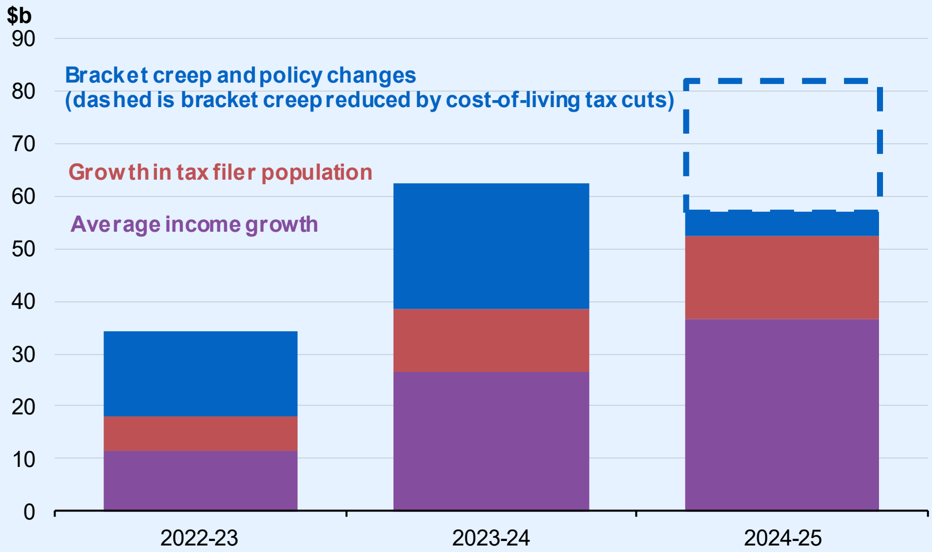
For more details on policy decisions, see *Budget Statement 1* and Budget Paper No. 2.

Box 5.1 Growth in incomes driving personal income tax

The resilient labour market, which has resulted in stronger wage and employment growth, is contributing to a rise in personal income tax that is expected to be $67 billion (26 per cent) higher on a receipts basis and $57 billion (20 per cent) on an income year basis in 2024–25 than 2021–22. Two thirds of the increase in 2024–25 relative to 2021–22 is driven by strong expected growth in incomes, while around a quarter is due to tax filer population growth (Chart 5.1). The impact of bracket creep is much smaller, accounting for less than 10 per cent of the forecast increase in 2024–25. Without the Government's cost-of-living tax cuts, increases in average tax rates including bracket creep would have contributed to a third of the personal income tax increase in 2024–25 relative to 2021–22.

Growth in personal income tax is determined by the number of tax filers (driven by growth in population and employment), income growth, increases in average tax rates (often referred to as bracket creep) and changes in tax policy. Chart 5.1 decomposes the growth in personal income tax into those components.

Chart 5.1: Drivers of growth in personal income tax compared to 2021–22 (income year basis)



Source: Treasury.

Note: Growth in the number of tax filers reflects a combination of population growth, labour force participation and other economic factors that affect the number of individuals earning income. Growth in average incomes includes the effect of growth in nominal wages and non-employment incomes, including capital gains, business income and dividend income. Bracket creep reflects the increase in the average tax rate due to income growth, as individuals pay a decreasing share of their income at lower marginal tax rates, and includes the effect of policy changes.

The chart is prepared on an income year basis, which differs from tax receipts due to differences in when tax is incurred compared to when paid.

Continued on next page

Box 5.1 Growth in incomes driving personal income tax (continued)

Growth in average incomes is expected to be the largest driver of growth in personal income tax, accounting for two thirds of the forecast rise in 2024–25. The average income per tax filer is expected to increase from $71,000 in 2021–22 to $80,000 in 2024–25, which would contribute an additional $36 billion in income tax by 2024–25 with constant average tax rates. Growth in average incomes is broad-based over this period for workers, business owners and retirees, with growth in incomes being concentrated in salary and wages income, business income, and interest income.

Continuing employment and population growth, which increases the number of tax filers, is expected to account for around a quarter of the forecast rise in personal income taxes in 2024–25. The 6 per cent increase in tax filers, primarily from strong employment growth, contributes a further $16 billion in income tax in 2024–25. The vast majority of additional tax filers have been wage and salary earners.

Policy changes significantly reduce the effect of bracket creep in 2024–25, especially the Government's cost-of-living tax cuts that will deliver a tax cut to every Australian taxpayer from 1 July 2024 and reduce the personal income tax take by $23 billion in 2024–25. This policy change means, that despite continuing to forecast strength in the labour market, personal income tax receipts are expected to be lower in 2024–25 than in 2023–24.

Variations in receipts estimates

Since MYEFO, total receipts have been revised up by $7.7 billion in 2024–25 and $31.8 billion over the five years from 2023–24 to 2027–28. Table 5.2 reconciles the 2024–25 Budget estimates of total receipts with the 2023–24 Budget and MYEFO.

Table 5.2: Reconciliation of Australian Government general government receipts estimates from the 2023–24 MYEFO and 2023–24 Budget

	Estimates					
	2023-24	2024-25	2025-26	2026-27	2027-28	Total
	$m	$m	$m	$m	$m	$m
Receipts at 2023-24 Budget	**668,142**	**671,238**	**700,922**	**735,118**	*	*
Changes from 2023-24 Budget to 2023-24 MYEFO						
Effect of policy decisions	450	255	87	407	*	*
Effect of parameter and other variations	16,674	19,228	10,329	19,851	*	*
Total variations	**17,124**	**19,483**	**10,416**	**20,259**	*	*
Receipts at 2023-24 MYEFO	**685,266**	**690,721**	**711,339**	**755,377**	**797,385**	**3,640,087**
Changes from 2023-24 MYEFO to 2024-25 Budget						
Effect of policy decisions	136	2,215	-1,000	1,989	4,725	8,064
Effect of parameter and other variations	6,906	5,509	9,015	2,644	-298	23,776
Total variations	**7,042**	**7,725**	**8,015**	**4,633**	**4,427**	**31,840**
Receipts at 2024-25 Budget	**692,307**	**698,446**	**719,353**	**760,010**	**801,811**	**3,671,927**

* Data is not available.

Since MYEFO, parameter and other variations have increased total receipts by $5.5 billion in 2024–25 and $23.8 billion over the five years from 2023–24 to 2027–28. Policy decisions increase total receipts by $2.2 billion in 2024–25 and $8.1 billion over the five years from 2023–24 to 2027–28 compared with MYEFO. The upgrade to the forecasts of total receipts overwhelmingly reflects upgrades to the forecasts of tax receipts.

Tax receipts estimates

Relative to MYEFO, forecasts of tax receipts have been revised up by $9.0 billion in 2024–25 and by $26.0 billion over the five years from 2023–24 to 2027–28.

Table 5.3 reconciles the 2024–25 Budget estimates of tax receipts with the 2023–24 Budget and MYEFO.

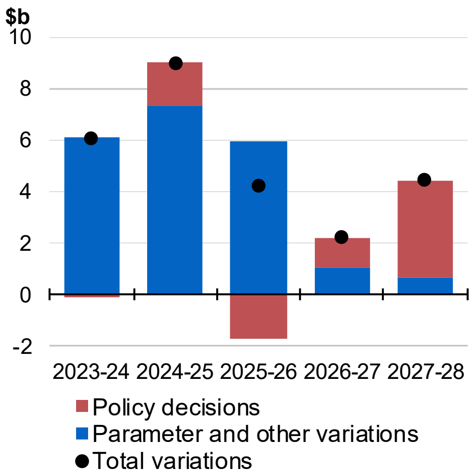
Table 5.3: Reconciliation of Australian Government general government tax receipts estimates from the 2023–24 MYEFO and 2023–24 Budget

	Estimates					
	2023-24	2024-25	2025-26	2026-27	2027-28	Total
	$m	$m	$m	$m	$m	$m
Tax receipts at 2023-24 Budget	**616,275**	**614,332**	**647,846**	**680,743**	*	*
Changes from 2023-24 Budget to 2023-24 MYEFO						
Effect of policy decisions	-7	-644	-902	-665	*	*
Effect of parameter and other variations	16,398	19,854	10,378	19,971	*	*
Total variations	**16,391**	**19,210**	**9,476**	**19,306**	*	*
Tax receipts at 2023-24 MYEFO	**632,666**	**633,543**	**657,323**	**700,049**	**737,850**	**3,361,431**
Changes from 2023-24 MYEFO to 2024-25 Budget						
Effect of policy decisions	-30	1,669	-1,699	1,161	3,808	4,909
Effect of parameter and other variations	6,114	7,330	5,959	1,068	640	21,111
Total variations	**6,084**	**8,999**	**4,260**	**2,229**	**4,448**	**26,020**
Tax receipts at 2024-25 Budget	**638,750**	**642,542**	**661,583**	**702,278**	**742,299**	**3,387,451**

* Data is not available.

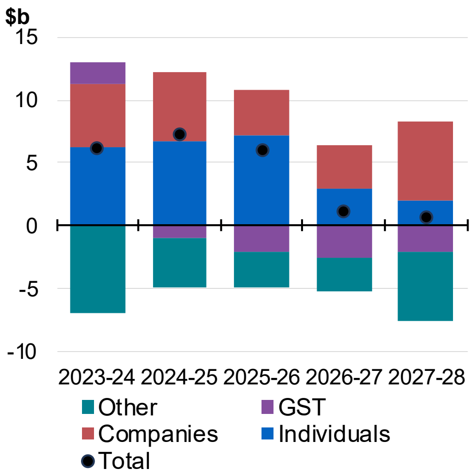
Since MYEFO, parameter and other variations are expected to increase tax receipts by $7.3 billion in 2024–25 and $21.1 billion over the five years from 2023–24 to 2027–28. Policy decisions are estimated to increase tax receipts by $1.7 billion in 2024–25 and $4.9 billion over the five years from 2023–24 to 2027–28 compared with MYEFO.

Chart 5.2: Revisions to total tax receipts since 2023–24 MYEFO



Source: Treasury.

Chart 5.3: Parameter and other variations to total tax receipts since 2023–24 MYEFO



Source: Treasury.

Tax receipts forecasts are based on available information prior to each economic and fiscal update. Growth in the key economic parameters that influence tax receipts is shown in Table 5.4.

Table 5.4: Key economic parameters for tax receipts[(a)]

	Outcomes	Forecasts				
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Revenue parameters						
Nominal gross domestic product	9.9	4 3/4	2 3/4	4	5 1/4	5 1/4
Change since 2023-24 MYEFO		*1/2*	*1/2*	*- 1/2*	*1/4*	
Compensation of employees[(b)]	10.1	7 1/2	4 1/4	4 1/4	4 1/2	5 1/4
Change since 2023-24 MYEFO		*1/2*	*1/2*	*- 1/4*	*- 3/4*	
Corporate gross operating surplus[(c)]	11.1	-1	-4 3/4	1/4	6	5 1/2
Change since 2023-24 MYEFO		*2 1/4*	*3/4*	*-2 3/4*	*2*	
Non-farm gross mixed income	-1.7	2 1/4	8 3/4	6 1/2	6 1/2	6 1/2
Change since 2023-24 MYEFO		*- 1/2*	*0*	*- 1/4*	*3/4*	
Property income[(d)]	21.5	15 3/4	4	3 3/4	6	5 1/4
Change since 2023-24 MYEFO		*1 3/4*	*-2*	*-2 1/2*	*3/4*	
Consumption subject to GST	14.4	2	3 3/4	5 1/4	5	4 3/4
Change since 2023-24 MYEFO		*-1 1/2*	*- 3/4*	*1/4*	*0*	

a) Current prices, per cent change on previous year. Changes since 2023–24 MYEFO are percentage points.
b) Compensation of employees measures total remuneration earned by employees.
c) Corporate gross operating surplus is an Australian System of National Accounts measure of company profits, gross of depreciation.
d) Property income measures income derived from rent, dividends and interest.
Source: ABS Australian National Accounts: National Income, Expenditure and Product; and Treasury.

Changes in the outlook for individual heads of revenue are explained in more detail below.

Individuals and other withholding taxes

Since MYEFO, total individuals and other withholding tax receipts have been revised up by $8.0 billion in 2024–25 and $26.0 billion over the five years from 2023–24 to 2027–28. Individuals and other withholding tax receipts are expected to fall in 2024–25 with delivery of the Government’s cost-of-living tax cut for every Australian taxpayer.

Excluding new policy decisions, individuals and other withholding tax receipts have been revised up by $6.7 billion in 2024–25 and $25.1 billion over the five years from 2023–24 to 2027–28.

Income tax withholding (predominantly tax on salary and wages) has been revised up by $5.8 billion in 2024–25 and $21.6 billion over the five years from 2023–24 to 2027–28 excluding policy decisions. This reflects strength in year-to-date collections, which have been supported by stronger-than-expected employment growth and a pick-up in wage growth. In annual terms, the upgrade over the forward estimates peaks in 2025–26 consistent with the forecast moderation of employment growth.

Net other individuals (gross other individuals less refunds) has been revised up by $855.2 million in 2024–25 and up $3.5 billion over the five years from 2023–24 to 2027–28 excluding policy decisions. This largely reflects moderately higher than expected income on tax returns that boosts receipts in the first part of the forward estimates. This is then expected to unwind from 2025–26 in line with a weaker outlook for income flowing to individuals from unincorporated businesses and investments.

New tax policy measures announced since MYEFO are expected to increase individuals and other withholding tax receipts by $1.3 billion in 2024–25 and $857.7 million over the five years from 2023–24 to 2027–28.

Fringe benefits tax

Since MYEFO, fringe benefits tax receipts have been revised up by $80.0 million in 2024–25 and $470.0 million over the five years from 2023–24 to 2027–28. This reflects continuing strength in the labour market.

Company tax

Since MYEFO, company tax receipts have been revised up to be $5.5 billion higher in 2024–25 and $26.2 billion higher over the five years from 2023–24 to 2027–28.

Excluding new policy decisions, company tax has been revised up by $5.6 billion in 2024–25 and $23.8 billion over the five years from 2023–24 to 2027–28.

The upgrade across the forward estimates reflects strong corporate profits flowing through to higher pay-as-you-go instalments. Mining company profits are relatively unchanged in aggregate over the forward estimates, with higher commodity prices in the near term offset by lower export volumes in all years. Despite this, the resources sector contributes to the company tax upgrade due to large companies moving to a tax paying position after exhausting prior year losses (see Box 5.2). Strength in company tax receipts in later years of the forward estimates is also supported by an improved outlook for the non-mining sector.

New tax policy measures announced since MYEFO are expected to decrease company tax receipts by $68.5 million in 2024–25 but increase company tax receipts by $2.4 billion over the five years from 2023–24 to 2027–28.

Box 5.2 Contribution to company income tax from the oil and gas sector

The mining sector is a significant contributor to company income tax (company tax); estimated to contribute two-fifths of company tax payable in 2022–23. Mining sector profits are closely tied to volatile commodity prices, which poses significant challenges for forecasting near-term company tax receipts. After mining, the next largest contribution to total company tax is from the finance industry.

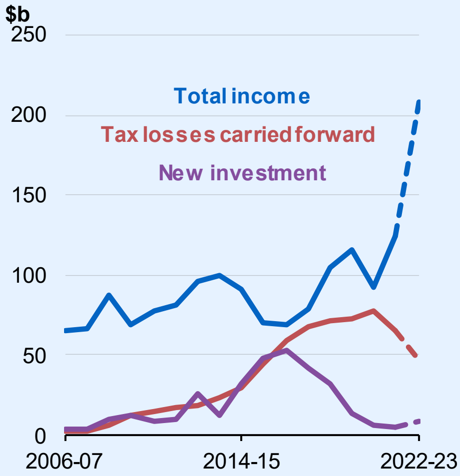
Sustained high export prices, particularly in 2022, spiked income for mining companies, which led to several large oil and gas extraction companies making large company tax payments on 1 June 2023. In many cases, these companies had never previously paid company tax, and were not expected to pay any tax in the near term.

Significant capital investments in liquified natural gas (LNG) projects in Australia were made between 2010 and 2019. LNG projects are highly capital intensive due to the requirements for processing and liquefaction in addition to field and pipeline costs. As a result, LNG exporting companies accrued a significant stock of tax losses that have been carried forward to offset income in later years, which has kept company tax liabilities low (see Chart 5.4).

However, the unprecedented shock to the global LNG market from the war in Ukraine caused total income for the oil and gas sector in 2022–23 to increase by 67 per cent. For some large LNG exporting companies in 2022–23, elevated profits exceeded their stock of company tax losses. These companies, who were previously expected to individually enter the tax system over several years, now had significant company tax liabilities for the 2022–23 income year (see Chart 5.5).

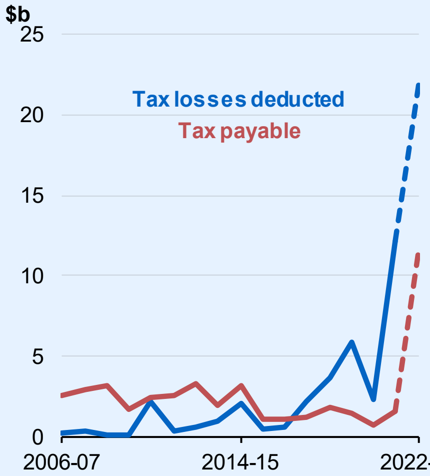
Oil and gas extraction companies

Chart 5.4: Total income, new investment and company tax losses



Source: Treasury analysis of ATO data.

Chart 5.5: Company tax losses deducted and company tax payable



Source: Treasury analysis of ATO data.

continued on next page

Box 5.2 Contribution to company income tax from the oil and gas sector (continued)

Based on the current price outlook, these companies are expected to continue paying company tax given their stock of tax losses has been exhausted, leading to a sustained increase in the company tax base.

Some of these companies also operate projects subject to the Petroleum Resource Rent Tax (PRRT) which imposes an additional tax on profits from the sale of offshore petroleum products. The Government has introduced to Parliament further changes to the PRRT to deliver a fairer return to the Australian community from the offshore gas sector, including a cap on the use of deductions. These changes will ensure the offshore LNG industry pays more tax, sooner, while providing industry and investors policy certainty to allow the sufficient supply of domestic gas, and ensuring Australia remains a reliable international energy supplier and investment partner.

Superannuation fund taxes

Since MYEFO, superannuation fund tax receipts have been revised down by $3.4 billion in 2024–25 and $12.6 billion across the five years from 2023–24 to 2027–28. Excluding new policy decisions, the downgrade is $3.4 billion in 2024–25 and $12.8 billion over the five years from 2023–24 to 2027–28.

Superannuation fund taxes have been revised down in 2023–24 in line with weaker fund earnings and higher-than-expected refunds. Weakness in tax from fund earnings is expected to persist over the forward estimates, with an updated outlook for net foreign income, capital gains and foreign exchange gains and losses contributing to the downgrade. Strength in the labour market drives a partially offsetting improvement to superannuation contributions taxes, although the extent of this improvement diminishes over the forward estimates.

New tax policy measures announced since MYEFO are expected to have a negligible increase to superannuation fund taxes receipts in 2024–25 but increase superannuation fund taxes receipts by $177.0 million over the five years from 2023–24 to 2027–28.

Petroleum resource rent tax (PRRT)

Since MYEFO, PRRT receipts have been revised up by $400.0 million in 2024–25 and revised down by $750.0 million over the five years from 2023–24 to 2027–28. The downgrade over the forward estimates is driven by lower oil prices than assumed at MYEFO.

The downgrade to PRRT receipts in 2023–24, and subsequent upgrade in 2024–25, reflects the delay in the passage of legislation for the 2023–24 Budget measure *Petroleum Resource Rent Tax – Government Response to the Review of the PRRT Gas Transfer Pricing arrangement*.

The first tax payments from this measure are now expected in 2024–25 rather than 2023–24. This is only a change in timing and does not change the total expected receipts from this measure of $2.4 billion from 2023–24 to 2026–27.

Goods and services tax (GST)

Since MYEFO, GST receipts have been revised down by $919.4 million in 2024–25 and $5.5 billion over the five years from 2023–24 to 2027–28.

Excluding new policy decisions, GST has been revised down by $914.4 million in 2024–25 and $5.9 billion over the five years from 2023–24 to 2027–28. GST receipts have been upgraded in 2023–24 due to stronger-than-expected year-to-date collections. From 2024–25 the downgrade is driven by the lower outlook for nominal consumption subject to GST, partially offset by higher nominal dwelling investment.

New tax policy measures announced since MYEFO are expected to decrease GST receipts by $5.0 million in 2024–25 but increase GST receipts by $400.1 million over the five years from 2023–24 to 2027–28.

Excise and customs duty

Since MYEFO, total excise and customs duty receipts have been revised down by $1.8 billion in 2024–25 and $11.9 billion over the five years from 2023–24 to 2027–28.

Excluding new policy decisions, excise and customs duty receipts have been revised down by $1.9 billion in 2024–25 and $11.5 billion over the five years from 2023–24 to 2027–28. This overwhelmingly reflects the significant downward revision to tobacco excise receipts. This revision is due to a combination of weaker-than-expected tobacco imports in 2023–24 and a larger expected decline in tobacco consumption over the forward estimates.

Policy decisions are expected to increase excise and customs duty receipts by $123.3 million in 2024–25 but decrease by $388.7 million over the five years from 2023–24 to 2027–28. This is primarily lower fuel excise receipts due to the introduction of a New Vehicle Efficiency Standard.

The 2024–25 Budget estimates continue to include provision for the Australia European Union Free Trade Agreement, which has not been finalised. This provision is assumed to impact customs duty receipts. No other Free Trade Agreements (FTAs) that are currently under negotiation are expected to have a material impact on revenue over the forward estimates. A full list of FTAs currently under negotiation is available on the Department of Foreign Affairs and Trade website.

Other taxes

Other taxes encompass a range of sources of receipts, including visa application charges, major bank levy, luxury car tax, wine equalisation tax and agricultural levies.

Since MYEFO, other tax receipts have been revised up by $1.0 billion in 2024–25 and $4.1 billion over the five years from 2023–24 to 2027–28. New tax policy measures announced since MYEFO are expected to decrease other tax receipts by $57.4 million in 2024–25 and $76.4 million over the five years from 2023–24 to 2027–28.

Non–tax receipts estimates

Since MYEFO, non-tax receipts are expected to decrease by $1.3 billion in 2024–25 and increase by $8.8 billion over the five years from 2023–24 to 2027–28.

Since MYEFO, parameter and other variations are expected to decrease non-tax receipts by $1.8 billion in 2024–25 and increase non-tax receipts by $5.6 billion over the five years from 2023–24 to 2027–28. This movement is partially driven by the Commonwealth Superannuation Corporation reprofiling the transfer of funded benefits to the Consolidated Revenue Fund, earnings from the Future Fund and Australian Government Investment Funds, and interest on cash deposits. In addition, non-tax receipts have been revised up by $2.9 billion in 2027–28 to account for the difference between the medium-term projection methodology at MYEFO and the forward estimate in this Budget. This increase in non-tax receipts is partially offset by revised assumptions under the Unclaimed Superannuation Monies program, reflecting less money in unclaimed superannuation accounts and greater amounts being reunited with active superannuation funds.

Since MYEFO, policy decisions are expected to increase non-tax receipts by $0.5 billion in 2024–25, and by $3.2 billion over the five years from 2023–24 to 2027–28.

Table 5.5: Reconciliation of 2023–24 general government (cash) receipts

	Estimates		Change on MYEFO	
	MYEFO	Budget		
	$m	$m	$m	%
Individuals and other withholding taxes				
Gross income tax withholding	291,600	296,000	4,400	1.5
Gross other individuals	73,700	76,100	2,400	3.3
less: Refunds	37,000	37,500	500	1.4
Total individuals and other withholding tax	328,300	334,600	6,300	1.9
Fringe benefits tax	4,270	4,360	90	2.1
Company tax	137,900	142,900	5,000	3.6
Superannuation fund taxes	15,710	11,660	-4,050	-25.8
Petroleum resource rent tax	2,000	1,150	-850	-42.5
Income taxation receipts	**488,180**	**494,670**	**6,490**	**1.3**
Goods and services tax	84,079	85,758	1,679	2.0
Wine equalisation tax	1,110	1,080	-30	-2.7
Luxury car tax	1,200	1,310	110	9.2
Excise and customs duty				
Petrol	6,900	6,950	50	0.7
Diesel	16,130	16,160	30	0.2
Other fuel products	2,260	2,090	-170	-7.5
Tobacco	12,850	10,500	-2,350	-18.3
Beer	2,630	2,630	0	0.0
Spirits	3,370	3,340	-30	-0.9
Other alcoholic beverages(a)	1,680	1,680	0	0.0
Other customs duty				
Textiles, clothing and footwear	180	160	-20	-11.1
Passenger motor vehicles	450	380	-70	-15.6
Other imports	1,500	1,490	-10	-0.7
less: Refunds and drawbacks	700	850	150	21.4
Total excise and customs duty	47,250	44,530	-2,720	-5.8
Major Bank Levy	1,600	1,630	30	1.9
Agricultural levies	598	620	22	3.7
Visa application charges	3,232	3,290	58	1.8
Other taxes	5,417	5,862	445	8.2
Indirect taxation receipts	**144,486**	**144,080**	**-406**	**-0.3**
Taxation receipts	**632,666**	**638,750**	**6,084**	**1.0**
Sales of goods and services	19,764	19,938	174	0.9
Interest received	8,862	10,404	1,542	17.4
Dividends and distributions	6,936	5,918	-1,018	-14.7
Other non-taxation receipts	17,038	17,297	259	1.5
Non-taxation receipts	**52,600**	**53,557**	**958**	**1.8**
Total receipts	**685,266**	**692,307**	**7,042**	**1.0**
Memorandum:				
Total excise	*29,990*	*29,940*	*-50*	*-0.2*
Total customs duty	*17,260*	*14,590*	*-2,670*	*-15.5*
Capital gains tax(b)	*25,000*	*26,400*	*1,400*	*5.6*

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

Table 5.6: Reconciliation of 2024–25 general government (cash) receipts

	Estimates		Change on MYEFO	
	MYEFO	Budget		
	$m	$m	$m	%
Individuals and other withholding taxes				
Gross income tax withholding	283,800	290,300	6,500	2.3
Gross other individuals	73,800	76,800	3,000	4.1
less: Refunds	39,100	40,600	1,500	3.8
Total individuals and other withholding tax	318,500	326,500	8,000	2.5
Fringe benefits tax	4,130	4,210	80	1.9
Company tax	133,600	139,100	5,500	4.1
Superannuation fund taxes	23,160	19,810	-3,350	-14.5
Petroleum resource rent tax	2,250	2,650	400	17.8
Income taxation receipts	**481,640**	**492,270**	**10,630**	**2.2**
Goods and services tax	88,592	87,673	-919	-1.0
Wine equalisation tax	1,160	1,150	-10	-0.9
Luxury car tax	1,100	1,140	40	3.6
Excise and customs duty				
Petrol	7,350	7,300	-50	-0.7
Diesel	17,140	17,390	250	1.5
Other fuel products	2,340	2,210	-130	-5.6
Tobacco	13,250	11,550	-1,700	-12.8
Beer	2,790	2,760	-30	-1.1
Spirits	3,580	3,590	10	0.3
Other alcoholic beverages(a)	1,770	1,750	-20	-1.1
Other customs duty				
Textiles, clothing and footwear	190	170	-20	-10.5
Passenger motor vehicles	420	380	-40	-9.5
Other imports	1,530	1,530	0	0.0
less: Refunds and drawbacks	700	730	30	4.3
Total excise and customs duty	49,660	47,900	-1,760	-3.5
Major Bank Levy	1,660	1,720	60	3.6
Agricultural levies	634	623	-11	-1.7
Visa application charges	3,435	3,882	447	13.0
Other taxes	5,662	6,183	522	9.2
Indirect taxation receipts	**151,903**	**150,272**	**-1,631**	**-1.1**
Taxation receipts	**633,543**	**642,542**	**8,999**	**1.4**
Sales of goods and services	21,044	21,396	352	1.7
Interest received	7,899	9,275	1,376	17.4
Dividends and distributions	7,240	6,789	-451	-6.2
Other non-taxation receipts	20,995	18,444	-2,552	-12.2
Non-taxation receipts	**57,179**	**55,904**	**-1,275**	**-2.2**
Total receipts	**690,721**	**698,446**	**7,725**	**1.1**
Memorandum:				
Total excise	*31,810*	*31,870*	*60*	*0.2*
Total customs duty	*17,850*	*16,030*	*-1,820*	*-10.2*
Capital gains tax(b)	*22,900*	*23,600*	*700*	*3.1*

a) ‘Other alcoholic beverages’ are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

b) ‘Capital gains tax’ is part of gross other individuals, company tax and superannuation fund taxes.

Table 5.7: Australian Government general government (cash) receipts

	Actual	Estimates				
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m	$m
Individuals and other withholding taxes						
Gross income tax withholding	269,264	296,000	290,300	304,900	323,200	345,400
Gross other individuals	69,407	76,100	76,800	80,300	83,800	91,700
less: Refunds	42,014	37,500	40,600	41,700	42,800	44,300
Total individuals and other withholding tax	296,658	334,600	326,500	343,500	364,200	392,800
Fringe benefits tax	4,009	4,360	4,210	4,120	4,170	4,380
Company tax	151,068	142,900	139,100	134,000	144,200	150,800
Superannuation fund taxes	10,406	11,660	19,810	21,360	24,210	23,060
Petroleum resource rent tax	2,287	1,150	2,650	2,050	1,850	1,750
Income taxation receipts	**464,427**	**494,670**	**492,270**	**505,030**	**538,630**	**572,790**
Goods and services tax	81,518	85,758	87,673	92,338	97,866	103,438
Wine equalisation tax	1,107	1,080	1,150	1,210	1,270	1,340
Luxury car tax	1,143	1,310	1,140	1,200	1,270	1,330
Excise and customs duty						
Petrol	5,680	6,950	7,300	7,550	7,800	8,000
Diesel	13,091	16,160	17,390	17,750	18,620	19,320
Other fuel products	2,722	2,090	2,210	2,230	2,290	2,340
Tobacco	12,596	10,500	11,550	11,500	11,100	10,700
Beer	2,543	2,630	2,760	2,870	3,020	3,170
Spirits	3,348	3,340	3,590	3,770	3,970	4,170
Other alcoholic beverages(a)	1,610	1,680	1,750	1,810	1,910	2,010
Other customs duty						
Textiles, clothing and footwear	199	160	170	170	190	150
Passenger motor vehicles	445	380	380	370	330	110
Other imports	1,519	1,490	1,530	1,590	1,650	900
less: Refunds and drawbacks	723	850	730	730	730	730
Total excise and customs duty	43,029	44,530	47,900	48,880	50,150	50,140
Major Bank Levy	1,525	1,630	1,720	1,780	1,860	1,960
Agricultural levies	666	620	623	645	641	650
Visa application charges	3,156	3,290	3,882	4,096	4,315	4,484
Other taxes	4,730	5,862	6,183	6,404	6,276	6,167
Indirect taxation receipts	**136,873**	**144,080**	**150,272**	**156,553**	**163,648**	**169,509**
Taxation receipts	**601,300**	**638,750**	**642,542**	**661,583**	**702,278**	**742,299**
Sales of goods and services	19,282	19,938	21,396	22,549	23,506	23,888
Interest received	7,009	10,404	9,275	8,705	9,051	9,591
Dividends and distributions	5,164	5,918	6,789	7,160	7,522	8,001
Other non-taxation receipts	16,722	17,297	18,444	19,357	17,652	18,034
Non-taxation receipts	**48,177**	**53,557**	**55,904**	**57,770**	**57,732**	**59,513**
Total receipts	**649,477**	**692,307**	**698,446**	**719,353**	**760,010**	**801,811**
Memorandum:						
Total excise	*26,022*	*29,940*	*31,870*	*32,670*	*34,120*	*35,350*
Total customs duty	*17,006*	*14,590*	*16,030*	*16,210*	*16,030*	*14,790*
Capital gains tax(b)	*31,700*	*26,400*	*23,600*	*23,800*	*24,800*	*26,100*

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

Variations in revenue estimates

The revenue estimates are the accrual accounting equivalent of the cash-based receipts estimates. Changes in revenue are generally driven by the same factors as receipts.

Revenues are usually higher than the cash equivalents because the amounts are generally recognised when they are owed rather than when they are paid. The differences between the accrual and cash amounts therefore generally reflect payment timing differences. Table 5.8 provides a reconciliation of the 2024–25 Budget revenue estimates with those at the 2023–24 Budget and MYEFO.

Table 5.8: Reconciliation of Australian Government general government revenue estimates from the 2023–24 MYEFO and the 2023–24 Budget

	Estimates					
	2023-24	2024-25	2025-26	2026-27	2027-28	Total
	$m	$m	$m	$m	$m	$m
Revenue at 2023-24 Budget	**680,372**	**677,333**	**713,738**	**748,237**	*	*
Changes from 2023-24 Budget to 2023-24 MYEFO						
Effect of policy decisions(a)	475	303	137	456	*	*
Effect of parameter and other variations	19,775	22,657	12,169	21,660	*	*
Total variations	**20,250**	**22,960**	**12,306**	**22,116**	*	*
Revenue at 2023-24 MYEFO	**700,622**	**700,293**	**726,044**	**770,352**	*	*
Changes from 2023-24 MYEFO to 2024-25 Budget						
Effect of policy decisions(a)	54	2,267	-956	3,366	5,972	10,702
Effect of parameter and other variations	6,201	8,945	7,652	2,521	*	*
Total variations	**6,255**	**11,212**	**6,696**	**5,887**	*	*
Revenue at 2024-25 Budget	**706,877**	**711,505**	**732,740**	**776,239**	**819,628**	**3,746,989**

* Data is not available.

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

Since MYEFO, total revenue has been revised up by $11.2 billion in 2024–25 and by $36.9 billion over the five years from 2023–24 to 2027–28.

The changes in the individual heads of revenue accrual estimates relative to MYEFO are shown in Tables 5.9 and 5.10, for 2023–24 and 2024–25, respectively. For the 5-year accrual table, the accrual equivalent of Table 5.7, see *Budget Statement 10*, Note 3.

Additional revenue and receipts historical tables are available online and can be accessed at www.budget.gov.au.

Table 5.9: Reconciliation of 2023–24 general government (accrual) revenue

	Estimates		Change on MYEFO	
	MYEFO	Budget		
	$m	$m	$m	%
Individuals and other withholding taxes				
Gross income tax withholding	295,000	299,400	4,400	1.5
Gross other individuals	78,600	81,500	2,900	3.7
less: Refunds	37,000	37,500	500	1.4
Total individuals and other withholding tax	336,600	343,400	6,800	2.0
Fringe benefits tax	4,190	4,280	90	2.1
Company tax	140,300	144,900	4,600	3.3
Superannuation fund taxes	15,740	11,780	-3,960	-25.2
Petroleum resource rent tax	2,380	1,430	-950	-39.9
Income taxation revenue	**499,210**	**505,790**	**6,580**	**1.3**
Goods and services tax	88,180	90,180	2,000	2.3
Wine equalisation tax	1,130	1,090	-40	-3.5
Luxury car tax	1,180	1,290	110	9.3
Excise and customs duty				
Petrol	6,900	6,950	50	0.7
Diesel	16,180	16,210	30	0.2
Other fuel products	2,290	2,120	-170	-7.4
Tobacco	12,850	10,500	-2,350	-18.3
Beer	2,660	2,650	-10	-0.4
Spirits	3,400	3,370	-30	-0.9
Other alcoholic beverages(a)	1,680	1,680	0	0.0
Other customs duty				
Textiles, clothing and footwear	180	160	-20	-11.1
Passenger motor vehicles	450	380	-70	-15.6
Other imports	1,500	1,490	-10	-0.7
less: Refunds and drawbacks	700	850	150	21.4
Total excise and customs duty	47,390	44,660	-2,730	-5.8
Major bank levy	1,620	1,660	40	2.5
Agricultural levies	598	618	19	3.3
Visa application charges	3,232	3,290	58	1.8
Other taxes	6,716	7,461	745	11.1
Indirect taxation revenue	**150,046**	**150,249**	**203**	**0.1**
Taxation revenue	**649,256**	**656,039**	**6,783**	**1.0**
Sales of goods and services	20,058	20,274	216	1.1
Interest	10,034	11,131	1,097	10.9
Dividends and distributions	6,866	5,798	-1,068	-15.6
Other non-taxation revenue	14,408	13,635	-773	-5.4
Non-taxation revenue	**51,365**	**50,838**	**-527**	**-1.0**
Total revenue	**700,622**	**706,877**	**6,255**	**0.9**
Memorandum:				
Total excise	*30,080*	*30,020*	*-60*	*-0.2*
Total customs duty	*17,310*	*14,640*	*-2,670*	*-15.4*
Capital gains tax(b)	*25,000*	*26,400*	*1,400*	*5.6*

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

Table 5.10: Reconciliation of 2024–25 general government (accrual) revenue

	Estimates		Change on MYEFO	
	MYEFO	Budget		
	$m	$m	$m	%
Individuals and other withholding taxes				
Gross income tax withholding	287,100	293,700	6,600	2.3
Gross other individuals	78,800	82,500	3,700	4.7
less: Refunds	39,100	40,600	1,500	3.8
Total individuals and other withholding tax	326,800	335,600	8,800	2.7
Fringe benefits tax	4,050	4,130	80	2.0
Company tax	136,000	141,200	5,200	3.8
Superannuation fund taxes	23,190	19,830	-3,360	-14.5
Petroleum resource rent tax	2,290	2,590	300	13.1
Income taxation revenue	**492,330**	**503,350**	**11,020**	**2.2**
Goods and services tax	92,580	92,070	-510	-0.6
Wine equalisation tax	1,180	1,150	-30	-2.5
Luxury car tax	1,080	1,110	30	2.8
Excise and customs duty				
Petrol	7,200	7,150	-50	-0.7
Diesel	16,790	17,040	250	1.5
Other fuel products	2,310	2,190	-120	-5.2
Tobacco	13,250	11,550	-1,700	-12.8
Beer	2,760	2,660	-100	-3.6
Spirits	3,580	3,590	10	0.3
Other alcoholic beverages(a)	1,770	1,750	-20	-1.1
Other customs duty				
Textiles, clothing and footwear	190	170	-20	-10.5
Passenger motor vehicles	420	380	-40	-9.5
Other imports	1,530	1,530	0	0.0
less: Refunds and drawbacks	700	730	30	4.3
Total excise and customs duty	49,100	47,280	-1,820	-3.7
Major bank levy	1,680	1,740	60	3.6
Agricultural levies	634	627	-6	-1.0
Visa application charges	3,435	3,882	447	13.0
Other taxes	7,116	7,753	637	9.0
Indirect taxation revenue	**156,805**	**155,612**	**-1,192**	**-0.8**
Taxation revenue	**649,135**	**658,962**	**9,828**	**1.5**
Sales of goods and services	21,260	21,636	376	1.8
Interest	9,044	10,276	1,232	13.6
Dividends and distributions	7,269	6,815	-454	-6.3
Other non-taxation revenue	13,585	13,815	230	1.7
Non-taxation revenue	**51,158**	**52,542**	**1,384**	**2.7**
Total revenue	**700,293**	**711,505**	**11,212**	**1.6**
Memorandum:				
Total excise	*31,250*	*31,250*	*0*	*0.0*
Total customs duty	*17,850*	*16,030*	*-1,820*	*-10.2*
Capital gains tax(b)	*22,900*	*23,600*	*700*	*3.1*

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

Appendix A: Tax Expenditures

This appendix contains an overview of Australian Government tax expenditures. Section 12 of the *Charter of Budget Honesty Act 1998* requires the publication of an overview of estimated tax expenditures.

The Government published the 2023–24 Tax Expenditures and Insights Statement (TEIS) on 31 January 2024. The TEIS provides an estimate of the revenue forgone from tax expenditures, along with distributional analysis on large tax expenditures and commonly utilised features of the tax system.

Tax benchmarks represent a standard tax treatment that applies to similar taxpayers or types of activities. Policy approaches can apply a tax treatment different from a standard approach, which can give rise to positive or negative tax expenditures. The choice of benchmark unavoidably involves some judgment.

Consistent with most OECD countries, estimates of tax expenditures reflect the extent to which they are used, similar to Budget estimates of outlays on demand-driven expenditure programs. This is known as the 'revenue forgone' approach which, in practice, involves estimating the difference in revenue between the actual and benchmark tax treatments but, importantly, assuming taxpayer behaviour is the same in each circumstance. Revenue forgone estimates therefore do not indicate the revenue gain to the Budget if a specific tax expenditure was abolished through policy change, as there may be significant changes in taxpayer behaviour.

Care needs to be taken when comparing tax expenditures with direct expenditures as they may measure different things. In addition, estimates from different editions of previously released Statements are generally not directly comparable, because of changes or modifications to — for example — benchmarks, individual tax expenditures, data used or modelling methodology.

Table A.1 lists the largest measured tax expenditures for 2023–24 and several personal deduction categories. It is derived from the 2023–24 TEIS and is based on economic parameters as at the publication of MYEFO. It does not include the impact of policy decisions, or changes in the economic outlook since then on tax expenditures. The TEIS is not a statement of policy intent.

The 2023–24 TEIS also contains distributional analysis on some features of the tax system, including deductions for individuals. The items in the deductions category are not tax expenditures so they do not result in forgone revenue against the benchmark. However, the difference between tax paid with the deduction and tax that would have been paid if the deduction was not claimed has been included in Table A.1 for comparison purposes.

Table A.1: Estimates of large measured tax expenditures and deductions

Benchmark	Code	Title	Revenue forgone/ value of deduction 2023-24* ($m)	Average growth 2019-20 to 2022-23 (%)	Average projected growth over FEs (%)
	Positive tax expenditures and deductions				
Super	C2	Concessional taxation of employer superannuation contributions	28,550	11.3	2.8
Deductions		Rental deductions	27,100	8.9	4.1
CGT	E8	Main residence exemption – discount component	25,000	33.8	-7.5
CGT	E7	Main residence exemption	22,500	33.6	-7.7
Super	C4	Concessional taxation of superannuation entity earnings	20,050	17.7	-3.5
CGT	E15	Discount for individuals and trusts	19,050	39.8	-11.9
Deductions		Work-related expenses	10,800	7.5	2.8
Income	A26	Exemption for National Disability Insurance Scheme amounts	10,480	35.6	13.4
GST	H25	Food	9,100	4.6	3.5
Income	B81	Accelerated depreciation for business entities	7,400	NA	NA
GST	H17	Health – medical and health services	5,400	8.9	5.8
GST	H2	Financial supplies – input taxed treatment	4,850	10.2	7.9
GST	H14	Education	4,100	5.1	4.2
Income	A57	Philanthropy – deduction for gifts to deductible gift recipients	3,855	-4.4	-2.0
Income	B87	Simplified depreciation rules	3,800	165.3	NA
Income	A27	Exemption of Child Care Assistance payments	3,750	15.7	6.3
Income	B62	Lower tax rate for small companies	3,400	56.3	-3.1
Income	B24	Temporary loss carry-back for certain incorporated entities	2,990	NA	NA
FBT	D15	Exemption for public benevolent institutions (excluding hospitals)	2,700	6.5	2.3
Income	A20	Medicare levy exemption for residents with taxable income below the low-income thresholds	2,650	4.2	0.9
Super	C6	Deductibility of life and total and permanent disability insurance premiums provided inside of superannuation	2,530	1.3	3.7
Income	B11	Exemption from interest withholding tax on certain securities	2,180	-5.9	0.2
Income	B1	Local government bodies income tax exemption	1,960	5.0	2.3
Income	A24	Concessional taxation of non-superannuation termination benefits	1,950	-8.7	NA
GST	H5	Child care services	1,920	10.4	6.4
Super	C3	Concessional taxation of personal superannuation contributions	1,750	20.5	-5.1
Income	A39	Exemption of Family Tax Benefit payments	1,720	-7.7	4.8
FBT	D11	Exemption for public and not-for-profit hospitals and public ambulance services	1,700	4.3	0.7
Other	F6	Concessional rate of excise levied on aviation gasoline and aviation turbine fuel	1,620	10.5	7.3
Deductions		Cost of managing tax affairs and other deductions	1,600	4.6	0.0

* For deductions, 'Revenue forgone' refers to the reduction in tax in relation to the specified income year due to the utilisation of deductions.

Table A.1: Estimates of large measured tax expenditures and deductions (continued)

Benchmark	Code	Title	Revenue forgone/ value of deduction 2023-24* ($m)	Average growth 2019-20 to 2022-23 (%)	Average projected growth over FEs (%)
GST	H18	Health – residential care, community care and other care services	1,600	6.2	5.9
Income	A18	Exemption of the Private Health Insurance Rebate	1,550	-2.2	2.5
Income	B82	Capital works expenditure deduction	1,450	1.7	1.6
Income	A38	Exemption of certain income support benefits, pensions or allowances	1,400	-10.8	1.4
Super	C1	Concessional taxation of capital gains for superannuation funds	1,300	7.1	2.7
GST	H3	Financial supplies – reduced input tax credits	1,200	10.1	7.8
GST	H6	Water, sewerage and drainage	1,190	1.8	2.9
FBT	D21	Application of statutory formula to value car benefits	1,100	12.4	1.7
Income	B12	Exemption of inbound non-portfolio distributions from income tax	1,060	1.9	-0.2
Income	B5	Reduced withholding tax under international tax treaties	1,040	6.3	14.9
	Negative tax expenditures				
Other	F21	Customs duty	-2,160	8.8	-14.1
Other	F5	Luxury car tax	-1,180	23.4	2.1
Income	A21	Medicare levy surcharge	-1,070	24.1	8.1

* For deductions, 'Revenue forgone' refers to the reduction in tax in relation to the specified income year due to the utilisation of deductions.

Statement 6: Expenses and Net Capital Investment

This Statement presents estimates of Australian Government general government sector expenses and net capital investment, disaggregated into various functions of government, on an accrual accounting basis. The Government also reports spending on an underlying cash basis (including details about payments) in *Statement 3: Fiscal Strategy and Outlook.*

The Government is focused on responsible economic management, responding to the challenges of today and investing in a better future. In this Budget, the Government is investing to deal with unavoidable spending, easing cost-of-living pressures, building more homes for Australians, investing in a Future Made in Australia, strengthening Medicare and the care economy, and broadening opportunity and advancing equality.

General government sector expenses are expected to remain broadly stable as a proportion of GDP over the period 2024–25 to 2027–28, reflecting the Government's commitment to provide support to ease cost-of-living pressures on businesses and households and build a stronger foundation for sustainable economic growth. Total expenses are expected to be 26.6 per cent of GDP in 2024–25 and to remain around that level over the period 2024–25 to 2027–28.

Significant areas of expenditure in 2024–25 will be in the **social security and welfare** (36.3 per cent of total expenses), **health** (15.3 per cent of total expenses), **education** (7.2 per cent of total expenses) and **defence** (6.5 per cent of total expenses) functions. Together, these functions account for approximately 65 per cent of all government expenses in 2024–25.

Real growth in expenses over the period 2024–25 to 2027–28 is expected to average 2.0 per cent per year. The strongest real growth across the period 2024–25 to 2027–28 is expected to occur in the **defence** (6.3 per cent) and **social security and welfare** (5.6 per cent) functions.

Major expense trends over the period 2024–25 to 2027–28 include movements in the following functions.

Social security and welfare: the increase in expenses is largely due to the Government's ongoing investment in assistance to people with disability, both through the National Disability Insurance Scheme and the Disability Support pension, and through funding under the Aged Care Services program. Expenses for services and payments, including JobSeeker Payment and income support and compensation payments to veterans are expected to increase over the period 2024–25 to 2027–28, as more recipients can more easily access government services.

Defence: the increase in expenses reflects that under the *2024 National Defence Strategy* and the *Integrated Investment Program,* the Government will invest to accelerate the delivery of defence capabilities to support an integrated, focused force that is better positioned to safeguard Australia's security and prosperity.

Education: the increase in expenses reflects the Government's continued investment in improving education outcomes and supporting schools, higher education, and vocational education programs. Expenditure is driven by more funding to states and student enrolment growth, including higher enrolment rates for 'students with disability', which will drive expenses for schools. Increased funding for universities and vocational education under the *Australian Universities Accord* and *National Skills Agreement* and the changes to indexation arrangements for outstanding debt for student loans are also estimated to increase expenses.

Mining, manufacturing and construction: the increase in expenses reflects the Government's continued investment in Australia's mining, manufacturing and construction industries. Expenses for the Research and Development Tax Incentive continue to increase to support the research and development that is key to boosting the competitiveness and productivity of industry.

Fuel and energy: the increase in expenses in 2024–25 for renewable energy investments reflects the Government's commitment to growing Australia's renewable energy capabilities through concessional loans made by the Clean Energy Finance Corporation under *Powering Australia – Rewiring the Nation*. In the 2024–25 Budget, the Government is also investing in the *Future Made in Australia* agenda which includes further Government investments into renewable energy and technology, which will develop new clean energy industries and supply chains and contribute to Australia's efforts towards achieving a global net zero economy. The Government is also extending and expanding the *Energy Bill Relief Fund* to deliver cost-of-living relief to all Australian households and eligible businesses.

Housing and community amenities: the Government is providing targeted upfront investments into building more homes and liveable communities, and ensuring Australians have safe, secure, and affordable homes. In the 2024–25 Budget, the Government is providing further support through the new *National Agreement on Social Housing and Homelessness*, enabling infrastructure through the Housing Support Program, and the investments through the Housing Australia Future Fund.

Figures in the tables and text, and the analysis of trends, are presented in nominal terms, except in circumstances where real values are explicitly stated.

Statement contents

Statement 6: Expenses and Net Capital Investment

Overview

Australian Government general government sector expenses are expected to increase from $691.1 billion in 2023–24 to $829.8 billion in 2027–28, with expenses as a percentage of GDP marginally decreasing over the period 2024–25 to 2027–28.

Spending in this Budget is focused on easing cost-of-living pressures for Australians, investing in a Future Made in Australia, driving the energy transition, strengthening Medicare and the care economy, and supporting Australians to meet their housing needs. The Budget also addresses significant unavoidable spending pressures to ensure Australians do not see a cut to the programs and services they rely on.

Table 6.1.1: Estimates of general government sector expenses

	MYEFO	Revised	Estimates			
	2023-24	2023-24	2024-25	2025-26	2026-27	2027-28
Total expenses ($b)	**689.3**	**691.1**	**734.5**	**767.3**	**793.8**	**829.8**
Real growth on previous year (%)(a)	3.6	4.2	3.4	1.4	1.1	2.0
Per cent of GDP	25.8	25.7	26.6	26.7	26.3	26.1

a) Real growth is calculated using the Consumer Price Index.

Average annual real growth in expenses over the period 2024–25 to 2027–28 is expected to be 2.0 per cent, which shows the Government's commitment to responsible and sustainable economic and fiscal management.

As a percentage of GDP, total expenses are expected to be 26.6 per cent in 2024–25 and are projected to marginally decrease over the period 2024–25 to 2027–28.

More detail about general government sector expenses can be seen at a program level for the top 20 programs by expense in Table 6.3.1.

Table 6.1.2: Estimates of general government sector payments

	MYEFO	Revised	Estimates			
	2023-24	2023-24	2024-25	2025-26	2026-27	2027-28
Total payments ($b)	**686.4**	**683.0**	**726.7**	**762.2**	**786.7**	**826.2**
Real growth on previous year (%)(a)	4.7	4.5	3.6	1.8	0.8	2.4
Per cent of GDP	25.7	25.4	26.4	26.6	26.0	26.0

b) Real growth is calculated using the Consumer Price Index.

Payment estimates are the cash equivalent of the accrual-based expense estimates. Changes in payments are generally driven by the same factors as expenses.

Government payments are expected to increase in both nominal and real terms over the period 2024–25 to 2027–28, with average annual real growth estimated to be 2.2 per cent.

As a percentage of GDP, total payments are expected to be 26.4 per cent in 2024–25 and are projected to marginally decrease over the period 2024–25 to 2027–28.

More detail about general government sector payments can be seen at a program level for the top 20 programs by payment in Table 6.3.2 and in *Statement 3: Fiscal Strategy and Outlook.*

Table 6.2 provides a reconciliation of expense estimates between the 2023–24 Budget and the 2024–25 Budget.

Table 6.2: Reconciliation of expense estimates

	Estimates				
	2023-24	2024-25	2025-26	2026-27	Total
	$m	$m	$m	$m	$m
2023-24 Budget expenses	**684,085**	**715,382**	**743,324**	**771,779**	**2,914,570**
Changes from 2023-24 Budget to 2023-24 MYEFO					
Effect of policy decisions(a)	1,262	2,597	781	1,242	5,881
Effect of parameter and other variations	3,959	-1,989	7,839	10,517	20,326
Total variations	**5,220**	**608**	**8,620**	**11,759**	**26,207**
2023-24 MYEFO expenses	**689,306**	**715,990**	**751,944**	**783,537**	**2,940,777**
Changes from 2023-24 MYEFO to 2024-25 Budget					
Effect of policy decisions(a)	292	12,049	7,893	4,523	24,757
Effect of economic parameter variations					
Total economic parameter variations	1,747	-1,930	-3,999	-3,847	-8,030
Unemployment benefits	*437*	*354*	*-237*	*45*	*599*
Prices and wages	*-364*	*-1,446*	*-1,763*	*-1,388*	*-4,961*
Interest and exchange rates	*-19*	*89*	*91*	*87*	*248*
GST payments to the States	*1,694*	*-928*	*-2,090*	*-2,591*	*-3,915*
Public debt interest	143	-579	-96	-649	-1,181
Program specific parameter variations	6,777	7,454	10,919	10,560	35,710
Other variations	-7,195	1,535	630	-359	-5,388
Total variations	**1,765**	**18,529**	**15,346**	**10,228**	**45,867**
2024-25 Budget expenses	**691,070**	**734,518**	**767,290**	**793,765**	**2,986,644**

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

In the 2024–25 Budget, policy decisions are estimated to increase expenses by $24.8 billion over the four years from 2023–24 to 2026–27 compared with the 2023–24 MYEFO. The majority of net policy decisions relate to unavoidable spending pressures, with the Budget also investing in a wide range of programs, particularly measures to ease cost-of-living pressures, build more homes for Australians, create a Future Made in Australia, strengthen Medicare and the care economy, and broaden opportunity and advance equality.

Economic parameters are estimated to decrease expenses by $8.0 billion over the four years from 2023–24 to 2026–27 compared with the 2023–24 MYEFO, reflecting lower projections for prices and wages, and lower projections for GST payments to the states on account of lower projections for consumption.

Program specific parameter variations are projected to increase expenses by $35.7 billion over the four years from 2023–24 to 2026–27 compared with the 2023–24 MYEFO. This includes major variations in the following programs:

- Expenses related to the National Disability Insurance Scheme (NDIS) are estimated to increase by $11.1 billion over four years from 2023–24 to 2026–27 (and $4.5 billion in 2027–28), based on revised projections from the NDIS Actuary and adjustments related to in-kind supports. The NDIS legislative reforms being undertaken by the Government as part of the 2024–25 Budget measure *National Disability Insurance Scheme – Getting the NDIS back on track* are expected to offset the increase projected by the NDIS Actuary, moderate this additional growth in NDIS expenses from 2024–25, to keep NDIS expenditure on track to achieve the NDIS Sustainability Framework from 1 July 2026.

- Expenses related to the Military Rehabilitation Compensation Act – Income Support and Compensation are expected to increase by $5.7 billion over the four years from 2023–24 to 2026–27, largely due to more claims being processed because of increased staffing levels that the Government has agreed to in order to deliver on its commitment to clear the claims backlog.

- Expenses related to the Child Care Subsidy are expected to increase by $2.6 billion over the four years from 2023–24 to 2026–27, largely reflecting additional support flowing to families due to the higher costs of providing care.

- Expenses related to JobSeeker Income Support are expected to increase by $1.4 billion over the four years from 2023–24 to 2026–27, largely due to upward revisions to the expected number of recipients and average payment rates, driven by changes to the composition of payment recipients.

Since the 2023–24 MYEFO, other variations (-$5.4 billion), variations associated with Public Debt Interest (-$1.2 billion) and program specific parameter variations ($35.7 billion) have increased expenses by $29.1 billion over the four years to 2026–27.

Estimated expenses by function

Estimates of general government sector expenses by function for the period 2023–24 to 2027–28 are set out in Table 6.3. The social security and welfare, health, education and defence functions account for approximately 65 per cent of all government expenses in 2024–25 (see Box 6.1). Changes to the levels of expenditure within these functions significantly affect total government spending. Further details of spending trends in all functions are set out under individual function headings.

Table 6.3: Estimates of expenses by function[a]

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
General public services	31,442	32,395	30,595	31,068	31,838
Defence	45,128	47,986	50,046	51,339	55,102
Public order and safety	7,960	8,421	6,993	6,832	6,756
Education	49,099	53,046	53,220	55,093	56,925
Health	107,416	112,693	115,913	118,512	122,801
Social security and welfare	252,342	266,693	282,057	290,665	304,093
Housing and community amenities	7,955	9,999	8,831	7,072	5,629
Recreation and culture	5,050	5,372	5,472	5,423	5,604
Fuel and energy	13,273	20,121	13,908	13,794	13,825
Agriculture, forestry and fishing	4,068	4,317	4,079	3,949	3,294
Mining, manufacturing and construction	5,968	5,511	5,563	5,776	6,172
Transport and communication	14,928	16,769	16,717	16,375	14,656
Other economic affairs	14,011	13,386	12,214	11,733	11,512
Other purposes	132,430	137,810	161,683	176,135	191,549
Total expenses	**691,070**	**734,518**	**767,290**	**793,765**	**829,755**

a) The functions are based on an international standard classification of functions of government that is incorporated into the Government Finance Statistics (GFS) reporting framework.

Box 6.1: Where does government spending go in 2024–25?

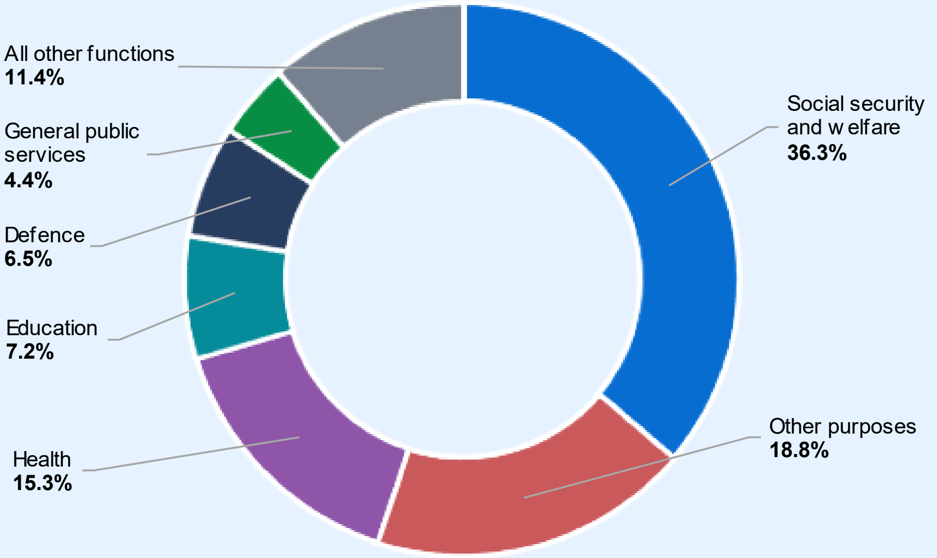
Government spending provides a wide range of services to the community. The most significant component of government spending relates to social security and welfare, with over one third of total expenses providing support to the aged, families with children, people with disabilities, veterans, carers and unemployed people.

Around a seventh of government expenses occur in health, including spending on the Medicare Benefits Schedule and the Pharmaceutical Benefits Scheme.

The Government also provides significant investment in education, supporting government and non-government schools, as well as higher education and vocational education and training.

Defence is another significant component of government expenditure, providing capability to the Australian Defence Force to protect Australia's security and defend our national interests.

Chart 6.1: Expenses by function in 2024–25



The estimates presented in the chart above are explained in greater detail under each function in the following pages.

Program expenses

The top 20 expense programs in the 2024–25 financial year are presented in Table 6.3.1. These programs represent more than two thirds of total expenses in 2024–25.

Table 6.3.1: Top 20 programs by expense

		Estimates				
		2023-24	2024-25	2025-26	2026-27	2027-28
Program(a)	**Function**	$m	$m	$m	$m	$m
Revenue assistance to the States and Territories	Other purposes	92,107	94,412	99,241	104,771	109,243
Support for Seniors	SSW	59,160	61,672	64,459	67,163	70,025
National Disability Insurance Scheme(b)	SSW	44,322	48,752	52,318	56,458	60,746
Aged Care Services	SSW	32,321	36,150	37,863	40,061	43,558
Medical Benefits	Health	29,763	31,983	33,915	35,497	37,344
Assistance to the States for Healthcare Services	Health	27,853	30,149	32,187	34,229	36,454
Commonwealth Debt Management	Other purposes	22,547	24,107	28,269	32,432	35,744
Financial Support for People with Disability	SSW	21,165	22,003	22,855	23,657	24,765
Pharmaceutical Benefits	Health	19,009	19,543	19,760	19,545	19,717
Non-Government Schools National Support	Education	18,116	18,726	19,497	20,275	21,051
Support for Families	SSW	16,626	17,261	17,655	18,031	18,304
Job Seeker Income Support	SSW	14,737	16,100	16,562	16,760	16,298
Child Care Subsidy	SSW	13,914	14,531	15,113	15,996	16,899
Financial Support for Carers	SSW	11,141	11,670	12,177	12,639	13,251
Government Schools National Support	Education	11,099	11,474	11,889	12,322	12,782
Fuel Tax Credits Scheme	Fuel and energy	9,857	10,184	10,561	11,309	12,115
Public Sector Superannuation - Benefits(c)	Other purposes; General public services	9,809	10,095	10,264	10,440	10,582
Defence Force Superannuation - Benefits(c)	Other purposes; General public services	9,807	9,830	10,274	10,782	11,309
Army Capabilities	Defence	9,014	9,207	9,863	10,382	10,688
National Partnership Payments - Road Transport	Transport and communication	8,175	8,984	9,551	8,815	8,082
Sub-total		**480,541**	**506,833**	**534,273**	**561,563**	**588,955**
Other programs		210,530	227,685	233,017	232,202	240,800
Total expenses		**691,070**	**734,518**	**767,290**	**793,765**	**829,755**

a) The entry for each program includes eliminations for inter-agency transactions within that program.
b) This program is a combination of agency costs, support for participants and administered expenses.
c) This program is a combination of superannuation nominal interest and accrual expenses.

Program payments

The top 20 payment programs in the 2024–25 financial year are presented in Table 6.3.2. Although broadly similar to the top 20 expense programs, there are some differences in the timing of reporting between payments and expenses, and the reported payment figures include expenditure capital investment but exclude depreciation.

Table 6.3.2: Top 20 programs by payment

		Estimates				
		2023-24	2024-25	2025-26	2026-27	2027-28
Program(a)	**Function**	$m	$m	$m	$m	$m
Revenue assistance to the States and Territories	Other purposes	91,604	94,544	99,251	104,780	109,239
Support for Seniors	SSW	58,901	61,737	64,570	67,372	70,252
National Disability Insurance Scheme(b)	SSW	42,902	47,985	51,767	55,861	60,111
Aged Care Services	SSW	32,305	36,134	37,848	40,046	43,542
Medical Benefits	Health	29,692	31,951	33,910	35,474	37,319
Assistance to the States for Healthcare Services	Health	27,853	30,149	32,187	34,229	36,454
Commonwealth Debt Management	Other purposes	20,967	22,364	26,052	28,339	34,057
Financial Support for People with Disability	SSW	21,098	22,070	22,937	23,755	24,820
Pharmaceutical Benefits	Health	18,989	19,527	19,759	19,550	19,712
Non-Government Schools National Support	Education	18,116	18,726	19,497	20,275	21,051
Support for Families	SSW	16,869	17,599	17,956	18,361	18,549
Job Seeker Income Support	SSW	14,845	16,286	16,777	16,965	16,535
Child Care Subsidy	SSW	13,738	14,444	15,262	15,988	16,818
Financial Support for Carers	SSW	11,093	11,688	12,207	12,679	13,224
Government Schools National Support	Education	11,113	11,476	11,891	12,324	12,783
Army Capabilities	Defence	11,380	11,147	12,553	13,200	14,085
Navy Capabilities	Defence	10,466	10,414	11,310	12,470	12,551
Fuel Tax Credits Scheme	Fuel and energy	9,704	10,133	10,484	11,196	11,994
Public Sector Superannuation - Benefits	General public services	9,427	10,000	10,353	10,753	11,175
Air Force Capabilities	Defence	9,750	9,032	9,651	10,352	10,939
Sub-total		**480,810**	**507,406**	**536,220**	**563,969**	**595,209**
Other programs		202,151	219,326	225,971	222,754	230,948
Total payments		**682,961**	**726,732**	**762,192**	**786,722**	**826,157**

a) The entry for each program includes eliminations for inter-agency transactions within that program.
b) This program is a combination of agency costs, support for participants and administered expenses.

General government sector expenses

General public services

The general public services function includes expenses to support the organisation and operation of government. These expenses include those relating to the Parliament, the Governor-General, the conduct of elections, the collection of taxes and management of public funds and debt, assistance to developing countries to reduce poverty and achieve sustainable development (particularly countries in the Pacific region), contributions to international organisations, and foreign affairs.

The general public services function also includes expenses related to research in areas not otherwise connected with a specific function (including research undertaken by the Commonwealth Scientific and Industrial Research Organisation, the Australian Nuclear Science and Technology Organisation, the Australian Institute of Marine Science, and the Australian Research Council), those associated with overall economic and statistical services, as well as government superannuation benefits (excluding nominal interest expenses on unfunded liabilities, which are included under the nominal superannuation interest sub-function in the other purposes function).

Table 6.4: Summary of expenses – general public services

Sub-function		Estimates			
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Legislative and executive affairs	2,052	2,216	1,676	1,633	1,840
Financial and fiscal affairs	10,378	10,227	10,070	10,081	9,814
Foreign affairs and economic aid(a)	7,282	8,730	7,667	8,105	8,632
General research(b)	4,063	4,485	4,378	4,232	4,276
General services	1,260	1,253	1,221	1,235	1,268
Government superannuation benefits	6,407	5,485	5,584	5,782	6,008
Total general public services	**31,442**	**32,395**	**30,595**	**31,068**	**31,838**

a) A further breakdown of the foreign affairs and economic aid sub function is provided in Table 6.4.1.
b) A further breakdown of the general research sub function is provided in Table 6.4.2.

Total general public services expenses are estimated to decrease by 1.7 per cent over the period from 2024–25 to 2027–28.

The largest movement in expenses for the general public services function is an expected increase for **government superannuation benefits**, with other significant movements in spending on **legislative and executive affairs, general research** and **foreign affairs and economic aid**. The remaining sub-functions are expected to remain broadly stable over the period 2024–25 to 2027–28.

Legislative and executive affairs expenses largely reflect the maintenance of parliamentary functions and personnel, and the expenditure profile of the Australian Electoral Commission. The decrease in expenses from 2024–25 reflects the reduction in estimated Australian Electoral Commission expenses following the federal election in 2024–25.

Financial and fiscal affairs expenses are expected to decrease, reflecting the termination of a number of Australian Taxation Office programs. In the 2024–25 Budget, the Government is extending several terminating ATO compliance programs, to ensure multinationals, businesses and individuals are paying the right amount of tax in Australia.

Foreign affairs and economic aid expenses are expected to fluctuate over the period from 2024–25 to 2027–28. This largely reflects the payment cycles of Australia's contributions under funding arrangements for multilateral funds, with a significant increase in expenses for Official Development Assistance in 2024–25, in line with previously agreed arrangements. Government decisions in the 2024–25 Budget to continue and expand programs supporting Southeast Asia, build on relationships in the Pacific, and strengthening the capability of the Department of Foreign Affairs and Trade, are also expected to contribute to growth in expenses across the period 2025–26 to 2027–28.

Table 6.4.1 sets out the major components of the **foreign affairs and economic aid** sub-function.

Table 6.4.1: Trends in the major components of the foreign affairs and economic aid sub-function expense

Component(a)	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Foreign aid(b)	4,080	5,222	4,229	4,531	5,080
Diplomacy(c)	1,494	1,645	1,689	1,725	1,733
Payments to international organisations	459	460	460	460	460
Passport services	390	394	307	351	350
International police assistance	259	280	281	300	322
International agriculture research and development	127	129	126	129	132
Consular services	146	160	145	151	151
Finance and insurance services for Australian exporters and investors	171	258	245	293	257
Other	156	183	184	164	146
Total	**7,282**	**8,730**	**7,667**	**8,105**	**8,632**

a) The entry for each component includes eliminations for inter-agency transactions within that component.
b) The foreign aid figures reflect aid spending by the Department of Foreign Affairs and Trade in accrual terms. This differs from the international measure of aid reporting, Official Development Assistance (ODA), which is in cash terms. Aid spending by other entities is usually reflected in other sub-functions.
c) Diplomacy includes departmental expenditure for the Department of Foreign Affairs and Trade's operations, security and IT, overseas property and international climate change engagement.

General research expenses are expected to decrease over the period 2024–25 to 2027–28, attributable to fluctuations in funding allocated to research infrastructure programs, and the reprioritisation of funding to realign investment with Government priorities in the Industry portfolio.

Table 6.4.2 sets out the major components of the **general research** sub-function.

Table 6.4.2: Trends in the major components of general research sub-function expense

Component(a)	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Research – science services and innovation fund	1,620	1,537	1,563	1,575	1,575
Discovery – research and research training	525	630	630	648	666
Science and technology solutions	473	495	525	527	541
Linkage – cross sector research partnerships	329	398	407	435	447
Supporting science and commercialisation	361	480	325	290	304
Research capacity	581	781	755	584	565
Other	174	164	173	173	179
Total	**4,063**	**4,485**	**4,378**	**4,232**	**4,276**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Expenses for **general services** are largely incurred by the Department of Finance, Australian Public Service Commission, and Comcare. **General services** expenses are estimated to remain broadly stable over the period 2024–25 to 2027–28. The variation in the expenses profile over the period 2024–25 to 2027–28 largely reflects the impact of insurance claims expenditure and terminating departmental funding measures.

The higher estimated expenses in 2023–24 for **government superannuation benefits** primarily reflects the use of different discount rates. In accordance with accounting standards, superannuation expenses for 2023–24 are calculated using the long-term government bond rate that best matched each individual scheme's duration of liabilities at the start of the financial year. These rates are between 4.0 and 4.4 per cent per year. In preparing the latest Long Term Cost Reports, the scheme actuaries have determined that a discount rate of 5.0 per cent should be applied to the 2024–25 Budget year and forward estimates as per usual practice.

Defence

The defence function includes expenses incurred by the Department of Defence (Defence) and other agencies that support National Defence. Defence expenses support:

- Australian military operations; and
- National Defence, through strategic policy advice and the delivery of capabilities to achieve an integrated and focused force, harnessing effects across the maritime, land, air, space, and cyber domains.

The defence function does not include expenses incurred by the Department of Veterans' Affairs, superannuation payments to retired military personnel, related nominal superannuation interest, and housing assistance provided through Defence Housing Australia. These expenses are reported in the social security and welfare, general public services, other purposes, and housing and community amenities functions, respectively.

Table 6.5: Summary of expenses – defence

Sub-function	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Defence	45,128	47,986	50,046	51,339	55,102
Total defence	**45,128**	**47,986**	**50,046**	**51,339**	**55,102**

Total expenses for the **defence** sub-function are estimated to increase by 14.8 per cent over the period 2024–25 to 2027–28. This change reflects the funding required to deliver Defence capabilities to support an integrated, focused force that is positioned to safeguard Australia's security and prosperity.

Underpinned by the *2024 National Defence Strategy* and *Integrated Investment Program,* the Government will adopt a whole-of-government and whole-of-nation approach to protecting our economic connection to the world, upholding the global rules-based order, maintaining a favourable regional strategic balance, and contributing to the collective security of the Indo-Pacific.

In the 2024–25 Budget, the Government is delivering increased funding of $50.3 billion over ten years from 2024–25, and $7.7 billion per year ongoing, to support a shift in Defence's force structure and posture, and the capability investments prioritised in the *2024 National Defence Strategy* and *Integrated Investment Program*.

The Government has also committed to further spending to support the strategic objectives of the *2024 National Defence Strategy*, including: $232.3 million over three years to provide *Defence Assistance – regional and global support*; and $166.2 million over five years from 2023–24 to strengthen Australia's defence industrial base through the 2024 *Defence Industry Development Strategy*.

Public order and safety

The public order and safety function includes expenses to support the administration of the federal legal system and the provision of legal services, including legal aid, to the community. Public order and safety expenses also include law enforcement, border protection and intelligence activities, and the protection of Australian Government property.

Table 6.6: Summary of expenses – public order and safety

Sub-function	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Courts and legal services	1,827	1,894	1,268	1,212	1,278
Other public order and safety(a)	6,133	6,528	5,725	5,619	5,477
Total public order and safety	**7,960**	**8,421**	**6,993**	**6,832**	**6,756**

a) A further breakdown of the other public order and safety sub-function is provided in Table 6.6.1.

Total expenses for public order and safety are estimated to decrease by 19.8 per cent over the period 2024–25 to 2027–28, largely driven by expenses for **other public order and safety**.

Courts and legal services expenses are expected to decrease over the period 2024–25 to 2027–28, reflecting the expiration of the National Legal Assistance Partnership on 30 June 2025, noting negotiations on the next agreement will begin shortly.

The profile of **other public order and safety** expenses is due in large part to two factors. First, from 2025–26 onwards, funding terminates for some National Partnership Payments for public order and safety. This funding will be considered by the Government in future economic updates. Second, consistent with past practice, supplementary funding is provided to the Australian Border Force on an annual basis for border protection activities, based on operational requirements. In the 2024–25 Budget, the supplementary increase to border protection funding is $266.7 million, bringing the total funding for 2024–25 to $2.0 billion.

Table 6.6.1 sets out the major components of the **other public order and safety** sub-function.

Table 6.6.1: Trends in the major components of the other public order and safety sub-function expense

Component(a)	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Policing and law enforcement	4,370	4,571	4,213	4,091	3,997
Border Protection	1,762	1,957	1,512	1,529	1,480
Total	**6,133**	**6,528**	**5,725**	**5,619**	**5,477**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Education

The education function includes expenses to support the delivery of education services through higher education institutions, vocational education and training providers (including technical and further education institutions), and government (state and territory) and non-government primary and secondary schools.

Table 6.7: Summary of expenses – education

Sub-function	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Higher education	10,918	11,540	12,113	12,529	12,969
Vocational and other education	2,351	2,540	2,654	2,657	2,542
Schools	29,215	30,201	31,385	32,597	33,833
Non-government schools	*18,116*	18,726	*19,497*	*20,275*	*21,051*
Government schools	*11,099*	11,474	*11,889*	*12,322*	*12,782*
School education - specific funding	1,182	940	895	861	808
Student assistance	5,132	7,482	5,863	6,156	6,478
General administration	301	343	309	294	294
Total education	**49,099**	53,046	**53,220**	**55,093**	**56,925**

Total education expenses are estimated to increase by 7.3 per cent over the period 2024–25 to 2027–28, reflecting the Government's ongoing investment in schools, higher education, and vocational education and training programs.

The main movements in expenses for the education function are attributable to **schools** (comprising **non-government schools** and **government schools**), along with **higher education and student assistance**. The remaining sub-functions are expected to remain broadly stable over the period 2024–25 to 2027–28.

Higher education expenses are estimated to increase over the period 2024–25 to 2027–28, primarily driven by growth in funding for Commonwealth supported study places at universities. The Government is also increasing the number of Commonwealth supported places for fee-free university preparation courses through the 2024–25 Budget measure *Australian Universities Accord – tertiary education system reforms*.

Vocational and other education expenses are estimated to remain broadly stable across the period 2024–25 to 2027–28. This reflects the profile of Government investment in vocational education and training under the 5-year *National Skills Agreement*, which commenced from 1 January 2024.

Non-government schools expenses are estimated to increase over the period 2024–25 to 2027–28. This is primarily driven by growth in student enrolments, largely due to a one-off change to enrolment projection methodology.

Government schools expenses are estimated to increase over the period 2024–25 to 2027–28 primarily reflecting an increase in the number of students that are eligible to attract a 'student with disability' loading.

Fluctuations in **student assistance** expenses reflect the Government's decision to change indexation arrangements for outstanding debt for student loans from 1 June 2023 through the 2024–25 Budget measure *Australian Universities Accord – tertiary education system reforms.* This measure results in a large, one-off increase in expenses in 2024–25 when students will receive an indexation credit to their outstanding debt for prior year indexation adjustments. Excluding this one-off expense, **student assistance** expenses are estimated to increase over the period 2024–25 to 2027–28 primarily driven by growth in student numbers over the period 2024–25 to 2027–28.

Health

The health function includes expenses relating to medical services funded through Medicare, payments to the states and territories to deliver essential health services (including public hospitals), the Pharmaceutical Benefits and Repatriation Pharmaceutical Benefits Schemes, the Private Health Insurance Rebate, Aboriginal and Torres Strait Islander health programs, mental health services, and health workforce initiatives.

Table 6.8: Summary of expenses – health

Sub-function	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Medical services and benefits(a)	38,777	41,233	43,341	45,141	47,206
Pharmaceutical benefits and services(b)	20,131	20,574	20,740	20,516	20,640
Assistance to the states for public hospitals	27,853	30,149	32,187	34,229	36,454
Hospital services(c)	1,100	1,130	1,189	1,215	1,249
Health services	13,860	13,363	12,715	12,423	12,515
General administration	4,460	4,900	4,434	3,701	3,476
Aboriginal and Torres Strait Islander health	1,235	1,344	1,308	1,286	1,260
Total health	**107,416**	**112,693**	**115,913**	**118,512**	**122,801**

a) A further breakdown of the medical services and benefits sub-function is provided in Table 6.8.1.
b) A further breakdown of the pharmaceutical benefits and services sub-function is provided in Table 6.8.2.
c) The hospital services sub-function predominantly reflects Commonwealth funding to the states and territories for veterans' hospital services.

Expenses for the health function are expected to increase by 9.0 per cent over the period 2024–25 to 2027–28. The largest movement in expenses for the health function is estimated to occur in **assistance to the states for public hospitals**, with other significant movements in **medical services and benefits** and **health services**. Expenses for the remaining sub-functions are expected to largely remain stable over the period 2024–25 to 2027–28.

Medical services and benefits expenses, which primarily consists of Medical Benefits and Private Health Insurance expenses, comprises 36.6 per cent of total estimated health expenses for 2024–25. Expenses are expected to increase over the period 2024–25 to 2027–28, primarily driven by growth in the Medical Benefits component. The increase is a result of ongoing growth in the use of medical services, particularly primary care and diagnostic imaging services, mostly driven by population growth.

Table 6.8.1 sets out the major components of the **medical services and benefits** sub-function.

Table 6.8.1: Trends in the major components of the medical services and benefits sub-function expense

Component(a)	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Medical benefits	29,763	31,983	33,915	35,497	37,344
Private health insurance	7,325	7,533	7,750	7,929	8,095
General medical consultations and services	710	715	700	709	739
Dental services(b)	340	328	326	325	324
Other	640	674	650	681	703
Total	**38,777**	**41,233**	**43,341**	**45,141**	**47,206**

a) The entry for each component includes eliminations for inter-agency transactions within that component.
b) Payments under the funding agreements on Public Dental Services for Adults from 2020–21 are provided for under the health services sub-function in Table 6.8.

Pharmaceutical benefits and services expenses, which primarily consists of Pharmaceutical Benefits Scheme expenses, comprises 18.3 per cent of total estimated health expenses for 2024–25. The Government is investing $3.9 billion over five years from 2023–24 through a range of 2024–25 Budget measures to ensure ongoing affordable access to medicines. This includes new and amended listings on the Pharmaceutical Benefits Scheme and investment in the community pharmacy sector through the 2024–25 Budget measure *Securing Cheaper Medicines.* In real terms, expenditure is expected to decrease over the period 2024–25 to 2027–28, primarily driven by the impact of existing pricing polices under the Pharmaceutical Benefits Scheme component, which results in decreases to the price of subsidised medicines.

Table 6.8.2 sets out the major components of the **pharmaceutical benefits and services** sub-function.

Table 6.8.2: Trends in the major components of the pharmaceutical benefits and services sub-function expense

Component(a)	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Pharmaceutical benefits, services and supply	19,009	19,543	19,760	19,545	19,717
Immunisation	768	662	612	607	555
Veterans' pharmaceutical benefits	354	369	367	364	369
Total	**20,131**	**20,574**	**20,740**	**20,516**	**20,640**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

The Government's contribution to public hospitals is reported through the **assistance to the states for public hospitals** sub-function. Hospital services covered by this sub-function include all admitted services, programs that deliver hospital services in the home, and emergency department services. Expenditure for this sub-function is expected to increase reflecting the Government's current agreement under the 2020–2025 National Health Reform Agreement Addendum with states and territories.

Health services include expenses associated with the delivery of population health, medical research, mental health, blood and blood products, other allied health services, health infrastructure and disbursements from the Medical Research Future Fund. Expenses are expected to decrease as a result of a number of terminating measures for preventive health and chronic disease. Funding for terminating measures will be considered in future economic updates. The decrease in expenses is partly offset by increases in estimated expenses for blood products and mental health.

Expenses for **general administration** include the Government's general administrative costs associated with health and aged care, funding for primary health care and coordination, investment in health workforce measures, and support for rural health initiatives. Expenditure for this sub-function is expected to decrease for the period 2024–25 to 2027–28, largely reflecting the gradual scaling down of the Government's COVID-19 pandemic response, and the completion of ICT projects to deliver essential enhancements to critical aged care digital systems.

Expenditure for **Aboriginal and Torres Strait Islander health** is expected to increase from 2023–24 to 2024–25, reflecting the Government's commitment to closing the gap for First Nations people's health and wellbeing. Expenses are expected to marginally decrease over the period 2024–25 to 2027–28, reflecting a number of terminating measures. Funding for terminating measures will be considered in future economic updates.

Social security and welfare

The social security and welfare function includes expenses for pensions and services to the aged, assistance to the unemployed and the sick, people with disabilities and families with children, and income support and compensation for veterans and their dependants. It also includes assistance provided to Indigenous Australians that has not been included under other functions.

Table 6.9: Summary of expenses – social security and welfare

Sub-function	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Assistance to the aged(a)	95,306	100,653	104,825	109,575	115,972
Assistance to veterans and dependants	7,666	7,982	12,291	9,565	9,576
Assistance to people with disabilities(b)	80,401	84,342	89,140	94,510	100,547
Assistance to families with children(c)	44,381	46,931	49,115	51,190	52,597
Assistance to the unemployed and the sick	14,737	16,100	16,562	16,760	16,298
Other welfare programs	1,621	1,897	1,844	1,699	1,589
Assistance for Indigenous Australians nec	3,279	3,399	3,191	3,054	3,178
General administration	4,951	5,388	5,089	4,312	4,338
Total social security and welfare	**252,342**	**266,693**	**282,057**	**290,665**	**304,093**

a) A further breakdown of the assistance to the aged sub function is provided in Table 6.9.1.
b) A further breakdown of the assistance to people with disabilities sub function is provided in Table 6.9.2.
c) A further breakdown of the assistance to families with children sub function is provided in Table 6.9.3.

Expenses in social security and welfare are estimated to increase by 14.0 per cent over the period 2024–25 to 2027–28. The largest movements in expenses for social security and welfare are expected to occur in relation to **assistance to the aged** and **assistance to people with disabilities.** Significant movements are also expected to occur in **assistance to veterans and dependants** and **assistance to families with children**. The remaining sub-functions are estimated to remain broadly stable over the period 2024–25 to 2027–28.

The expected increase in expenses for social security and welfare is primarily driven by expenses for participant supports through the National Disability Insurance Scheme (NDIS), more payments made to veterans and their families as outstanding claims for rehabilitation and compensation are processed, and an expected increase in support for seniors and aged care services expenses.

Assistance to the aged expenses are estimated to increase over the period 2024–25 to 2027–28, primarily driven by increases in expenditure in the Aged Care Services component and the Support for Seniors component.

The Support for Seniors component is estimated to increase over the period 2024–25 to 2027–28 reflecting the expected increase in the number of Age Pension recipients as the Australian population ages.

The significant drivers of growth in the Aged Care Services component are the expanding ageing population and rising demand for aged care services. In the 2024–25 Budget, the Government is providing $0.5 billion to release 24,100 additional Home Care Packages in 2024–25 to reduce wait times and meet the growing demand for care at home.

Table 6.9.1 sets out the major components of the **assistance to the aged** sub-function.

Table 6.9.1: Trends in the major components of the assistance to the aged sub-function expense

Component(a)	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Support for Seniors	59,160	61,672	64,459	67,163	70,025
Aged Care Services	32,321	36,150	37,863	40,061	43,558
Veterans' Community Care and Support	1,092	999	1,036	1,034	1,119
Aged Care Quality	1,691	541	303	290	236
Access and information	714	739	728	664	685
National Partnership Payments – Assistance to the Aged	20	216	190	148	139
Other	309	336	245	214	211
Total	**95,306**	**100,653**	**104,825**	**109,575**	**115,972**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Assistance to veterans and dependants expenses are estimated to increase over the period from 2024–25 to 2027–28, which largely reflects increasing expenses for income support and compensation payments to veterans under the *Military Rehabilitation Compensation Act 2004* as more claims are processed. In the 2024–25 Budget, the Government is providing additional resources for frontline support to prioritise processing of outstanding claims for veterans and their families now that the Department of Veterans' Affairs has cleared the claims backlog. Expenses are projected to peak in 2025–26 and then return to a steady state in 2026–27 once the outstanding permanent impairment claims have been processed.

Assistance to people with disabilities expenses are expected to increase over the period 2024–25 to 2027–28, largely reflecting an increase in the number of people with disability participating in the NDIS and increases in individual support costs.

On 27 March 2024, the Government introduced the National Disability Insurance Scheme Amendment (Getting the NDIS Back on Track No. 1) Bill 2024. NDIS legislative reforms are expected to moderate the additional growth in NDIS expenditure from 2024–25 projected by the NDIS Actuary to that projected at the 2023–24 MYEFO, to keep NDIS expenditure on track to achieve the NDIS Sustainability Framework from 1 July 2026.

Table 6.9.2 sets out the major components of the **assistance to people with disabilities** sub-function.

Table 6.9.2: Trends in the major components of the assistance to people with disabilities sub-function expense

Component(a)	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
National Disability Insurance Scheme(b)	44,322	48,752	52,318	56,458	60,746
National Disability Insurance Scheme – Quality and Safeguards	141	161	112	110	109
Financial Support for People with Disability	21,165	22,003	22,855	23,657	24,765
Financial Support for Carers	12,752	13,419	13,855	14,285	14,927
National Partnership Payments – Assistance to People with Disabilities	2,022	7	0	0	0
Total	**80,401**	**84,342**	**89,140**	**94,510**	**100,547**

a) The entry for each component includes eliminations for inter-agency transactions within that component.
b) Includes both Commonwealth and State contributions to the cost of the National Disability Insurance Scheme delivered through the National Disability Insurance Agency, which is a Commonwealth agency in the general government sector, and the cost of the NDIS program administered by the Department of Social Services.

Assistance to families with children expenses are expected to increase over the period 2024–25 to 2027–28.

The expected increase in **assistance to families with children** expenses reflect increases in Parental Leave Pay expenses, including an increase in both the number of recipients and the average payment rates. In the 2024–25 Budget, the Government will provide additional support to recipients of Paid Parental leave through the 2024–25 Budget measure *Commonwealth Government-Funded Paid Parental Leave – enhancement*, which will provide a superannuation guarantee equivalent payment to recipients' superannuation fund, for births and adoptions on or after 1 July 2025.

Assistance to families with children expenses are expected to further increase as a result of the Child Care Subsidy, primarily reflecting the 2022–23 October Budget measure *Plan for Cheaper Child Care.*

Table 6.9.3 sets out the major components of the **assistance to families with children** sub-function.

Table 6.9.3: Trends in the major components of the assistance to families with children sub-function expense

Component(a)	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Family Assistance	19,787	20,742	22,107	23,021	23,381
Child Care Subsidy	13,914	14,531	15,113	15,996	16,899
Parents income support	7,223	7,911	8,209	8,535	8,716
Child Support	1,893	1,923	1,963	1,996	2,031
Support for the child care system	412	460	333	326	326
Families and Children	861	1,065	1,087	1,015	936
Family relationship services	267	275	281	281	287
Other	24	23	21	21	22
Total	**44,381**	**46,931**	**49,115**	**51,190**	**52,597**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Expenses for **assistance to the unemployed and the sick** are estimated to increase over the period 2024–25 to 2027–28, primarily driven by growth in the expected number of benefits recipients, as a result of the unemployment rate expecting to modestly rise from its close to historic low, and an increase in the share of recipients receiving full payment.

Other welfare programs expenses are expected to decrease over the period 2024–25 to 2027–28 as a result of terminating measures. Funding for terminating measures will be considered in future economic updates. This decrease is partially offset by an increase in funding through the 2024–25 Budget measure *The Leaving Violence Program – financial support for victim-survivors of intimate partner violence*, which will provide $925.2 million over five years from 2023–24.

In the 2024–25 Budget, the Government is investing in measures which will drive progress under the *National Agreement on Closing the Gap* and deliver better outcomes for First Nations people. Expenses for **assistance to Indigenous Australians not elsewhere classified (nec)** includes investments in a range of measures to deliver outcomes across portfolios addressing the Priority Reforms and Socioeconomic Targets under the *National Agreement on Closing the Gap*. Major investments through the *Northern Territory Homelands and Housing and Remote Jobs* and *Economic Development Program* deliver the Government's commitment to improve outcomes for First Nations people in remote Northern Territory and remote Australia.

Housing and community amenities

The housing and community amenities function includes expenses for the Government's contribution to the *National Housing and Homelessness Agreement*, other Australian Government housing programs, the expenses of Defence Housing Australia (DHA), urban and regional development programs and environmental protection initiatives.

Table 6.10: Summary of expenses – housing and community amenities

Sub-function	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Housing	4,305	4,372	4,206	4,541	3,696
Urban and regional development	1,620	2,906	2,258	854	520
Environment protection	2,029	2,721	2,367	1,676	1,413
Total housing and community amenities	**7,955**	**9,999**	**8,831**	**7,072**	**5,629**

Expenses for housing and community amenities are expected to decrease by 43.7 per cent over the period 2024–25 to 2027–28, primarily driven by a decrease in expenses for **urban and regional development** and **environment protection.**

Housing expenses include the Government's contribution to the new *National Agreement on Social Housing and Homelessness*, the provision of housing for the general public and people with special needs, and DHA expenses. **Housing** expenses are estimated to increase from 2024–25 to 2026–27, before decreasing from 2026–27 to 2027–28, primarily driven by terminating National Partnership Payments. The National Partnership Payments include short-term support for enabling infrastructure through the Housing Support Program, the finalisation of Homebuilder and the initial distribution of $100 million in 2024–25 from the Housing Australia Future Fund (HAFF). This distribution is made towards the Government's commitment to provide $200 million over five years to support repairs to, maintenance of, and improvements to infrastructure in remote First Nations communities.

In the 2024–25 Budget, the Government is investing $9.3 billion over five years from 2024–25 through the new *National Agreement on Social Housing and Homelessness*, which will support states and territories to provide social housing and homelessness services. Subject to states and territories agreement to the new *National Agreement on Social Housing and Homelessness,* the Government is also providing an additional $1 billion in 2023–24 to states and territories to support enabling infrastructure for new housing through the Housing Support Program – Priority Works Stream.

The Government is providing $1.5 billion over five years from 2023–24 in grants and availability payments to support the supply of social and affordable housing funded through: distributions from HAFF; changes to the National Housing Infrastructure Facility to support crisis and transitional accommodation for women and children fleeing domestic violence and youth; and commitments under the National Housing Accord.

In addition, the Government will support up to $4.7 billion in concessional loans and increase access to guaranteed financing through the Australian Housing Bond Aggregator, as part of the 2024–25 Budget measure *Housing Support*. This measure will provide eligible community housing projects with lower than market rate loans to support the delivery of social and affordable housing including those being funded through the HAFF and the National Housing Accord. These payments will flow through Housing Australia.

Expenses for **urban and regional development** comprise urban development, services to territories, and regional development programs. Expenses under this sub-function are estimated to decrease over the period 2024–25 to 2027–28, primarily reflecting the profile of funding for the Priority Community Infrastructure Program and Investing in Our Communities Program and the conclusion of the Community Development Grants program and Building Better Regions Fund.

Environment protection expenses includes expenses for a variety of initiatives, including the protection and conservation of the environment, water and waste management, pollution abatement and environmental research. Expenses are estimated to decrease over the period 2024–25 to 2027–28, primarily due to the deferral of construction for the Paradise Dam project until beyond 2027–28 and planned termination of the *Critical Inputs to Clean Energy Industries program* from 2026–27. The Government's investment in clean energy is also captured in the fuel and energy function.

In the 2024–25 Budget, the Government is providing $364.5 million over six years from 2024–25 to continue implementation of environmental reforms, streamline environmental approvals and deliver the Government's circular economy functions through the measures *Nature Positive Plan – additional funding, Future Made in Australia – Strengthening Approvals Processes* and *Commonwealth Leadership for a Safe Circular Economy – continuing delivery*. The Government is also investing in water infrastructure projects under the 2024–25 Budget measure *National Water Grid Fund – responsible investment in water infrastructure for the regions*.

Recreation and culture

The recreation and culture function includes expenses to support public broadcasting and cultural institutions, funding for the arts and the film industry, assistance to sport and recreation activities, as well as the management and protection of national parks and other world heritage areas. This function also includes expenses relating to the protection and preservation of historic sites and buildings, including war graves.

Table 6.11: Summary of expenses – recreation and culture

Sub-function	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Broadcasting(a)	1,688	1,749	1,801	1,800	1,813
Arts and cultural heritage	1,992	2,140	1,919	1,890	1,851
Sport and recreation	594	708	993	1,016	1,223
National estate and parks	776	774	759	717	717
Total recreation and culture	**5,050**	**5,372**	**5,472**	**5,423**	**5,604**

a) A further breakdown of the broadcasting sub-function is provided in Table 6.11.1.

Total expenses under the recreation and culture function are estimated to increase by 4.3 per cent over the period 2024–25 to 2027–28. This increase is primarily driven by an expected increase in **sport and recreation** expenses, which is linked to the Government's investment in venue infrastructure for the 2032 Brisbane Olympic and Paralympic Games provided in the 2023–24 Budget. The increase is partially offset by a decrease in **arts and cultural heritage** expenses. The remaining sub-functions are estimated to remain broadly stable over the period 2024–25 to 2027–28.

Broadcasting expenses reflect the five year funding terms for the Australian Broadcasting Corporation and Special Broadcasting Services Corporation that commenced from 1 July 2023.

Table 6.11.1 sets out the major components of the **broadcasting** sub-function.

Table 6.11.1: Trends in the major components of the broadcasting sub-function expense

Component(a)	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
ABC general operational activities	1,004	1,042	1,060	1,045	1,063
SBS general operational activities	409	421	447	457	446
ABC transmission and distribution services	197	207	213	216	221
SBS transmission and distribution services	77	79	81	82	83
Total	**1,688**	**1,749**	**1,801**	**1,800**	**1,813**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Expenses under **arts and cultural heritage** are estimated to increase from 2023–24 to 2024–25, followed by a decrease over the period 2024–25 to 2027–28. This is due to increased estimated payments under the Australian Screen Production Incentives and Digital Game Production Offset programs in 2023–24 and 2024–25 and a reduction in funding for the Location Incentive Program over the five years from 2023–24 to 2027–28. The decrease is partially offset by additional funding for the national arts training organisations and the Australian Film Television and Radio School through the 2024–25 Budget measure *Revive – National Cultural Policy*. This measure will provide $216.6 million over four years to support Australia's arts, entertainment, and cultural sector.

Sport and recreation expenses are estimated to increase over the period 2024–25 to 2027–28, due to the Government's investment in venue infrastructure for the 2032 Brisbane Olympic and Paralympic Games. The Government is also providing additional funding through the 2024–25 Budget measures *Supporting Sports Participation* and *Sport Integrity Australia – funding support* to continue Commonwealth sport participation and high-performance grants funding programs, provide additional funding to support preparation for and delivery of key international events, safeguard the integrity of Australian sport and invest in the upgrade and restoration of sporting infrastructure.

National estate and parks expenses are estimated to decrease slightly over the period 2024–25 to 2027–28, reflecting the Government's upfront investment in 2024–25 for Antarctic shipping requirements, the Macquarie Island Research Station and cultural heritage reform through the 2024–25 Budget measures, *Australian Antarctic Program – additional funding* and *Future Made in Australia – Strengthening Approvals Processes.*

Fuel and energy

The fuel and energy function includes expenses for the Fuel Tax Credits and Product Stewardship for Oil schemes administered by the Australian Taxation Office. It also includes expenses related to improving Australia's energy efficiency, resource related initiatives, and programs to support the production and use of renewable energy.

Table 6.12: Summary of expenses – fuel and energy

Sub-function		Estimates			
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Fuel and energy(a)	13,273	20,121	13,908	13,794	13,825
Total fuel and energy	**13,273**	**20,121**	**13,908**	**13,794**	**13,825**

a) A further breakdown of the fuel and energy sub-function is provided in Table 6.12.1.

Total fuel and energy expenses are estimated to increase in 2024–25, before returning to a stable trend. The increase in 2024–25 is driven by the concessional component of the Government's concessional loan investments to grow Australia's renewable energy sector through the Rewiring the Nation Fund, administered by the Clean Energy Finance Corporation.

Table 6.12.1 sets out the major components of the **fuel and energy** sub-function.

Table 6.12.1: Trends in the major components of the fuel and energy sub-function expense

Component(a)		Estimates			
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Fuel Tax Credits Scheme	9,857	10,184	10,561	11,309	12,115
Resources and Energy	2,093	4,464	1,346	496	568
Renewable Energy	973	5,053	1,673	1,705	890
Other	350	420	328	284	252
Total	**13,273**	**20,121**	**13,908**	**13,794**	**13,825**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

The major program within this function is the **Fuel Tax Credits Scheme**, for which payments are expected to increase over the period 2024–25 to 2027–28, partially offsetting the overall function movement. This largely reflects an expected increase in the use of fuels that are eligible for the Fuel Tax Credit Scheme.

Resources and Energy expenses are expected to fluctuate over the period 2024–25 to 2027–28, reflecting the profile of the 2024–25 Budget measure *Energy Bill Relief Fund – extension and expansion*. This measure is expected to increase expenses from 2023–24 to 2024–25, reflecting the Government's focus on providing immediate cost-of-living relief, before terminating 2025–26, resulting in a decrease in expenses from 2025–26 to 2027–28.

Expenses for the **Renewable Energy** component are expected to increase for 2024–25, before decreasing for the period 2025–26 to 2027–28, reflecting the profile of expenses for the concessional component of the concessional loan deployment by the Clean Energy Finance Corporation. The forecasted loan deployment is primarily expected to be made under the 2022–23 October Budget measure *Powering Australia – Rewiring the Nation*. In the 2024–25 Budget, the Government is continuing to invest in renewable energy and clean energy technologies, including through an additional round of *Hydrogen Headstart,* the commencement of the *Hydrogen Production Tax Incentive* from 2027–28 and the *Solar Sunshot* program.

Agriculture, forestry and fishing

The agriculture, forestry and fishing function include expenses to support assistance to primary producers, forestry, fishing, land and water resources management, biosecurity services, and contributions to research and development.

Table 6.13: Summary of expenses – agriculture, forestry and fishing

Sub-function	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Wool industry	68	84	95	95	95
Grains industry	272	290	292	295	297
Dairy industry	58	57	55	55	55
Cattle, sheep and pig industry	258	262	268	277	279
Fishing, horticulture and other agriculture	508	503	443	429	388
General assistance not allocated to specific industries	45	47	45	45	45
Rural assistance	406	316	398	379	380
Natural resources development	1,089	1,346	1,177	1,106	485
General administration	1,364	1,411	1,306	1,269	1,271
Total agriculture, forestry and fishing	**4,068**	**4,317**	**4,079**	**3,949**	**3,294**

Total expenses for agriculture, forestry and fishing are estimated to decrease by 23.7 per cent over the period 2024–25 to 2027–28. The expected decrease largely reflects the scheduled completion of activities under the *Murray-Darling Basin Plan 2012 (Basin Plan)*, within **natural resources development**.

The overall decrease in the agriculture, forestry and fishing function is partially offset by an increase in expenses for **rural assistance**. This is largely due to an expected increase in Farm Household Allowance payments from 2024–25, due to the start of the new ten year claim period for eligible recipients on 1 July 2024.

Natural resources development expenses are estimated to decrease over the period 2024–25 to 2027–28. The decrease in expenses largely reflects the scheduled completion of water reform activities to deliver the *Basin Plan* by the December 2027 deadline set out in the *Water Amendment (Restoring Our Rivers) Act 2023*. In the 2024–25 Budget, the Government is investing $256.5 million over four years through the 2024–25 Budget measure *Sustaining Water Functions* to support delivery of the Government's water commitments.

Mining, manufacturing and construction

The mining, manufacturing and construction function includes expenses for programs designed to promote the efficiency and competitiveness of Australian industries. The major components include the Research and Development Tax Incentive and industry assistance programs.

Table 6.14: Summary of expenses – mining, manufacturing and construction

Sub-function		Estimates			
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Mining, manufacturing and construction(a)	5,968	5,511	5,563	5,776	6,172
Total mining, manufacturing and construction	**5,968**	**5,511**	**5,563**	**5,776**	**6,172**

a) A further breakdown of the mining, manufacturing and construction sub-function is provided in Table 6.14.1.

Total expenses for mining, manufacturing and construction are expected to increase by 12.0 per cent over the period 2024–25 to 2027–28, reflecting the Government's increased support for the Australian mining, manufacturing, and construction industries.

Table 6.14.1 sets out the major components of the **mining, manufacturing and construction** sub-function.

Table 6.14.1: Trends in the major components of the mining, manufacturing and construction sub-function expense

Component(a)		Estimates			
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Research and Development Tax Incentive	4,783	4,475	4,610	4,751	4,895
Growing Business Investment	684	451	241	178	105
Northern Australia Infrastructure Facility	98	145	275	436	408
Other	402	440	438	411	764
Total	**5,968**	**5,511**	**5,563**	**5,776**	**6,172**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Expenses for the **Research and Development Tax Incentive** administered by the Australian Taxation Office are expected to increase over the period 2024–25 to 2027–28 due to increases in the number and value of expected claims from eligible companies, particularly companies in the 'Professional, Scientific and Technical Services' industry.

The **Northern Australia Infrastructure Facility** offers debt and equity finance to projects that contribute to the establishment or enhancement of economic activity in northern Australia. Expenses are expected to increase over the period 2024–25 to 2027–28, due to changes in concessional loan discount expenses associated with the expected commitment of concessional loans across the period 2024–25 to 2027–28.

Expenses under the **Other** component are expected to increase over the period 2024–25 to 2027–28, driven by the 2024–25 Budget measures *Future Made in Australia – Making Australia a Renewable Energy Superpower* and *Future Made in Australia – Investing in Innovation, Science and Digital Capabilities*. This measure will provide additional resourcing to Geoscience Australia to map all of Australia's critical minerals, strategic minerals, groundwater, and other resources essential to the transition to net zero. This funding also covers the expenses involved in introducing the Critical Minerals Production Tax Incentive. The expected increase in expenses will be partially offset by the **Growing Business Investment** component which is expected to decrease in expenses over the period 2024–25 to 2027–28, reflecting terminating measures.

Transport and communication

The transport and communication function includes expenses to support the infrastructure and regulatory framework for Australia's transport and communication sectors. Expenses for the transport and communication function primarily reflect Government investment in road and rail transport through the Infrastructure Investment Program. This function also includes expenditure for communications activities and support for the digital economy through the Department of Infrastructure, Transport, Regional Development, Communications and the Arts, and the Australian Communications and Media Authority.

Table 6.15: Summary of expenses – transport and communication

Sub-function	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Communication	1,775	1,927	1,825	1,745	1,645
Rail transport	3,082	3,814	3,212	3,676	2,816
Air transport	434	465	446	355	291
Road transport	8,859	9,707	10,408	9,799	9,111
Sea transport	499	496	496	501	507
Other transport and communication	279	360	331	299	286
Total transport and communication	**14,928**	**16,769**	**16,717**	**16,375**	**14,656**

Total expenses under this function are estimated to decrease by 12.6 per cent from 2024–25 to 2027–28. This is largely driven by the realignment of project profiles under the Infrastructure Investment Program to more accurately reflect delivery schedules, as well as the completion of priority infrastructure projects.

Communication expenses are estimated to decrease from 2024–25 to 2027–28, primarily reflecting the funding profile for the Better Connectivity Plan for Regional and Rural Australia, and the conclusion of the Mobile Black Spot Program.

Rail transport expenses are estimated to increase from 2023–24 to 2024–25, before decreasing from 2024–25 to 2027–28. The initial increase and subsequent decrease in expenditure reflects the schedules of major rail infrastructure projects, including projects under the METRONET program and Sydney Metro – Western Sydney Airport.

Air transport expenses primarily relate to activities of the safety regulator Civil Aviation Safety Authority, and aviation related initiatives. Total expenses are estimated to decrease from 2024–25 to 2027–28, due to the conclusion of a number of aviation initiatives, including upgrades at Hobart and Newcastle Airports and the timing of additional rounds of regional aviation connectivity programs provided through the 2024–25 Budget measure *Supporting Transport Priorities*.

Road transport expenses are estimated to increase from 2023–24 to 2025–26, and then decrease from 2025–26 to 2027–28. The increase and subsequent decrease in expenditure, reflects the Government's continued investment in priority road infrastructure projects, and the expected completion of priority infrastructure projects including the Bunbury Outer Ring Road and M12 Motorway. Through the 2024–25 Budget measure *Building a Better Future Through Considered Infrastructure Investment*, the Government is providing $16.5 billion towards priority road and rail projects and re-profile $2.1 billion to beyond the forward estimates to better align with construction market conditions and project delivery timeframes.

Total expenses for **other transport and communication** are estimated to decrease from 2024–25 to 2027–28, primarily reflecting the timeline of departmental activities under the 2024–25 Budget measure *New Vehicle Efficiency Standard Implementation*.

Other economic affairs

The other economic affairs function includes expenses on tourism and area promotion, labour market assistance, immigration, industrial relations, and other economic affairs not elsewhere classified (nec).

Table 6.16: Summary of expenses – other economic affairs

Sub-function	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Tourism and area promotion	198	192	191	191	191
Total labour and employment affairs	6,308	5,881	5,575	5,198	5,081
Vocational and industry training	*2,984*	*2,384*	*2,130*	*1,676*	*1,561*
Labour market assistance to job seekers and industry	*2,326*	*2,411*	*2,400*	*2,490*	*2,473*
Industrial relations	*998*	*1,086*	*1,044*	*1,032*	*1,047*
Immigration(a)	3,836	3,699	3,147	3,156	3,088
Other economic affairs nec(b)	3,669	3,614	3,300	3,187	3,151
Total other economic affairs	**14,011**	**13,386**	**12,214**	**11,733**	**11,512**

a) A further breakdown of the immigration sub function is provided in Table 6.16.1.
b) A further breakdown of the other economic affairs nec sub function is provided in Table 6.16.2.

Total expenses for other economic affairs are estimated to decrease by 14.0 per cent over the period 2024–25 to 2027–28, reflecting the cessation of the Boosting Apprenticeship Commencements wage subsidy. The Government is undertaking a Strategic Review of the Australian Apprenticeships Incentive System and, through the 2024–25 Budget measure *Australian Apprenticeships Incentive System – further support*, is providing additional financial support to apprentices and their employers while this review is completed.

The largest movement in the other economic affairs function is estimated to occur in **vocational and industry training**, with other significant movements in expenses in **labour market assistance to job seekers and industry, immigration**, and **other economic affairs nec**. The remaining sub-functions are estimated to remain broadly stable over the period 2024–25 to 2027–28.

Vocational and industry training expenses are estimated to decrease over the period 2024–25 to 2027–28, primarily reflecting the cessation of the temporary COVID-19 support Boosting Apprenticeship Commencements wage subsidy, which is closed to new applicants. The Government is providing additional support to apprentices and their employers through the 2024–25 Budget measure *Australian Apprenticeships Incentive System – further support,* while the Government undertakes the Strategic Review of the Australian Apprenticeships Inventive System. This support, targeted towards apprenticeships in priority occupations, will boost apprenticeship commencements in industries where skills needs are greatest.

Labour market assistance to job seekers and industry expenses are estimated to increase over the period 2024–25 to 2027–28, reflecting the Government's commitment to strengthen Australia's employment services system and improve outcomes for individuals accessing employment services more broadly. The growth in expenses is primarily driven by implementing a range of improvements to the current employment services system, consistent with the Government's vision for a dynamic and inclusive labour market and the Employment White Paper.

Industrial relations expenses are estimated to decrease over the period 2024–25 to 2027–28 largely as a result of terminating funding provided in the 2023–24 MYEFO measures *Prohibition on the Use of Engineered Stone – communication strategy* and *Review of the Safety, Rehabilitation and Compensation Act 1988*. This decrease is expected to be partially offset by a range of supports to progress the Government's workplace relations agenda, critical to the implementation of changes made by the *Fair Work Legislation Amendment (Closing Loopholes) Act 2023*, and further reforms passed in the *Fair Work Legislation Amendment (Closing Loopholes No.2) Bill 2023*.

The **immigration** sub-function includes the provision of migration and citizenship services, the management of unlawful non-citizens, and refugee and humanitarian assistance. **Immigration** expenses are expected to decrease over the period 2024–25 to 2027–28, primarily reflecting the forecast reduction of the detainee population in onshore detention and in the offshore processing centre.

Table 6.16.1 sets out the major components of the **immigration** sub-function.

Table 6.16.1: Trends in the major components of the immigration sub-function expense

Component(a)	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Management of unlawful non-citizens	1,779	1,732	1,417	1,455	1,472
Citizenship, visas and migration	975	945	818	809	816
Regional co-operation and refugee and humanitarian assistance	1,082	1,022	912	892	800
Total	**3,836**	**3,699**	**3,147**	**3,156**	**3,088**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Expenses for **other economic affairs nec** are expected to decrease over the period 2024–25 to 2027–28. This reflects a decrease in departmental expenses for the Department of Industry, Science, and Resources and the Australian Securities and Investments Commission.

The decrease in departmental expenses for the Department of Industry, Science, and Resources over the period 2024–25 to 2027–28, is driven by a range of terminating measures and the provision of terminating departmental funding in elements of the 2024–25 Budget measure *Future Made in Australia – Investing in Innovation, Science and Digital Capabilities* which provides funding to the National Measurement Institute to ensure sophisticated and reliable Australian measurement capability to underpin the Government's *Future Made in Australia* agenda.

Expenses for **other economic affairs nec** also includes funding for the Australian Competition and Consumer Commission provided through the 2024–25 Budget measure *Competition Reform*. This measure will provide funding to implement a mandatory and suspensory administrative merger control system to prevent harmful mergers, maintain competition, and increase transparency.

Table 6.16.2 sets out the major components of the **other economic affairs nec** sub-function.

Table 6.16.2: Trends in the major components of the other economic affairs nec sub-function expense

Component(a)	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Economic Response to the Coronavirus	228	0	0	0	0
Promotion of Australia's export and other international economic interests	486	456	390	380	372
Operating costs for:					
Department of Industry, Science and Resources	755	775	706	624	603
Australian Securities and Investments Commission	714	849	728	730	709
Bureau of Meteorology	561	522	523	539	542
IP Australia	255	269	278	288	299
Australian Competition and Consumer Commission	266	301	250	212	210
Australian Prudential Regulation Authority	239	269	265	255	256
Other	164	174	160	158	160
Total	**3,669**	**3,614**	**3,300**	**3,187**	**3,151**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Other purposes

The other purposes function includes expenses incurred in the servicing of public debt interest, and assistance to state, territory and local governments. This function also includes items classified as natural disaster relief, the Contingency Reserve, and expenses related to the nominal interest on unfunded liabilities for government superannuation benefits.

Table 6.17: Summary of expenses – other purposes

Sub-function	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Public debt interest	22,547	24,107	28,269	32,432	35,744
Interest on Commonwealth Government's behalf	*22,547*	*24,107*	*28,269*	*32,432*	*35,744*
Nominal superannuation interest	13,374	14,620	15,126	15,610	16,054
General purpose inter-government transactions	92,917	97,995	102,937	108,329	112,941
General revenue assistance - states and territories	*92,107*	*94,412*	*99,241*	*104,771*	*109,243*
Local government assistance	*810*	*3,583*	*3,696*	*3,558*	*3,697*
Natural disaster relief	1,392	921	676	408	314
Contingency reserve	2,200	167	14,674	19,357	26,496
Total other purposes	**132,430**	**137,810**	**161,683**	**176,135**	**191,549**

Total expenses for other purposes are estimated to increase by 39.0 per cent over the period 2024–25 to 2027–28.

The main drivers of the increase in other purposes expenses are **public debt interest, general purpose inter-government transactions**, and the **contingency reserve**.

Public debt interest expenses are expected to increase from 2023–24, largely reflecting higher debt servicing costs.

The increase in **nominal superannuation interest** expenses between 2023–24 and 2024–25 primarily reflects the use of updated discount rates. In accordance with accounting standards, superannuation expenses for 2023–24 are calculated using the long-term government bond rate that best matched each individual scheme's duration of liabilities at the start of the financial year. These rates were between 4.0 and 4.4 per cent per year. In preparing the latest Long Term Cost Reports, the scheme actuaries have determined that a discount rate of 5.0 per cent should be applied to the estimates in the budget year and forward estimates as per usual practice.

General purpose inter-government transactions expenses are made up of general revenue assistance paid to state and territory governments and local government assistance. Expenses are expected to increase over the period 2024–25 to 2027–28. Nearly all the expenses relate to general revenue assistance paid to state and territory governments, which is expected to increase over the period 2024–25 to 2027–28, largely comprising payments of GST entitlements provided on an 'untied' basis. Payments to state and territory governments tied to specific purposes are reported under the relevant sections in this Statement. Further information on general revenue assistance to the states and territories can be found in Budget Paper No. 3, *Federal Financial Relations*.

Expenses for **natural disaster relief** reflect financial support provided by the Australian Government to affected states and territories under the Natural Disaster Relief and Recovery Arrangements and, since November 2018, the Disaster Recovery Funding Arrangements. Expenses also reflect departmental funding for the National Emergency Management Agency. The majority of funding over the period 2024–25 to 2027–28 reflects expected payments to the states in relation to disaster events that have already occurred. As provisions are not generally made for future disasters, the amount reduces over time. Additional funding is provisioned as needed in response to natural disasters.

The **contingency reserve** in the 2024–25 Budget is estimated to increase expenses by $166.6 million in 2024–25, $14.7 billion in 2025–26, $19.4 billion in 2026–27 and $26.5 billion in 2027–28. A key component of this is the conservative bias allowance, which makes provision for the tendency for the estimate of expenses for existing Government policy (excluding GST payments to the states) to be revised upwards in the forward years. The 2024–25 Budget includes a provision of:

- nil in the Budget year 2024–25
- ½ of a percentage point of total general government sector expenses in the first forward year 2025–26 ($3.3 billion)
- 1 per cent of general government sector expenses in the second forward year 2026–27 ($6.8 billion)
- 2 per cent of general government sector expenses in the third forward year 2027–28 ($14.1 billion).

The drawdown of the conservative bias allowance decreased expenses by $1.6 billion in 2024–25, $1.5 billion in 2025–26, $3.2 billion in 2026–27 and $3.1 billion in 2027–28. This is consistent with long standing practice and does not represent a saving or offset to spending measures.

As part of the Government's responsible approach to economic management, the Contingency Reserve includes a provision for the estimated financial impact of further wage increases resulting from the decision of the Fair Work Commission's Aged Care Work Value Case – Stage 3, with the operative date and phasing in of wage increases still to be determined. The Government has also made a provision to deliver on its commitment to provide funding towards a wage increase for Early Childhood Education and Care workers, with details to be finalised following Fair Work Commission processes.

The Contingency Reserve also includes a provision to reflect the outcomes of the December 2023 National Cabinet meeting and to meet future anticipated disaster recovery costs.

The Contingency Reserve also includes estimates for policy decisions that have been announced but cannot yet be included in entity estimates, usually due to some uncertainty as to their final cost and/or outcomes, or as they are subject to negotiations.

In general, the Contingency Reserve can include:

- commercial-in-confidence and national security-in-confidence items that cannot be disclosed separately
- financial assistance to state and territory governments for future programs and reforms subject to negotiations, including commitments made by National Cabinet
- the effect, on the budget and forward estimates, of economic parameter revisions received late in the process and hence not able to be allocated to individual entities or functions
- decisions taken but not yet announced by the Government, and decisions made too late for inclusion against individual entity estimates
- provisions for other specific events and pressures that are reasonably expected to affect the budget estimates, including the continuation of terminating measures.

General government net capital investment

Net capital investment is broadly defined as the sale and acquisition of non-financial assets, less depreciation expenses. It provides a measure of the overall growth in capital assets (including buildings and infrastructure, specialist military equipment, and computer software) after taking into account depreciation and amortisation as previously acquired assets age.

Government capital spending involves 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.

Australian Government general government sector net capital investment is expected to be $6.3 billion in 2024–25, reflecting a decrease from 2023–24. Net capital investment is expected to increase to $11.9 billion in 2027–28, primarily reflecting capability investments prioritised in the *2024 National Defence Strategy* and *Integrated Investment Program.*

Details of movements are further explained in the following section.

Table 6.18: Estimates of total net capital investment

	MYEFO	Revised	Estimates			
	2023-24	2023-24	2024-25	2025-26	2026-27	2027-28
Total net capital investment ($m)	**8,895**	**7,754**	**6,303**	**8,055**	**8,988**	**11,899**
Per cent of GDP	0.3	0.3	0.2	0.3	0.3	0.4

Reconciliation of net capital investment since the 2023–24 Budget

A reconciliation of the net capital investment estimates, showing the effect of policy decisions and parameter and other variations since the 2023–24 Budget, is provided in Table 6.19.

Table 6.19: Reconciliation of net capital investment estimate

	Estimates				
	2023-24	2024-25	2025-26	2026-27	Total
	$m	$m	$m	$m	$m
2023-24 Budget net capital investment	**10,431**	**7,229**	**5,449**	**9,271**	**32,380**
Changes from 2023-24 Budget to 2023-24 MYEFO					
Effect of policy decisions(a)	225	194	137	38	593
Effect of parameter and other variations	-1,761	1,654	1,488	373	1,754
Total variations	**-1,536**	**1,849**	**1,625**	**410**	**2,348**
2023-24 MYEFO net capital investment	**8,895**	**9,078**	**7,074**	**9,681**	**34,728**
Changes from 2023-24 MYEFO to 2024-25 Budget					
Effect of policy decisions(a)	12	1,587	1,843	1,028	4,469
Effect of parameter and other variations	-1,153	-4,362	-862	-1,722	-8,099
Total variations	**-1,141**	**-2,775**	**981**	**-693**	**-3,629**
2024-25 Budget net capital investment	**7,754**	**6,303**	**8,055**	**8,988**	**31,098**

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

Estimated net capital investment for 2024–25 is $0.9 billion lower when compared to the estimate for 2024–25 in the 2023–24 Budget. This is driven by a decrease of $2.7 billion as a result of parameter and other variations and an increase of $1.8 billion from policy decisions.

Net capital investment estimates by function

Estimates for Australian Government general government sector net capital investment by function for the period 2023–24 to 2027–28 are provided in Table 6.20.

Table 6.20: Estimates of net capital investment by function

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
General public services	346	423	256	791	1,052
Defence	7,409	6,853	7,504	9,018	11,550
Public order and safety	78	28	-23	-143	-87
Education	34	50	33	1	1
Health	-123	133	182	-96	-104
Social security and welfare	13	-76	-400	-410	-439
Housing and community amenities	68	74	88	55	79
Recreation and culture	385	372	130	-14	-44
Fuel and energy	-1	-1	3	-9	-2
Agriculture, forestry and fishing	212	539	297	24	12
Mining, manufacturing and construction	-15	-9	-10	-12	-24
Transport and communication	-625	-2,107	-35	-64	-39
Other economic affairs	-34	-53	-182	-394	-129
Other purposes	8	75	212	240	72
Total net capital investment	**7,754**	**6,303**	**8,055**	**8,988**	**11,899**

A significant component of the Government's net capital investment occurs in the defence function and primarily relates to Defence capability investments. Major factors contributing to changes in net capital investment are expected to occur in the following functions:

- **Defence** – the increase in net capital investment from 2024–25 to 2027–28 reflects funding for capability investments prioritised in the *2024 National Defence Strategy and Integrated Investment Program*.

- **General public services** – the increase in net capital investment from 2024–25 to 2027–28 largely reflects the timing of estimated renewal of property leases that are due to expire and the timing of building and equipment purchases.

- **Health** – net capital investment is estimated to increase in 2024–25 and 2025–26, largely reflecting funding for system enhancements to the My Aged Care Gateway system and the Government Provider Management System to support the implementation of the new Aged Care Act, the new aged care regulatory model and the *Support at Home Program* from 1 July 2025. The increase in 2024–25 and 2025–26 is also driven by routine replenishment of the National Medical Stockpile.

- **Social security and welfare** – the decrease in net capital investment from 2024–25 to 2027–28 is largely driven by the depreciation and amortisation of prior Commonwealth investments into Services Australia's assets, including ICT capabilities and infrastructure.

- **Housing and community amenities** – the increase in net capital investment over the period 2024–25 to 2027–28 largely reflects changes in Defence Housing Australia's property investment strategy to meet the housing needs of Australian Defence Force personnel.

- **Recreation and culture** – the decrease in net capital investment from 2023–24 to 2027–28 reflects the expected completion of capital investments at the Australian War Memorial and projects within various Commonwealth national parks funded under the *Protecting Australia's Iconic National Parks* measure. The decrease is also driven by anticipated completion of projects under the 2023–24 Budget measure *Sydney Harbour Federation Trust – infrastructure improvements* and completion of the various projects led by the Australian Antarctic Division and the Director of National Parks, delays in the refurbishment of the Great Barrier Reef Marine Park Authority's Reef HQ Aquarium, and the timing of capital works at the National Collecting Institutions.

- **Transport and communication** – the variable profile of net capital investment reflects the sale of non-financial assets through the 850/900 MHz and the 3.4/3.7 GHz Spectrum Auctions.

- **Other economic affairs** – the decrease in net capital investment from 2023–24 to 2024–25 reflects the anticipated completion of the Bureau of Meteorology's digital transformation program.

Table 6.21 reports the acquisition of non-financial assets by function before taking into account depreciation or amortisation.

Table 6.21: Australian Government general government sector purchases of non-financial assets by function

		Estimates			
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
General public services	1,888	2,243	1,872	2,355	2,605
Defence	14,805	14,292	14,540	16,309	19,115
Public order and safety	944	894	837	723	783
Education	51	65	52	20	21
Health	395	550	219	63	56
Social security and welfare	919	803	443	360	312
Housing and community amenities	507	524	507	515	540
Recreation and culture	849	848	618	473	429
Fuel and energy	9	11	16	4	7
Agriculture, forestry and fishing	320	670	418	137	116
Mining, manufacturing and construction	25	33	33	32	23
Transport and communication	221	102	80	48	72
Other economic affairs	823	846	708	502	762
Other purposes	13	79	214	244	75
General government purchases of non-financial assets	**21,771**	**21,960**	**20,556**	**21,785**	**24,917**

Appendix A: Expense by function and sub-function

Table 6A.1: Estimates of expenses by function and sub-function

	Actual	Estimates				
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m	$m
General public services						
Legislative and executive affairs	1,685	2,052	2,216	1,676	1,633	1,840
Financial and fiscal affairs	9,187	10,378	10,227	10,070	10,081	9,814
Foreign affairs and economic aid	7,522	7,282	8,730	7,667	8,105	8,632
General research	3,695	4,063	4,485	4,378	4,232	4,276
General services	1,110	1,260	1,253	1,221	1,235	1,268
Government superannuation benefits	6,912	6,407	5,485	5,584	5,782	6,008
Total general public services	**30,111**	**31,442**	**32,395**	**30,595**	**31,068**	**31,838**
Defence	**41,436**	**45,128**	**47,986**	**50,046**	**51,339**	**55,102**
Public order and safety						
Courts and legal services	1,814	1,827	1,894	1,268	1,212	1,278
Other public order and safety	5,698	6,133	6,528	5,725	5,619	5,477
Total public order and safety	**7,513**	**7,960**	**8,421**	**6,993**	**6,832**	**6,756**
Education						
Higher education	10,428	10,918	11,540	12,113	12,529	12,969
Vocational and other education	2,234	2,351	2,540	2,654	2,657	2,542
Schools	26,998	29,215	30,201	31,385	32,597	33,833
Non-government schools	*16,705*	*18,116*	*18,726*	*19,497*	*20,275*	*21,051*
Government schools	*10,292*	*11,099*	*11,474*	*11,889*	*12,322*	*12,782*
School education – specific funding	1,082	1,182	940	895	861	808
Student assistance	3,925	5,132	7,482	5,863	6,156	6,478
General administration	264	301	343	309	294	294
Total education	**44,932**	**49,099**	**53,046**	**53,220**	**55,093**	**56,925**
Health						
Medical services and benefits	36,224	38,777	41,233	43,341	45,141	47,206
Pharmaceutical benefits and services	18,569	20,131	20,574	20,740	20,516	20,640
Assistance to the states for public hospitals	25,821	27,853	30,149	32,187	34,229	36,454
Hospital services(a)	956	1,100	1,130	1,189	1,215	1,249
Health services	15,844	13,860	13,363	12,715	12,423	12,515
General administration	4,147	4,460	4,900	4,434	3,701	3,476
Aboriginal and Torres Strait Islander health	1,119	1,235	1,344	1,308	1,286	1,260
Total health	**102,680**	**107,416**	**112,693**	**115,913**	**118,512**	**122,801**

Table 6A.1: Estimates of expenses by function and sub-function (continued)

	Actual	Estimates				
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m	$m
Social security and welfare						
Assistance to the aged	82,946	95,306	100,653	104,825	109,575	115,972
Assistance to veterans and dependants	8,105	7,666	7,982	12,291	9,565	9,576
Assistance to people with disabilities	69,126	80,401	84,342	89,140	94,510	100,547
Assistance to families with children	38,399	44,381	46,931	49,115	51,190	52,597
Assistance to the unemployed and the sick	14,006	14,737	16,100	16,562	16,760	16,298
Other welfare programs	2,370	1,621	1,897	1,844	1,699	1,589
Assistance for Indigenous Australians nec	2,735	3,279	3,399	3,191	3,054	3,178
General administration	5,224	4,951	5,388	5,089	4,312	4,338
Total social security and welfare	**222,911**	**252,342**	**266,693**	**282,057**	**290,665**	**304,093**
Housing and community amenities						
Housing	4,994	4,305	4,372	4,206	4,541	3,696
Urban and regional development	1,518	1,620	2,906	2,258	854	520
Environment protection	1,840	2,029	2,721	2,367	1,676	1,413
Total housing and community amenities	**8,352**	**7,955**	**9,999**	**8,831**	**7,072**	**5,629**
Recreation and culture						
Broadcasting	1,690	1,688	1,749	1,801	1,800	1,813
Arts and cultural heritage	1,813	1,992	2,140	1,919	1,890	1,851
Sport and recreation	573	594	708	993	1,016	1,223
National estate and parks	565	776	774	759	717	717
Total recreation and culture	**4,641**	**5,050**	**5,372**	**5,472**	**5,423**	**5,604**
Fuel and energy	**9,093**	**13,273**	**20,121**	**13,908**	**13,794**	**13,825**
Agriculture, forestry and fishing						
Wool industry	55	68	84	95	95	95
Grains industry	200	272	290	292	295	297
Dairy industry	59	58	57	55	55	55
Cattle, sheep and pig industry	239	258	262	268	277	279
Fishing, horticulture and other agriculture	463	508	503	443	429	388
General assistance not allocated to specific industries	41	45	47	45	45	45
Rural assistance	306	406	316	398	379	380
Natural resources development	773	1,089	1,346	1,177	1,106	485
General administration	1,234	1,364	1,411	1,306	1,269	1,271
Total agriculture, forestry and fishing	**3,371**	**4,068**	**4,317**	**4,079**	**3,949**	**3,294**

Table 6A.1: Estimates of expenses by function and sub-function (continued)

	Actual	Estimates				
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m	$m
Mining, manufacturing and construction	**5,167**	**5,968**	**5,511**	**5,563**	**5,776**	**6,172**
Transport and communication						
Communication	1,580	1,775	1,927	1,825	1,745	1,645
Rail transport	2,532	3,082	3,814	3,212	3,676	2,816
Air transport	349	434	465	446	355	291
Road transport	6,969	8,859	9,707	10,408	9,799	9,111
Sea transport	484	499	496	496	501	507
Other transport and communication	253	279	360	331	299	286
Total transport and communication	**12,166**	**14,928**	**16,769**	**16,717**	**16,375**	**14,656**
Other economic affairs						
Tourism and area promotion	204	198	192	191	191	191
Total labour and employment affairs	7,410	6,308	5,881	5,575	5,198	5,081
Vocational and industry training	*4,580*	*2,984*	*2,384*	*2,130*	*1,676*	*1,561*
Labour market assistance to job seekers and industry	*2,129*	*2,326*	*2,411*	*2,400*	*2,490*	*2,473*
Industrial relations	*701*	*998*	*1,086*	*1,044*	*1,032*	*1,047*
Immigration	3,405	3,836	3,699	3,147	3,156	3,088
Other economic affairs nec	3,380	3,669	3,614	3,300	3,187	3,151
Total other economic affairs	**14,399**	**14,011**	**13,386**	**12,214**	**11,733**	**11,512**
Other purposes						
Public debt interest	22,242	22,547	24,107	28,269	32,432	35,744
Interest on Commonwealth Government's behalf	*22,242*	*22,547*	*24,107*	*28,269*	*32,432*	*35,744*
Nominal superannuation interest	12,336	13,374	14,620	15,126	15,610	16,054
General purpose inter-government transactions	92,076	92,917	97,995	102,937	108,329	112,941
General revenue assistance - states and territories	*87,618*	*92,107*	*94,412*	*99,241*	*104,771*	*109,243*
Local government assistance	*4,458*	*810*	*3,583*	*3,696*	*3,558*	*3,697*
Natural disaster relief	3,600	1,392	921	676	408	314
Contingency reserve	0	2,200	167	14,674	19,357	26,496
Total other purposes	**130,254**	**132,430**	**137,810**	**161,683**	**176,135**	**191,549**
Total expenses	**637,025**	**691,070**	**734,518**	**767,290**	**793,765**	**829,755**

a) The hospital services sub-function predominantly reflects Commonwealth funding to the states and territories for veterans' hospital services.

Statement 7: Debt Statement

The Debt Statement provides information on Government gross debt, net debt, Australian Government Securities (AGS) issuance and interest costs over the forward estimates.

Gross debt as a share of GDP is expected to be lower each year over the forward estimates compared to the 2023–24 Mid-Year Economic and Fiscal Outlook (MYEFO). Gross debt is estimated to peak at 35.2 per cent of GDP at 30 June 2027, 0.2 percentage points lower and one year sooner than the estimated peak of 35.4 per cent of GDP in 2027–28 at the 2023-24 MYEFO.

- Gross debt is estimated to be 33.9 per cent of GDP at 30 June 2025, 0.3 percentage points lower than estimated at the 2023–24 MYEFO.
- Net debt is estimated to be 20.0 per cent of GDP at 30 June 2025, 0.5 percentage points higher than estimated at the 2023–24 MYEFO.

Interest payments on AGS are estimated to be $22.4 billion in 2024–25, increasing to $34.1 billion by 2027–28.

Statement contents

Statement 7: Debt Statement

Australian Government Securities on issue

Estimates of AGS on issue are published in both face value and market value terms in this Statement.

- The **face value** of AGS on issue (also referred to as gross debt) is the amount the Government pays back to investors at maturity, independent of fluctuations in market prices.[36] The total face value of AGS on issue changes when new securities are issued, or when securities are repurchased or reach maturity.

- The **market value** of AGS on issue represents the value of securities as traded on the secondary market, which changes continuously with movements in market prices (often quoted as a yield to maturity). Consistent with external reporting standards, the market value of AGS on issue is reported in the Australian Government general government sector balance sheet.

The *Commonwealth Inscribed Stock Act 1911* (CIS Act) requires the Treasurer to issue a direction stipulating the maximum face value of relevant AGS that may be on issue. Effective from 7 October 2020, the then Treasurer directed that the maximum face value of AGS that can be on issue is $1,200 billion. The estimated face value of AGS on issue subject to the Treasurer's direction (end-of-year and within-year peak)[37] in each year of the forward estimates remains below $1,200 billion.

Gross debt is estimated to be $934 billion (33.9 per cent of GDP) at 30 June 2025, increasing to $1,112 billion (34.9 per cent of GDP) at 30 June 2028.

Gross debt as a percentage of GDP is expected to be lower across each year of the forward estimates than at the 2023–24 MYEFO. The $13.1 billion improvement to the headline cash balance in 2023–24 and the impact of lower yields on AGS contribute to this reduction.

36 For Treasury Indexed Bonds (TIBs), the final repayment amount paid to investors includes an additional amount to reflect the impact of inflation over the life of the security. This additional amount is not included in the calculation of face value.

37 End-of-year values are estimates of AGS on issue at 30 June for the particular year. The precise timing and level of within-year peaks of AGS on issue cannot be determined with accuracy. The timing of the within-year peak is therefore reported to the given month in the particular year.

Table 7.1 presents estimates of AGS on issue.

Table 7.1: Estimates of AGS on issue subject to the Treasurer's Direction[(a)(b)]

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$b	$b	$b	$b	$b
Face value – end-of-year	904	934	1,007	1,064	1,112
Per cent of GDP	33.7	33.9	35.1	35.2	34.9
Face value – within-year peak(c)	922	947	1,007	1,071	1,126
Per cent of GDP(c)	34.3	34.4	35.1	35.4	35.4
Month of peak(c)	*Apr-24*	*Apr-25*	*Apr-26*	*Feb-27*	*May-28*
Market value – end-of-year	848	886	963	1,026	1,080
Per cent of GDP	31.6	32.1	33.6	33.9	33.9

a) The Treasurer's Direction applies to the face value of AGS on issue. This table also shows the equivalent market value of AGS that are subject to the Treasurer's Direction.

b) The stock and securities that are excluded from the current limit set by the Treasurer's Direction are outlined in subsection 51JA(2A) of the CIS Act.

c) The precise within-year timing of cash receipts and payments is not known. Estimated peaks of AGS on issue are therefore subject to considerable uncertainty.

Source: The Australian Office of Financial Management (AOFM).

Changes in AGS on issue since the 2023–24 MYEFO

The increase in total face value of AGS on issue primarily reflects the cumulative reduction in the headline cash balance over the four years to 2026–27 since the 2023–24 MYEFO. Table 3.4 in *Statement 3: Fiscal Strategy and Outlook* reconciles the net cash flows from investments in financial assets for policy purposes affecting the headline cash balance.

Further details on the changes to the underlying cash balance and headline cash balance since the 2023–24 MYEFO can be found in *Statement 3: Fiscal Strategy and Outlook*.

Table 7.2: Estimates of AGS on issue subject to the Treasurer's Direction – reconciliation from the 2023–24 MYEFO to the 2024–25 Budget

	2023-24	2024-25	2025-26	2026-27
	$b	$b	$b	$b
Total face value of AGS on issue subject to the Treasurer's Direction as at 2023-24 MYEFO	**909**	**934**	**1,007**	**1,058**
Factors affecting the change in face value of AGS on issue from 2023-24 MYEFO to 2024-25 Budget(a)				
Cumulative receipts decisions	-0.1	-2.4	-1.4	-3.3
Cumulative receipts variations	-6.9	-12.4	-21.4	-24.1
Cumulative payment decisions	0.3	12.0	21.3	26.6
Cumulative payment variations	-3.7	1.7	8.2	14.8
Cumulative change in net investments in financial assets(b)	-2.7	2.1	6.5	11.6
Other contributors	8.1	-1.1	-13.2	-20.0
Total face value of AGS on issue subject to the Treasurer's Direction as at 2024-25 Budget	**904**	**934**	**1,007**	**1,064**

a) Cumulative impact of decisions and variations from 2023–24 to 2026–27. Increases to payments are shown as positive and increases to receipts are shown as negative.
b) Change in net cash flows from investments in financial assets for policy purposes only.
Note: End-of-year data.

Breakdown of AGS currently on issue

Table 7.3 provides a breakdown of the AGS on issue by type of security as at 2 May 2024.

Table 7.3: Breakdown of current Australian Government Securities on issue

	On issue as at 2 May 2024	
	Face value	Market value
	$m	$m
Treasury Bonds	823,849	748,718
Treasury Indexed Bonds	40,435	50,922
Treasury Notes	30,000	29,817
Total AGS subject to Treasurer's Direction (a)	**894,284**	**829,458**
Other stock and securities	5	5
Total AGS on issue	**894,289**	**829,463**

a) The stock and securities that are excluded from the current limit set by the Treasurer's Direction are outlined in subsection 51JA(2A) of the CIS Act.
Source: AOFM.

Appendix A provides further information on the different types of securities.

Treasury Bonds

As at 2 May 2024, there were 28 Treasury Bond lines on issue, with a weighted average term to maturity of around 6.7 years and the longest maturity extending to June 2054.

Table 7.4: Treasury Bonds on issue

Coupon Per cent	Maturity	On issue as at 2 May 2024 $m	Timing of interest payments(a)		
0.25	21-Nov-24	41,300	Twice yearly	21-Nov	21-May
3.25	21-Apr-25	41,500	Twice yearly	21-Apr	21-Oct
0.25	21-Nov-25	39,200	Twice yearly	21-Nov	21-May
4.25	21-Apr-26	39,600	Twice yearly	21-Apr	21-Oct
0.50	21-Sep-26	39,400	Twice yearly	21-Sep	21-Mar
4.75	21-Apr-27	37,500	Twice yearly	21-Apr	21-Oct
2.75	21-Nov-27	32,200	Twice yearly	21-Nov	21-May
2.25	21-May-28	32,500	Twice yearly	21-May	21-Nov
2.75	21-Nov-28	35,600	Twice yearly	21-Nov	21-May
3.25	21-Apr-29	36,600	Twice yearly	21-Apr	21-Oct
2.75	21-Nov-29	35,500	Twice yearly	21-Nov	21-May
2.50	21-May-30	37,900	Twice yearly	21-May	21-Nov
1.00	21-Dec-30	39,500	Twice yearly	21-Dec	21-Jun
1.50	21-Jun-31	38,100	Twice yearly	21-Jun	21-Dec
1.00	21-Nov-31	41,800	Twice yearly	21-Nov	21-May
1.25	21-May-32	39,300	Twice yearly	21-May	21-Nov
1.75	21-Nov-32	29,000	Twice yearly	21-Nov	21-May
4.50	21-Apr-33	26,700	Twice yearly	21-Apr	21-Oct
3.00	21-Nov-33	24,100	Twice yearly	21-Nov	21-May
3.75	21-May-34	21,200	Twice yearly	21-May	21-Nov
3.50	21-Dec-34	18,600	Twice yearly	21-Dec	21-Jun
2.75	21-Jun-35	16,250	Twice yearly	21-Jun	21-Dec
3.75	21-Apr-37	13,800	Twice yearly	21-Apr	21-Oct
3.25	21-Jun-39	10,300	Twice yearly	21-Jun	21-Dec
2.75	21-May-41	14,600	Twice yearly	21-May	21-Nov
3.00	21-Mar-47	14,200	Twice yearly	21-Mar	21-Sep
1.75	21-Jun-51	19,600	Twice yearly	21-Jun	21-Dec
4.75	21-Jun-54	8,000	Twice yearly	21-Jun	21-Dec

a) Where the timing of an interest payment falls on a non-business day, the payment will occur on the following business day.

Source: AOFM.

Treasury Indexed Bonds

As at 2 May 2024, there were 7 Treasury Indexed Bond (TIB) lines on issue, with a weighted average term to maturity of around 9.0 years and the longest maturity extending to February 2050.

Table 7.5: Treasury Indexed Bonds on issue

Coupon Per cent	Maturity	On issue as at 2 May 2024 $m	Timing of interest payments (a)				
3.00	20-Sep-25	6,042	Quarterly	20-Sep	20-Dec	20-Mar	20-Jun
0.75	21-Nov-27	7,150	Quarterly	21-Nov	21-Feb	21-May	21-Aug
2.50	20-Sep-30	7,042	Quarterly	20-Sep	20-Dec	20-Mar	20-Jun
0.25	21-Nov-32	4,950	Quarterly	21-Nov	21-Feb	21-May	21-Aug
2.00	21-Aug-35	6,050	Quarterly	21-Aug	21-Nov	21-Feb	21-May
1.25	21-Aug-40	4,850	Quarterly	21-Aug	21-Nov	21-Feb	21-May
1.00	21-Feb-50	4,350	Quarterly	21-Feb	21-May	21-Aug	21-Nov

a) Where the timing of an interest payment falls on a non-business day, the payment will occur on the following business day.

Source: AOFM.

Treasury Notes

As at 2 May 2024, there were nine Treasury Note lines on issue. Treasury Notes do not pay a coupon.

Table 7.6: Treasury Notes on issue

Maturity	On issue as at 2 May 2024 $m	Timing of interest payment	
10-May-24	5,000	At maturity	10-May
24-May-24	5,000	At maturity	24-May
7-Jun-24	4,000	At maturity	7-Jun
21-Jun-24	4,000	At maturity	21-Jun
12-Jul-24	4,000	At maturity	12-Jul
26-Jul-24	3,000	At maturity	26-Jul
9-Aug-24	2,000	At maturity	9-Aug
23-Aug-24	2,000	At maturity	23-Aug
13-Sep-24	1,000	At maturity	13-Sep

Source: AOFM.

Green Treasury Bonds

The Government will begin issuing Green Treasury Bonds before 30 June 2024. The initial bond line will be around $7 billion in size and will mature in June 2034. Issuance of green bonds will not impact gross debt estimates as it will replace issuance of other AGS.

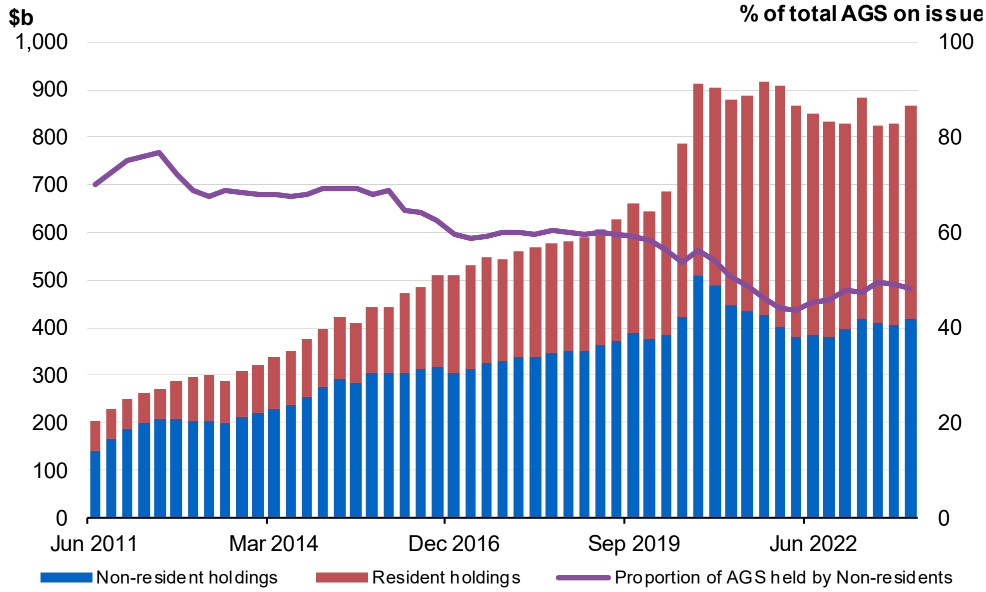
Green bonds provide financing or refinancing for specific government programs with positive climate change and environmental outcomes. Green bonds will enable investors to back public projects that drive Australia's net zero transformation and progress the Government's environmental agenda. Green bonds will boost the scale and credibility of Australia's green finance market and attract more green capital to Australia by increasing transparency around climate outcomes and the availability of green investments.

The Government will publish annual Allocation and Impact Reports for green bonds separate to the Budget, commencing no more than 18 months after the first issuance.

Non-resident holdings of AGS on issue

As at the December 2023 quarter, the proportion of non-resident holdings of AGS was around 48 per cent (Chart 7.1). This proportion is down from historical highs of around 76 per cent in 2012. While the value of non-resident holdings of AGS have increased significantly over this time, the proportion has fallen since the rate of buying by non-resident investors has not matched the rate of issuance.

Chart 7.1: Non-resident holdings of AGS



Note: Data refer to the repo-adjusted market value of holdings.
Source: ABS Balance of Payments and International Investment Position, Australia December 2023, AOFM, RBA.

Net debt

Net debt is equal to the sum of interest-bearing liabilities (which include AGS on issue measured at market value) less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements). As net debt incorporates both selected financial assets and liabilities at their fair value, it provides a broader measure of the Government's financial obligations than gross debt.

Not all government assets or liabilities are included in the measurement of net debt. For example, the Government's unfunded superannuation liability is not accounted for in net debt, nor are holdings of equities, for example those held by the Future Fund or the Government's equity investment in the NBN.

Table 7.7: Liabilities and assets included in net debt

			Estimates		
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Liabilities included in net debt					
Deposits held	415	415	415	415	415
Government securities(a)	847,774	885,886	962,711	1,026,120	1,080,171
Loans	31,772	32,360	33,379	33,786	33,779
Lease liabilities	19,302	18,649	17,484	16,508	16,115
Total liabilities included in net debt	**899,263**	**937,310**	**1,013,988**	**1,076,829**	**1,130,480**
Assets included in net debt					
Cash and deposits	89,311	61,997	57,532	54,634	49,732
Advances paid	67,539	73,193	83,592	94,634	105,091
Investments, loans and placements	242,528	249,588	257,386	267,513	278,151
Total assets included in net debt	**399,378**	**384,778**	**398,510**	**416,781**	**432,974**
Net debt	**499,886**	**552,532**	**615,478**	**660,048**	**697,505**

a) Government securities are presented at market value.

Changes in net debt since the 2023–24 MYEFO

Net debt is expected to be higher than estimated at the 2023–24 MYEFO across each year of the forward estimates. This increase primarily reflects the impact of lower yields on AGS, as well as an increase in the financing requirement from 2024–25 onwards.

Table 7.8: Net debt – reconciliation from the 2023–24 MYEFO to the 2024–25 Budget

	2023-24 $b	2024-25 $b	2025-26 $b	2026-27 $b
Net debt as at 2023-24 MYEFO	**491.0**	**533.3**	**586.4**	**623.9**
Changes in financing requirement	-5.0	3.6	10.7	20.0
Impact of yields on AGS	20.3	16.3	12.8	8.4
Asset and other liability movements	-6.5	-0.7	5.6	7.7
Cash and deposits	*-8.8*	*-3.1*	*4.5*	*8.8*
Advances paid	*4.7*	*6.1*	*5.2*	*3.0*
Investments, loans and placements	*-2.1*	*-3.1*	*-4.3*	*-4.8*
Other movements	*-0.3*	*-0.5*	*0.1*	*0.7*
Total movements in net debt from 2023-24 MYEFO to 2024-25 Budget	**8.8**	**19.2**	**29.1**	**36.1**
Net debt as at 2024-25 Budget	**499.9**	**552.5**	**615.5**	**660.0**

Interest on AGS

Estimates of the interest payments and expense of AGS on issue include the cost of AGS already on issue and future AGS issuance.

- The cost of AGS already on issue reflects the actual yield at the time of issuance.
- The expected cost of future AGS issuance is based on a recent average of daily spot rates across the yield curve at the time of a budget estimates update.

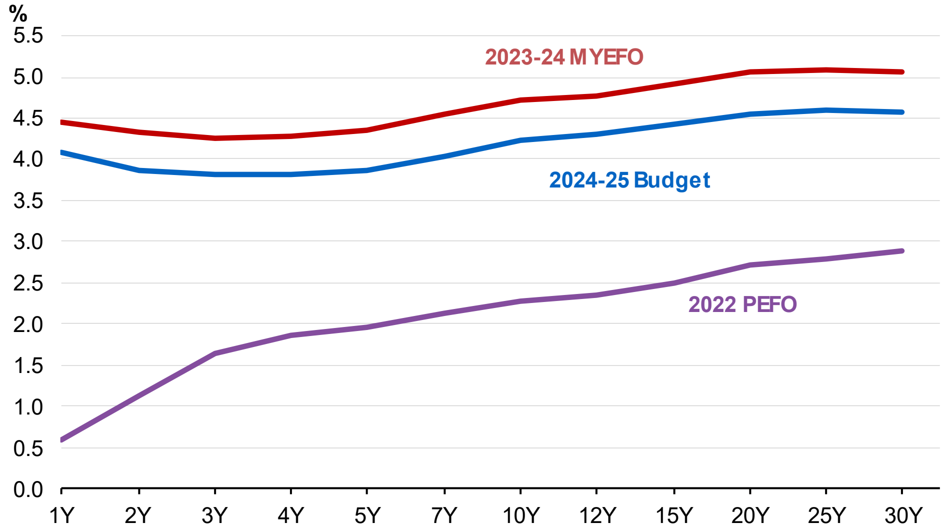
Total interest payments on AGS across the forward estimates are estimated to be broadly similar compared to the 2023–24 MYEFO. This is primarily due to lower yields and improved terms of borrowing offsetting the change in the headline cash balance across the forward estimates.

Chart 7.2 shows the yield curve assumptions underpinning the 2022 Pre-election Economic and Fiscal Outlook (PEFO), 2023-24 MYEFO and the 2024–25 Budget. Yields are lower compared to the 2023–24 MYEFO, reflecting a moderation in market expectations for inflation and future cash rates.

Volatility in yields over the past two years has influenced the outlook for interest payments. The supply of bonds, expectations for future monetary policy and perceptions of risks all influence yields. While yields have fallen since the end of 2023, they remain significantly higher than at the 2022 PEFO.

At the 2022 PEFO, the weighted average cost of borrowing was 2.2 per cent, rising to 3.8 per cent at the 2022–23 October Budget. The weighted average yield fell to 3.4 per cent at the 2023–24 Budget, before increasing to 4.7 per cent at the 2023–24 MYEFO. Since then, the assumed weighted average cost of borrowing has fallen to 4.2 per cent for future issuance of Treasury Bonds over the forward estimates in this budget.

Chart 7.2: Yield curve assumptions from 2024–25 to 2027–28



Source: AOFM.

By the end of the forward estimates total interest payments are $35.6 billion, of which $34.1 billion relates to AGS on issue (Table 7.9). Compared with the 2023–24 MYEFO, interest payments as a share of GDP are estimated to be broadly unchanged since the 2023–24 MYEFO.

Interest receipts are estimated to be higher across each year of the forward estimates than at the 2023–24 MYEFO and broadly unchanged as a share of GDP.

Net interest payments as a share of GDP in 2024–25 are estimated to be broadly similar to the 2023–24 MYEFO. Over the forward estimates, net interest payments as a share of GDP are expected to be 0.5 per cent in 2023–24, reaching 0.8 per cent of GDP by 2027–28.

Table 7.9: Interest payments, interest receipts and net interest payments[(a)]

		Estimates			
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Interest payments on AGS(b)	20,967	22,364	26,052	28,339	34,057
Per cent of GDP	0.8	0.8	0.9	0.9	1.1
Interest payments(c)	22,685	23,824	27,502	29,833	35,585
Per cent of GDP	0.8	0.9	1.0	1.0	1.1
Interest receipts	10,404	9,275	8,705	9,051	9,591
Per cent of GDP	0.4	0.3	0.3	0.3	0.3
Net interest payments(d)	12,281	14,549	18,797	20,782	25,994
Per cent of GDP	0.5	0.5	0.7	0.7	0.8

a) Interest payments and receipts are a cash measure, with the relevant amount recognised in the period in which the interest payment is made or interest is received.

b) The increases in 2025–26 and 2027–28 primarily reflect Treasury Indexed Bond lines maturing in those years.

c) Interest payments include interest payments on AGS, loans and other borrowing, as well as interest payments on lease liabilities.

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

As well as cash accounting terms, interest costs related to AGS are also presented on accrual accounting terms. The difference between the cash interest payments and accrual interest expense generally relates to the timing of when the interest cost is recognised.

- Interest payments are recognised in the period when they are paid during the life of the security.
- Interest expense is recognised in the period in which an expense is incurred during the life of the security, rather than when it is actually paid.

The Government's total interest expense in 2024–25 is estimated to be $33.4 billion, of which $24.1 billion relates to AGS on issue. Table 7.10 shows changes in interest expense, interest income and net interest expense over the forward estimates.

Table 7.10: Interest expense, interest income and net interest expense[(a)]

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Interest expense on AGS	22,533	24,083	28,259	32,422	35,733
Per cent of GDP	0.8	0.9	1.0	1.1	1.1
Total interest expense(b)	27,667	33,414	34,300	39,085	41,190
Per cent of GDP	1.0	1.2	1.2	1.3	1.3
Interest income	11,131	10,276	9,998	10,573	11,338
Per cent of GDP	0.4	0.4	0.3	0.3	0.4
Net interest expense(c)	16,536	23,138	24,302	28,511	29,853
Per cent of GDP	0.6	0.8	0.8	0.9	0.9

a) Interest expense is an accrual measure, with the relevant amount recognised in the period in which the expense is incurred, but not necessarily paid.

b) Total interest expense includes interest expense on AGS, loans and other borrowing, as well as interest expense on lease liabilities and other financing costs (including debt not expected to be repaid (DNER)).

c) Net interest expense is equal to the difference between interest expenses and interest income.

Appendix A: AGS issuance

The Australian Office of Financial Management (AOFM) is responsible for issuing AGS and managing the Government's financing activities. The AOFM currently issues three types of securities:

- **Treasury Bonds:** medium to long-term securities with a fixed annual rate of interest payable every six months. This will include the Green Treasury Bonds the Government will begin issuing before 30 June 2024.

- **Treasury Indexed Bonds (TIBs):** medium to long-term securities for which the capital value of the security is adjusted for movements in the consumer price index (CPI). Interest on TIBs is paid quarterly, at a fixed rate, on the adjusted capital value.

- **Treasury Notes:** short-term discount securities which mature within one year of issuance. The volume of Treasury Notes on issue will vary over the course of the year, depending on the size and profile of the within-year funding requirements.

Within these three broad categories of AGS, issuance is undertaken into a limited number of maturities (known as lines). The number of lines on issue is determined by the AOFM as part of its debt portfolio management role. Each line has a fixed maturity date (the date on which the Government repays the principal it has borrowed) and, for Treasury Bonds and TIBs, a coupon rate (the annual fixed interest rate paid on the security).

Concentrating AGS issuance into a limited number of lines (rather than issuing securities with a specific tenor, such as ten years) ensures each line is sufficiently large that it can be more readily traded in the secondary market. Strong liquidity in the secondary market is attractive to investors and intermediaries, promotes demand for AGS and assists in lowering borrowing costs. All AGS issuance is undertaken in Australian dollars.

The AOFM exercises operational independence in the execution of its duties. Its announced issuance program for each year is determined on the basis of maturing AGS, net new issuance required to fund the Budget and operational considerations.

Operational considerations often mean that the annual issuance program may not be equivalent to the financing task for a particular year. For example, the AOFM may decide there is merit in holding higher or lower cash balances. The AOFM may also choose to smooth issuance across several financial years in order to reduce changes in AGS issuance from one financial year to the next.

The AOFM aims to maintain an AGS yield curve out to a 30-year benchmark bond. This facilitates a lower risk profile of maturing debt, broadens the investor base and helps to reduce the impact of interest rate volatility on budget outcomes. Further details on the AOFM's debt issuance program are available on the AOFM website at www.aofm.gov.au.

The AOFM publishes an issuance program for the budget year only. Estimates beyond the budget year are based on a set of technical assumptions and will vary with changes to these assumptions and budget estimates.

Statement 8: Forecasting Performance and Sensitivity Analysis

Economic and fiscal forecasts and projections in the Budget are underpinned by a range of assumptions and judgements based on best available information at the time of preparation. In practice, economic and fiscal circumstances can evolve in ways that differ from expectations.

This statement assesses:

1. The performance of past forecasts based on the variance between forecasts and actuals.

2. The uncertainty around current forecasts using confidence interval analysis.

3. The sensitivity of current forecasts to changes in key assumptions:

   – Iron ore prices

   – Yields on Australian Government Securities.

The economic impact of other key variables, including iron ore and metallurgical coal prices are considered in *Budget Statement 2: Economic Outlook*. The fiscal impact of key developments and Australia's climate change outlook are considered in *Budget Statement 3: Fiscal Strategy and Outlook.*

Forecasts are based on assumptions and judgements. Forecast accuracy depends on whether assumptions and judgements prove to be correct, and the reliability of the modelled economic and fiscal relationships.

Statement contents

Statement 8: Forecasting Performance and Sensitivity Analysis

Assessing past forecasting performance

This section assesses the variance between historical forecasts and outcomes (forecast errors) for real and nominal GDP, tax receipts, non-tax receipts, payments and the underlying cash balance.

Forecasts are prepared using a range of techniques:

- Macroeconomic forecasts are prepared consistent with a national accounting framework using econometric models, analysis and professional judgement.

- Tax receipts forecasts are generally prepared using a 'base plus growth' methodology. The last outcome for each head of revenue is the base to which growth rates are applied, using appropriate economic parameters. Forecasts are then updated to include costings of new policy.

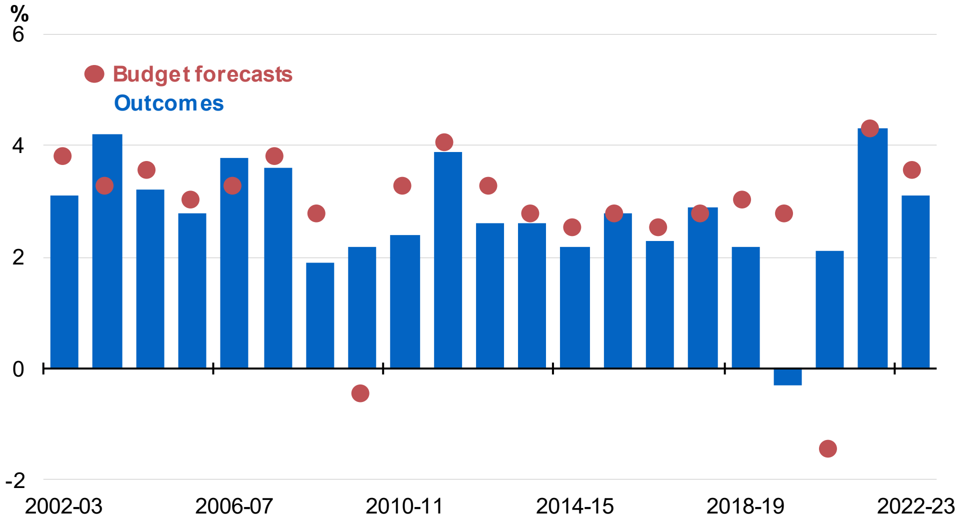
- Payments forecasts are generally prepared through analysis of payment program data, costings for new policies and historical trends in programs, in consultation with relevant agencies.

Economic forecasting performance

Real GDP forecasts incorporate assumptions for exchange rates, interest rates, commodity prices and population growth. The forecasts also incorporate judgements about how domestic and international developments might affect Australia's economy.

Real GDP grew by 3.1 per cent in 2022–23 rather than the 3½ per cent growth forecast at the March 2022–23 Budget (Chart 8.1). The overestimate of real GDP growth in 2022–23 was primarily due to weaker-than-expected household consumption in response to cost-of-living pressures.

Chart 8.1: Comparison of forecasts and outcomes for real GDP growth



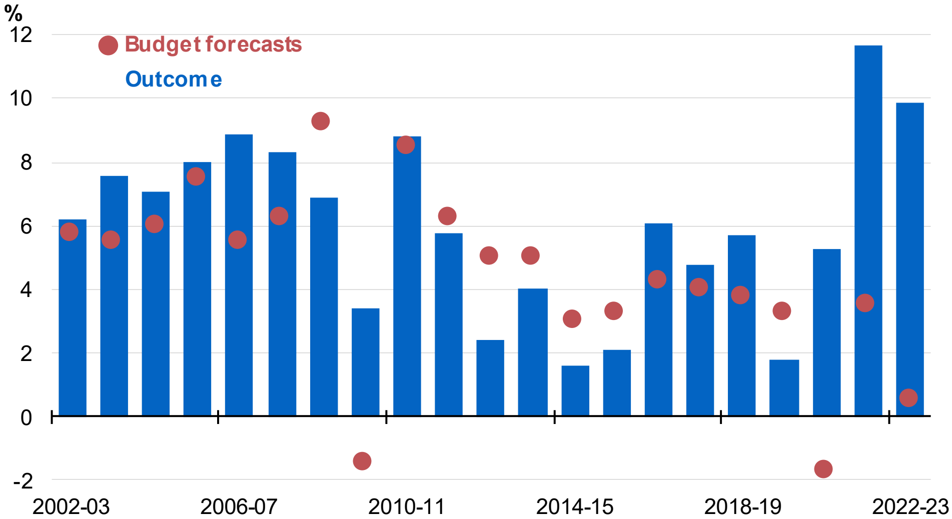
Note: Outcome is as published in the December quarter 2023 National Accounts. Forecast is that published in the Budget for that year. For 2022–23, the forecast is from the March 2022–23 Budget.

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

Nominal GDP forecasts include a price component that adds uncertainty compared to real GDP forecasts. Price uncertainty relates to domestic prices and wages, prices of imported goods, and world prices for Australia's exports including commodities. Since the early 2000s, nominal GDP forecast errors have largely reflected volatility in global commodity prices.

Nominal GDP grew by 9.9 per cent in 2022–23 rather than the ½ per cent growth forecast at the March 2022–23 Budget (Chart 8.2). The large underestimation in nominal GDP largely reflected higher-than-expected commodity prices. The March 2022–23 Budget assumed commodity prices would decrease to levels more consistent with long-term fundamentals, but global energy prices and the prices of Australian coal and LNG exports remained elevated, partly due to the continuation of Russia's invasion of Ukraine. Consequently, over 2022–23, the terms of trade decreased by 0.5 per cent, rather than the decline of 21¼ per cent expected in the March 2022–23 Budget.

Chart 8.2: Comparison of forecasts and outcomes for nominal GDP growth



Note: Outcome is as published in the December quarter 2023 National Accounts. Forecast is that published in the Budget for that year. For 2022–23, the forecast is from the March 2022–23 Budget.

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

Fiscal forecasting performance

Fiscal forecast errors are driven by economic and demographic forecast errors, along with unanticipated changes in demand for government programs. Government policies announced after the Budget can also affect fiscal forecast errors. Further information on Budget outcomes can be found in the *2022–23 Final Budget Outcome.*

Total receipts

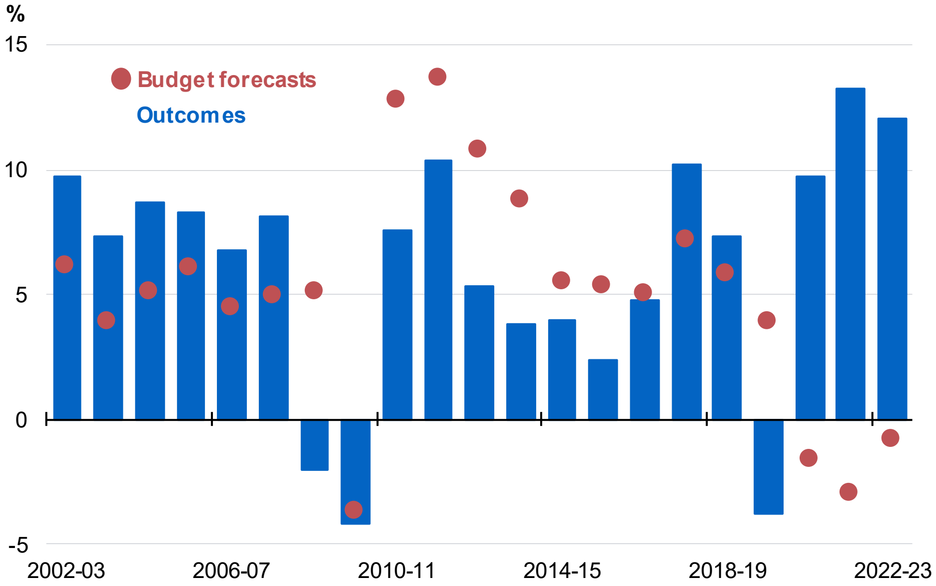
Total receipts are comprised of tax and non-tax receipts (for example, dividends from investment funds). Tax receipts account for over 90.0 per cent of total receipts and are therefore the main driver of forecasting performance.

Total receipts grew 11.1 per cent in 2022–23 rather than the 1.6 per cent decrease forecast at the March 2022–23 Budget. Total receipts were $101.8 billion higher than forecast.

Tax receipts

Tax receipts grew 12.1 per cent in 2022–23 rather than the 0.8 per cent decrease forecast at the March 2022–23 Budget (Chart 8.3). Tax receipts were $92.9 billion higher than forecast. This outcome reflected higher-than-expected company tax receipts and stronger-than-expected employment and wage growth.

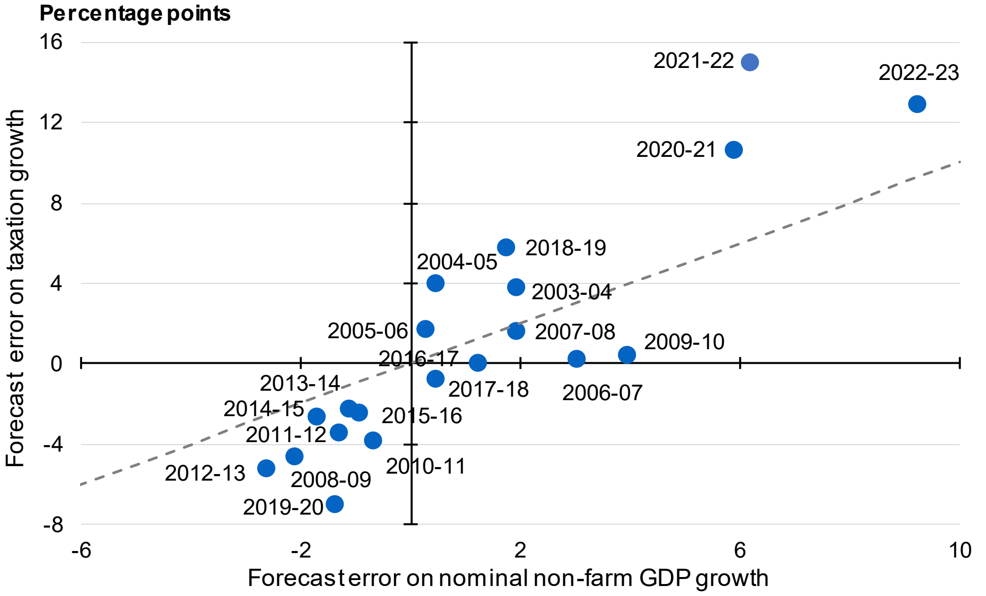
Chart 8.3: Comparison of forecasts and outcomes for tax receipts growth



Source: Budget papers and Treasury.

On average, nominal GDP forecast errors magnify tax receipts forecast errors, owing to Australia's progressive personal income tax system (Chart 8.4).

Chart 8.4: Forecast errors for nominal non-farm GDP and tax receipts growth[(a)]



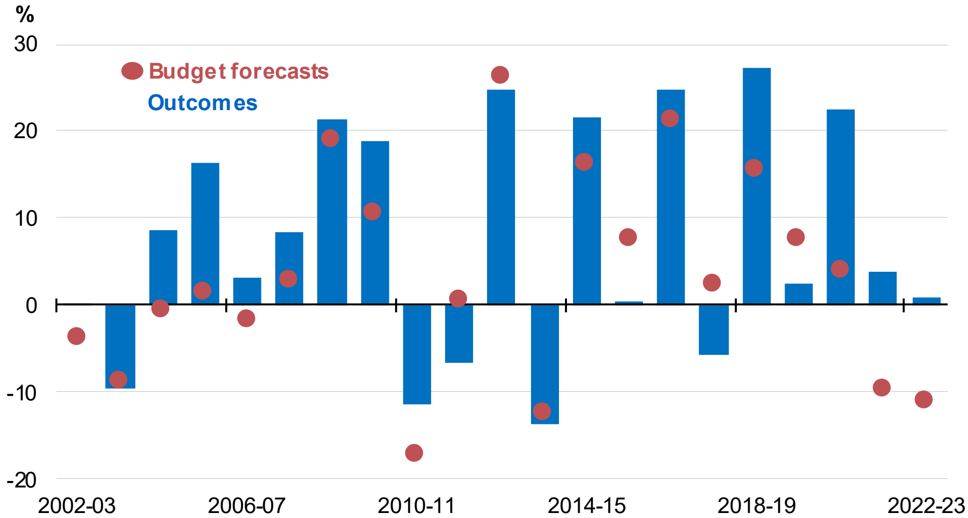
a) Excludes CGT.
Source: ABS Australian National Accounts: National Income, Expenditure and Product and Treasury.

Non-tax receipts

Forecast variances for non-tax receipts are generally driven by financial market volatility which impacts investment earnings and resource royalties.

Non-tax receipts grew by 0.8 per cent in 2022–23 rather than the 11.1 per cent decrease forecast at the March 2022–23 Budget (Chart 8.5). Non-tax receipts were $8.9 billion higher in 2022–23 than forecast in the March 2022–23 Budget. This increase largely reflects significant variations in returns on investments, including higher than estimated earnings from interest on cash deposits due to the rise in short-term interest rates, and higher than estimated earnings from the Future Fund and the Australian Government Investment Funds. Additionally, increases to non-tax receipts flowed from increased passport demand following the reopening of Australia's borders, and higher-than-estimated receipts under the Higher Education Loan Program due to strong labour market conditions.

Chart 8.5: Comparison of forecasts and outcomes for non-tax receipts growth



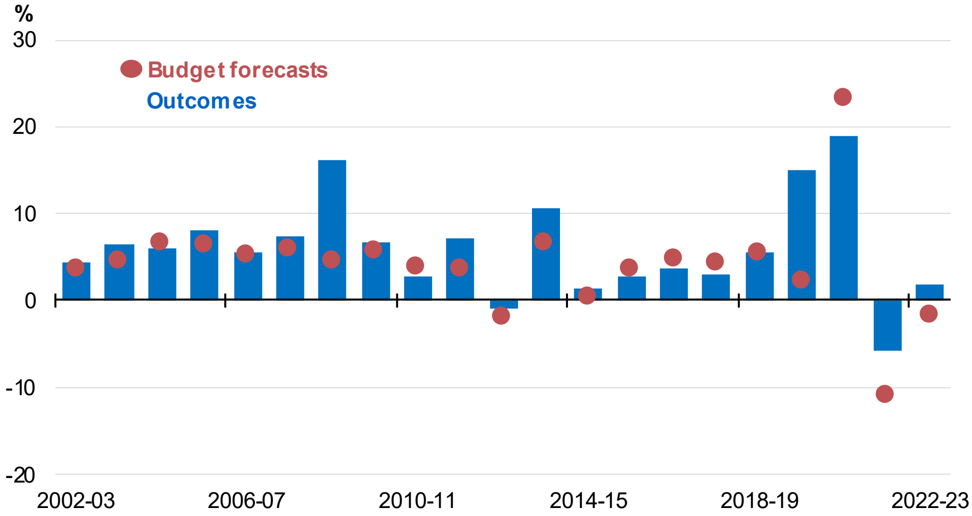
Source: Budget papers and Treasury.

Payments

Payments forecasting performance is affected by growth in indexation factors (for example, CPI growth) and demand for government programs. Demand-driven programs, such as payments to individuals for social welfare, form the bulk of Australian Government expenditure and vary with economic conditions.

Payments increased by 1.8 per cent in 2022–23 rather than the 1.7 per cent decrease forecast at the March 2022–23 Budget (Chart 8.6). Payments were $1.8 billion higher in 2022–23 than forecast in the March 2022–23 Budget. This relatively small increase reflects a large number of individual variations having offsetting impacts. These include higher-than-estimated payments across a range of welfare programs, including Jobseeker, the Disability Support Pension, and the Age Pension due to higher-than-expected indexation. Policy decisions made in the 2022–23 October Budget to deliver cheaper child care, ease the cost of living for families, and reduce barriers to greater workforce participation also resulted in increases to payments in 2022–23. These increases were partially offset by lower-than-expected interest payments due to the reduction in the level of gross debt. The stronger budget position resulted from a range of factors, including upgrades to tax revenue that were largely used to repair the budget, and lower-than-estimated medical benefits payments, resulting from lower spending on COVID-19 pathology and vaccine administration and a reduction in demand for services.

Chart 8.6: Comparison of forecasts and outcomes for payments growth



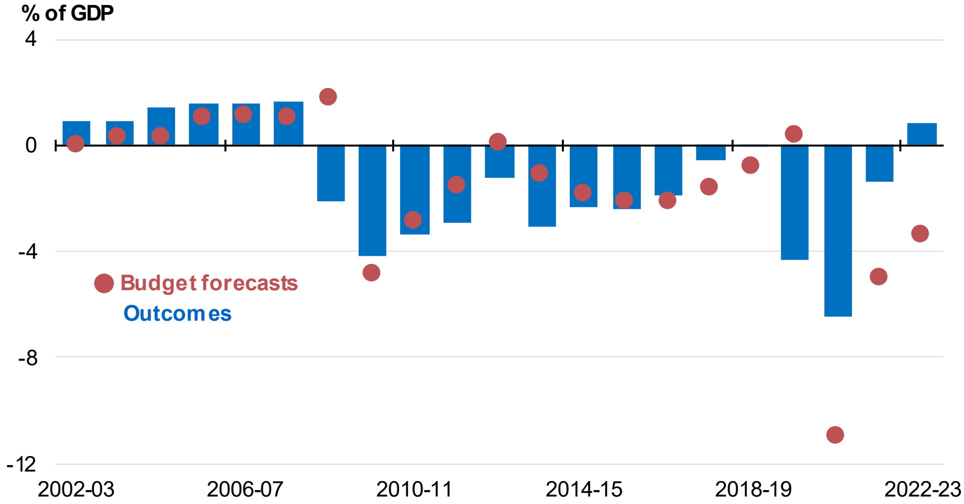
Source: Budget papers and Treasury.

Underlying cash balance

Underlying cash balance forecasting performance is driven by the forecast errors of total receipts and payments.

The underlying cash surplus was 0.9 per cent of GDP in 2022–23 rather than the forecast deficit of 3.4 per cent of GDP (Chart 8.7). The underlying cash balance was $100.0 billion more than forecast. The better-than-expected underlying cash balance outcome in 2022–23 largely reflected higher-than-expected receipts, the majority of which were returned to the budget.

Chart 8.7: Comparison of forecasts and outcomes for underlying cash balance



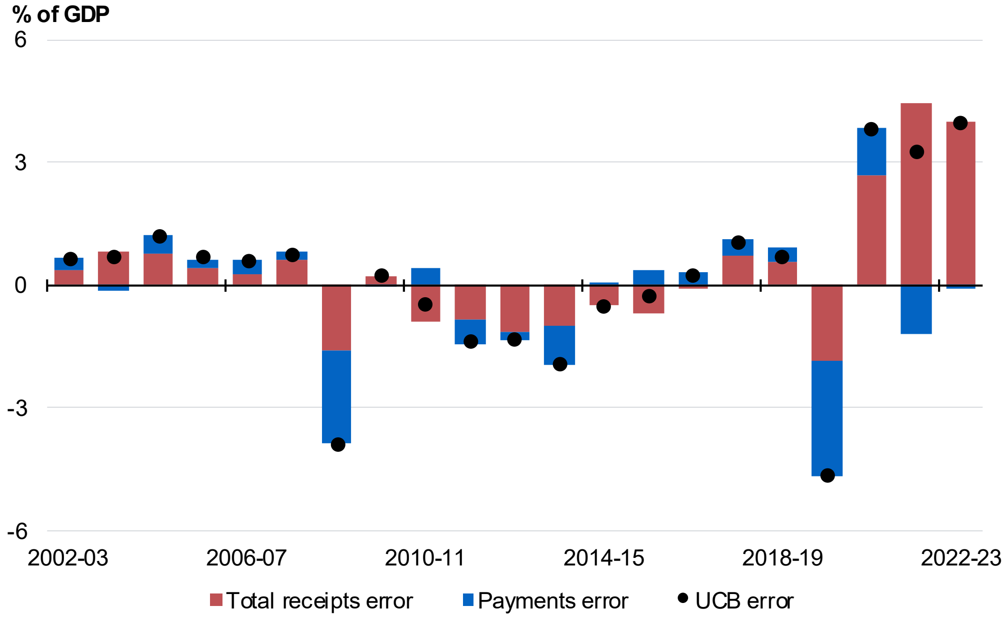
Source: Budget papers and Treasury.

The underlying cash balance[38] forecast error for 2022–23 is consistent with the experience of the past two decades, outside major downturns, where forecast errors largely reflect forecast errors of total receipts (Chart 8.8). In 2022–23 key contributors to the error were the impact on tax receipts of higher global commodity prices and stronger-than-expected employment and wage growth.

Large forecast errors for payments in 2008–09 and 2019–20 reflected unexpected Government payment assistance during the Global Financial Crisis and COVID-19. Overestimates of receipts tend to coincide with underestimates of payments during economic shocks, magnifying underlying cash balance forecast errors.

38 Between 2005–06 and 2019–20, the underlying cash balance was equal to receipts less payments, less net Future Fund earnings. In all other years, the underlying cash balance is equal to receipts less payments.

Chart 8.8: Total receipts, payments, and underlying cash balance forecast errors



Source: Budget papers and Treasury.

Assessing forecast uncertainty – confidence interval analysis

Confidence intervals illustrate the uncertainty around current forecasts based on the historical distribution of forecast errors. Confidence interval analysis assumes that future forecast errors are consistent with the distribution of past forecast errors[39] Based on past forecasting performance, there is a 70 and 90 per cent probability that the actual outcome will lie within the 70 and 90 per cent confidence interval bands.

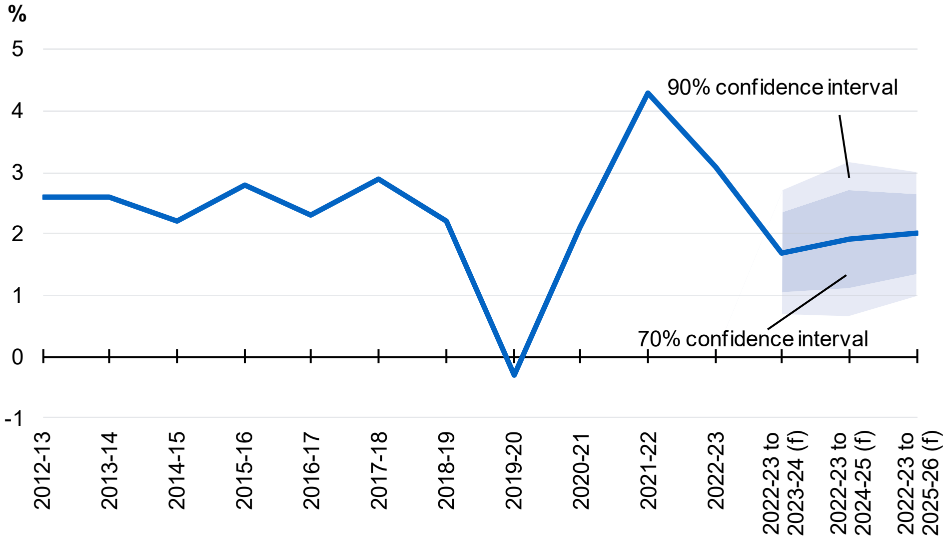
Future forecast errors may not have the same distribution as historical forecast errors. The large forecast errors in 2019–20 and 2020–21, related to the COVID–19 pandemic, are an example of events not previously captured in the historical error sample. Large disruptive events are difficult to predict and could occur again in the future.

Economic uncertainty based on historical forecast errors

Average annualised growth in real GDP in the three years to 2025–26 is expected to be around 2 per cent. The 70 per cent confidence interval ranges from 1¼ per cent to 2¾ per cent. The 90 per cent confidence interval ranges from 1 per cent to 3 per cent (Chart 8.9).

39 See Treasury Working Paper: *Estimates of Uncertainty around Budget Forecasts (2013)*.

Chart 8.9: Confidence intervals around real GDP growth rate forecasts

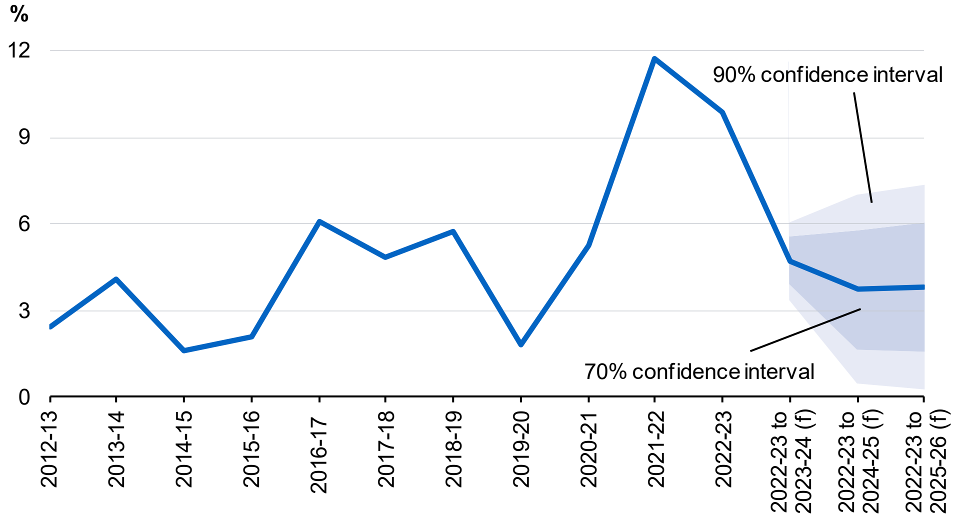


Note: The line shows the outcomes and the 2024–25 Budget forecasts. Annual growth rates are reported for the outcomes. Average annualised growth rates from 2022–23 are reported for 2023–24 onwards. Confidence intervals are based on the root mean squared errors (RMSEs) of Budget forecasts from 1998–99 onwards and are a statistical assessment that does not take account of any change in circumstance in the economic outlook. (f) are forecasts.

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

The confidence intervals around the nominal GDP forecasts are wider than those around the real GDP forecasts, reflecting the additional uncertainty around domestic prices and commodity prices. Average annualised growth in nominal GDP in the three years to 2025–26 is expected to be around 3¾ per cent, with the 70 per cent confidence interval ranging from 1½ per cent to 6 per cent. The 90 per cent confidence interval ranges from ¼ per cent to 7¼ per cent (Chart 8.10).

Chart 8.10: Confidence intervals around nominal GDP growth rate forecasts



Note: The line shows the outcomes and the 2024–25 Budget forecasts. Annual growth rates are reported for the outcomes. Average annualised growth rates from 2022–23 are reported for 2023–24 onwards. Confidence intervals are based on the root mean squared errors (RMSEs) of Budget forecasts from 1998–99 onwards and are a statistical assessment that does not take account of any change in circumstance in the economic outlook. (f) are forecasts.

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

Fiscal uncertainty based on historical forecast errors

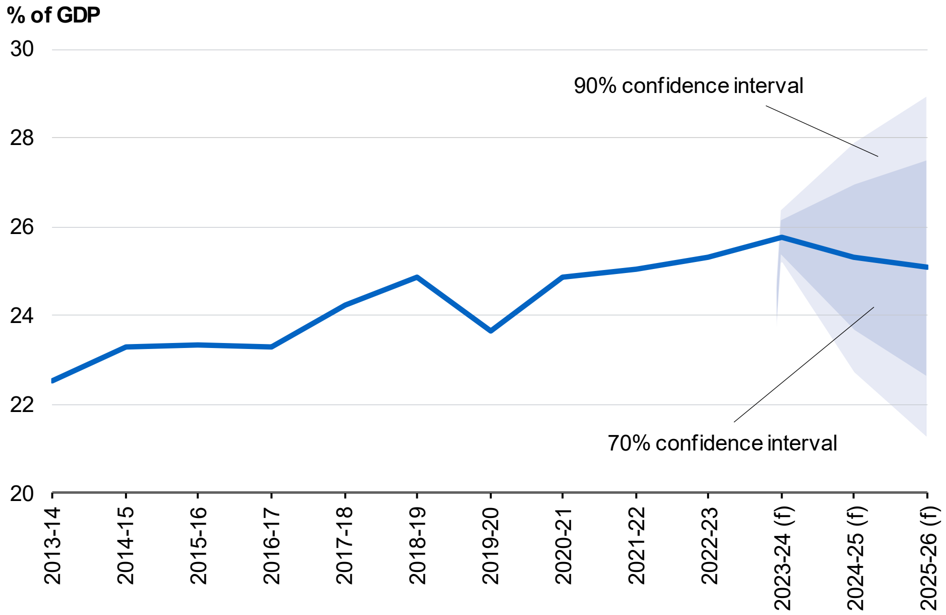
Fiscal estimates are based on economic and demographic forecasts as well as estimates of spending and revenue measures.

Historical variations caused by subsequent policy decisions not known at the time of forecast are excluded because these decisions do not reflect forecasting errors based on available information at the time of preparation. Payment estimates do not exclude the public debt interest associated with these subsequent policy decisions because this cannot be separately identified.

Total receipts

Total receipts (including GST) are expected to be around 25.3 per cent of GDP in 2024–25, with the 70 per cent confidence interval ranging from 23.7 per cent to 27.0 per cent of GDP. The 90 per cent confidence interval ranges from 22.7 per cent to 27.9 per cent in 2024–25. The uncertainty around receipts forecasts increases with time (Chart 8.11).

Chart 8.11: Confidence intervals around total receipts forecasts[(a)]



a) Includes Future Fund earnings from 2020–21 onwards.

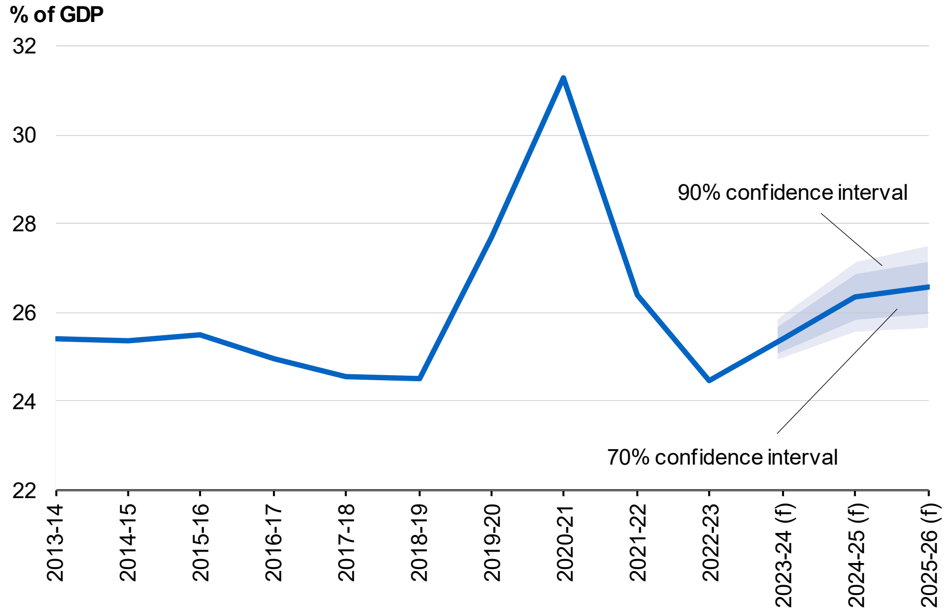
Note: The central line shows outcomes and the 2024–25 Budget forecasts. Confidence intervals use Root Mean Square Errors (RMSE) for Budget forecasts from the 1999–2000 Budget onwards. (f) are forecasts.

Source: Budget papers and Treasury.

Payments

The confidence interval for payments is narrower than receipts because there is greater certainty around payments forecasts. Payments (including GST) are expected to be around 26.4 per cent of GDP in 2024–25, with the 70 per cent confidence interval ranging from 25.8 per cent to 26.9 per cent of GDP. The 90 per cent confidence interval ranges from 25.5 per cent to 27.2 per cent in 2024–25 (Chart 8.12).

Chart 8.12: Confidence intervals around payments forecasts[(a)]



a) Includes GST payments.

Note: The central line shows outcomes and the 2024–25 Budget forecasts. Confidence intervals use Root Mean Square Errors (RMSE) for Budget forecasts from the 1999–2000 Budget onwards. (f) are forecasts.

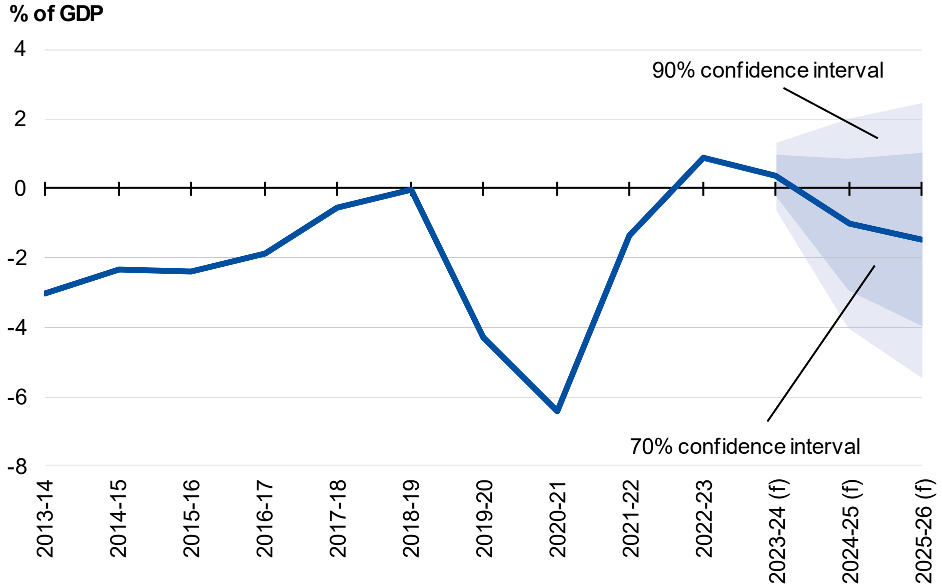
Source: Budget papers and Treasury.

Underlying cash balance

The underlying cash deficit in 2024–25 is expected to be 1.0 per cent of GDP, with the 70 per cent confidence interval ranging from a deficit of 2.9 per cent to a surplus of 0.9 per cent of GDP. The 90 per cent confidence interval ranges from a deficit of 4.0 per cent to a surplus of 2.0 per cent in 2024–25.

The uncertainty around underlying cash balance forecasts reflects forecast errors in receipts and payments which increase with time (Chart 8.13).

Chart 8.13: Confidence intervals around the underlying cash balance forecasts



Note: The central line shows outcomes and the 2024–25 Budget forecasts. Confidence intervals use Root Mean Square Errors (RMSE) for Budget forecasts from the 1999–2000 Budget onwards. (f) are forecasts.

Source: Budget papers and Treasury.

Assessing current forecasts through sensitivity analysis

Sensitivity analysis allows for an assessment of the impact of key assumptions. The following sensitivity analyses are considered due to their variability and importance for the Budget:

- Higher and lower iron ore prices.
- Higher and lower yields over the medium term.

For illustrative purposes, the upper and lower sensitivities are broadly symmetric, even where not equally probable.

Movements in iron ore prices

The forecasts for nominal GDP and tax receipts are sensitive to commodity price assumptions, particularly iron ore prices. Iron ore is Australia's largest export by value, representing around 18.0 per cent of the total value of goods and services exports in 2022–23. See *Budget Statement 2: Economic Outlook* for more information on developments in commodity prices.

Iron ore prices are volatile and sensitive to global market developments. Table 8.1 considers the impact of a permanent US$10 per tonne increase and decrease in the iron ore price on nominal GDP and tax receipts relative to the Budget baseline forecast.

Table 8.1: Scenario analysis of a US$10 per tonne movement in iron ore prices

	US$10/tonne FOB[(a)] increase				US$10/tonne FOB decrease			
	2024-25	2025-26	2026-27	2027-28	2024-25	2025-26	2026-27	2027-28
Nominal GDP ($billion)	5.3	2.7	5.9	11.0	-5.3	-2.7	-5.9	-11.0
Tax receipts ($billion)	0.5	0.5	0.5	1.9	-0.5	-0.5	-0.5	-1.9

a) Prices are presented in free-on-board (FOB) terms which exclude the cost of freight.
Source: Treasury.

The effects of a US$10 per tonne increase and decrease in the iron ore price are broadly symmetric. The following discussion focuses mainly on an increase for illustrative purposes. The US$10 per tonne increase in the assumed price for iron ore exports is expected to result in an increase in nominal GDP of around $5.3 billion in 2024–25, rising to around $11.0 billion in 2027–28.

The economic response to a permanent change in the price of iron ore is derived from a commodity price shock in Treasury's Macroeconometric Model of Australia.[40] The model incorporates forward-looking financial markets, which anticipate the permanent increase (or decrease) in commodity prices. An increase in iron ore export prices leads to a higher terms of trade, which leads directly to higher output prices and nominal GDP. However, the appreciation in the exchange rate partially offsets the increase in exports prices and acts

40 See Treasury Paper: *The Macroeconometric Model of Australia: Modelling Approach (2021).*

to reduce domestic inflation through lower import prices. In comparison, *Box 2.4: Commodity prices* illustrates the effect of changing the short-term commodity price assumptions on the forecasts for nominal GDP and tax receipts while maintaining the Budget forecasts for economic activity, the exchange rate and other prices. This methodology is more consistent with how short-run movements in commodity prices would impact the forecasts for nominal GDP and tax receipts in the budget.

The volume of output and exports of the mining sector increase in response to higher iron ore prices. The higher exchange rate leads to a substitution towards imports, which partially offsets the increase in exports and GDP.

A US$10 per tonne increase in the assumed price for iron ore exports is expected to result in an increase in tax receipts of around $0.5 billion in 2024–25, 2025–26 and 2026–27, before increasing to $1.9 billion in 2027–28. An increase in iron ore prices increases mining company profits and therefore company tax receipts. This builds over time as receipts fully incorporate the lag between when profits are realised and tax is paid by companies, with the largest increase occurring in 2027–28. Lower domestic prices result in lower individuals and other withholding taxes and indirect tax receipts, partially offsetting the increase in company tax.

Movements in yields

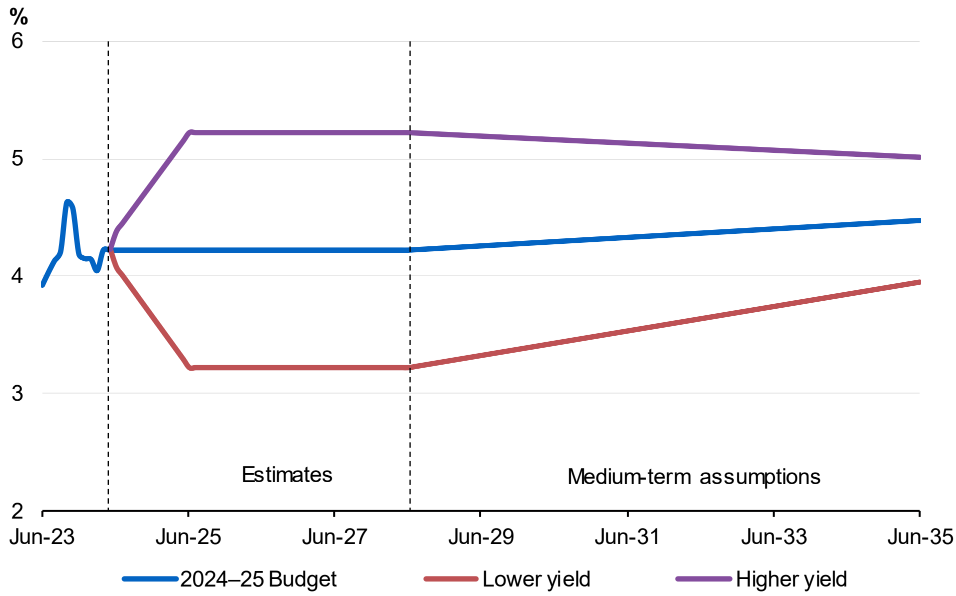
Government borrowing costs are sensitive to yields on Australian Government Securities and the level of debt. See *Budget Statement 7: Debt Statement* for further information on yields. Given the uncertainty surrounding the global and domestic outlook and the impact on yields, Treasury makes the following technical assumptions:

- Over the forward estimates, government bond yields are fixed at rates observed immediately prior to the Budget update. In the 2024–25 Budget, the 10-year yield, which approximates the average yield on new issuance, is assumed to be 4.2 per cent over the forward estimates.

- After the forward estimates, the 10-year bond yield converges linearly towards the long-run nominal GDP growth rate over 15 years. This is broadly consistent with the long-run approaches of comparable advanced economies. The yields on other bond tenors are assumed to maintain their historical relativity to the 10-year bond yield.

The higher yield assumption has bond yields increasing by 100 basis points by 30 June 2025. Yields are then held constant over the remainder of the forward estimates to 2027–28, before linearly converging to the long-run yield assumption of nominal GDP growth over 15 years. The lower yield sensitivity is symmetric (Chart 8.14). Other economic parameters are assumed to remain unchanged from baseline forecasts to isolate the direct impact on fiscal aggregates.

Chart 8.14: Baseline and alternative movements in the 10-year bond yield



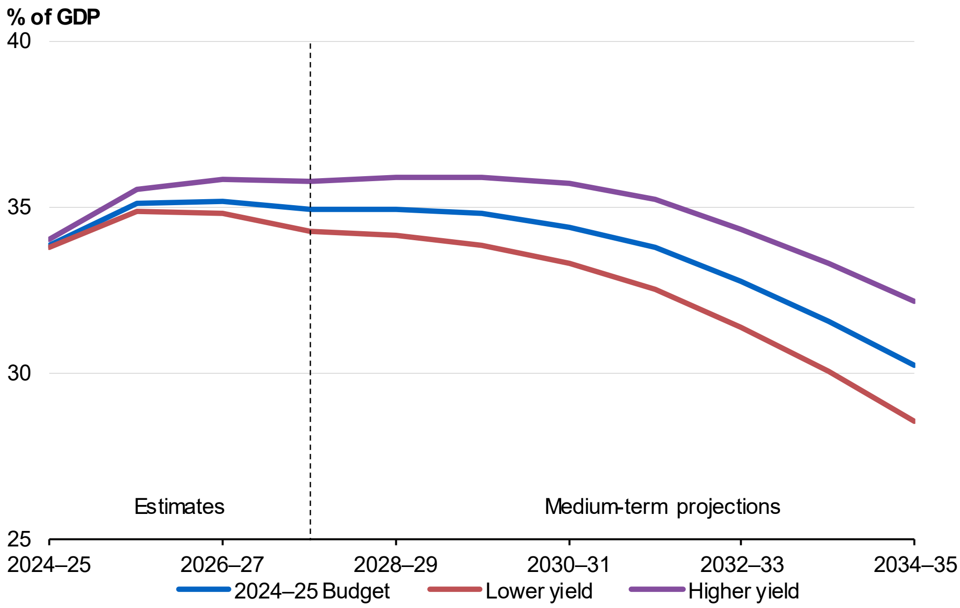
Source: Treasury.

Higher yields increase public debt interest payments and receipts earned on investments. As government interest bearing liabilities usually exceed interest bearing assets, higher yields lead to a deterioration in the underlying cash balance. Lower yields have the reverse effect, improving the underlying cash balance.

The higher yield assumption results in a deterioration to the underlying cash balance of 0.3 percentage points of GDP by 2034–35 and increases gross debt by 1.9 percentage points of GDP at 30 June 2035 (Chart 8.15).

The lower yield assumption results in an improvement to the underlying cash balance of 0.2 percentage points of GDP by 2034–35. Under the lower yield assumption, cumulative improvements to the underlying cash balance reduce gross debt by 1.7 percentage points of GDP at 30 June 2035.

Chart 8.15: Gross debt



Source: Australian Office of Financial Management and Treasury.

Even under the higher yield assumption, projected Commonwealth gross debt as a share of GDP is less than 30 per cent of the average general government gross debt in the G7 countries today.

Statement 9:
Statement of Risks

A range of factors may influence the actual budget outcome in future years. The *Charter of Budget Honesty Act 1998* requires these factors to be disclosed in a statement of risks in each Budget and Mid-Year Economic and Fiscal Outlook. This Statement outlines general fiscal risks, specific contingent liabilities and specific contingent assets that may affect the budget balances.

Statement contents

Statement 9: Statement of Risks

Risks to the Budget – Overview

The forward estimates of revenue and expenses in the 2024–25 Budget incorporate assumptions and judgments based on the best information available at the time of publication, together with a range of economic assumptions and other forecasts and projections.

Events that could affect fiscal outcomes include:

- changes in economic and other parameters, which may be driven by the evolution of and responses to domestic and global inflationary pressures, volatility in global commodity prices, further global instability stemming from conflicts in Europe and the Middle East, and the challenges associated with the transition towards net zero emissions
- matters not included in the fiscal forecasts because of uncertainty about their timing, magnitude or likelihood
- the realisation of contingent liabilities or assets.

The revenue and expense estimates and projections published in the 2024–25 Budget are based on a range of economic and other parameters that are consistent with the domestic and international outlook detailed in *Budget Statement 2: Economic Outlook*. Economic outcomes that differ from the parameters used in the Budget represent a material risk to the Budget estimates. *Budget Statement 8: Forecasting Performance & Sensitivity Analysis* examines the impact on receipts and payments of altering some of the key economic assumptions underlying the Budget estimates.

A significant portion of government expenditure is for demand-driven programs. Outcomes for these programs could differ from the estimates and projections due to changes in economic outcomes, particularly for inflation and wages growth. For a number of demand-driven support programs, including the National Disability Insurance Scheme, aged care programs and health programs, outcomes depend on the wide range of factors that affect the take-up of and cost of these programs.

Revenue forecasting relies heavily on the observed relationships between the economy, tax bases and tax revenues. Such relationships may shift over time as the economy changes, presenting further risk to the estimates. For example, the ability of entities to use tax losses to offset profits may continue to pose heightened challenges in estimating the profile for company and resource tax receipts. Revenue forecasts also incorporate costings for new policies that typically involve a degree of uncertainty.

The estimates and projections of revenue are also subject to general risks that can affect taxation collections. These risks include the ability of the tax system to keep pace with changes in the business environment, the potential for tax avoidance, pending court decisions and Australian Taxation Office rulings, and the uncertain outcomes of compliance programs. The manifestation of these risks may result in a shift in the composition of taxation collected from the various tax bases or a change in the size of the tax base.

Many agencies rely on external revenue to fund the delivery of some of their services. Estimates included in the Budget for these agencies reflect the latest information about the likely amount of external revenue they will raise. The external revenue actually collected is not certain and depends on some common factors, including economic conditions, which can affect estimates for individual agencies and for the Budget as a whole.

The forward estimates in the Budget include the impact of all policy decisions, including those that remain unlegislated. There is a risk of a variation to the fiscal position outlined in the Budget where legislation is not passed in time for the commencement of the measure on the anticipated commencement date, the legislation is passed with amendments to the original decision, or the legislation fails to pass the Parliament.

The risks associated with climate change

Over time, climate change is expected to have a significant impact on the Budget, both in terms of risk and opportunities. The Australian Government is managing these impacts by reducing emissions and supporting the economic opportunities presented by the net zero transition. However, there is still significant uncertainty about the trajectory of global greenhouse gas emissions and the impacts climate change will have on Australia.

Climate change can affect macroeconomic and fiscal outcomes in various ways. These include the physical impacts of climate change, the indirect impacts climate change will have on Australia's industry mix, and the impacts of policy responses to reduce emissions or adapt to the impacts of a changing climate. Each of these has the potential to affect receipts, payments, and the Australian Government's balance sheet. They also have the potential to influence general economic outcomes, which may, in turn, affect Budget outcomes.

Policy responses taken by the Australian Government to address climate change include the establishment of the Capacity Investment Scheme in the 2023–24 Budget and its expansion in the 2023–24 MYEFO to drive investment in renewable dispatchable capacity and ensure reliability in Australia's energy market. The Budget impact of the Capacity Investment Scheme will depend on future developments in energy prices, which may present risks that are not fully reflected in the Budget estimates. While the Government has opened the first Capacity Investment Scheme tender, contracts have yet to be finalised. Specific risks associated with this program will be reflected in the Statement once contracts are finalised and if it is determined that they meet the materiality thresholds for inclusion.

Measures in the 2024–25 Budget to reduce emissions in the Australian economy include the Hydrogen Production Tax Incentive and Critical Minerals Production Tax Incentive which align with the Government's Future Made in Australia agenda. The uncertainty surrounding these measures could affect revenue forecasts.

Budget Statement 9: *Statement of Risks* sets out specific risks where they may have an impact on the Budget in the Budget year or over the forward estimates period. Some of these risks, such as those associated with the cyclone and related flooding reinsurance pool and disaster recovery arrangements, are likely to be exacerbated by climate change over time. Other specific risks may emerge that will impact the Budget beyond the forward estimates period. These would be included in this Statement when it is apparent that the potential impact on the Budget would exceed the materiality threshold.

Specialist Investment Vehicles

Successive Australian Governments have established Specialist Investment Vehicles (SIVs) to achieve policy outcomes. These include the National Reconstruction Fund, Export Finance Australia, the Clean Energy Finance Corporation, and the Northern Australia Infrastructure Facility. These SIVs have been established with robust governance arrangements, including independent boards, which are charged with making investment decisions that manage risk and deliver outcomes in line with each SIV's specific investment mandates. Details of each SIV is set out in Budget Paper No. 2 or Appendix A to the MYEFO when they are established and, where relevant, presented in the 'Government loans' section of this Statement, including the total value of loans issued by each entity. This Statement includes reference to specific risks associated with these SIVs at the time it is apparent that those risks associated with the investments exceed or are expected to exceed the materiality threshold.

Specific risks to the Budget

The Budget is subject to contingent liabilities. Many of these reflect indemnities, including those relating to the Department of Defence, the Future Fund Management Agency and Future Fund Board of Guardians, and the Reserve Bank of Australia. The Australian Government has also issued guarantees, including those relating to guarantee schemes for the banking and financial sector, payments by Export Finance Australia, and the superannuation liabilities of the Commonwealth Bank prior to its sale. Other significant contingent liabilities relate to uncalled capital subscriptions and credit facilities to international financial institutions and legal cases concerning the Australian Government. The Government has robust and conservative strategies in place to reduce its potential exposure to these contingent liabilities.

Fiscal risks arise from general developments or specific events that may affect the fiscal outlook. Some developments or events raise the possibility of a fiscal impact. In other cases, the likelihood of a fiscal impact may be reasonably certain but will not be included in the forward estimates because the timing or magnitude of the impact is not known.

Table 9.1 outlines how fiscal risks, assets and liabilities, and contingent assets and liabilities, are disclosed in the Budget.

Table 9.2 summarises fiscal risks, contingent liabilities and contingent assets with a possible impact on the forward estimates greater than $20 million in any one year, or $50 million over the forward estimates period. Risks that are new or that have materially changed are detailed by portfolio after Table 9.2.

The Australian Government's annual consolidated financial statements and the annual financial statements of departments and other Government entities also set out information on contingent liabilities and contingent assets.

The Government also makes direct loans for policy purposes. All loans contain some element of credit risk (that is, they will not be repaid in full) although, in many cases, this risk is small. Details of Government loans that exceeded $200 million at 30 June 2024 are included at the conclusion of Statement 9.

Table 9.1: Disclosure of fiscal risks, contingent assets and contingent liabilities, and assets and liabilities in the Budget papers

Category	Type[a]	Disclosure
Fiscal Risks	Fiscal Risks	Statement of Risks
Contingent assets and contingent liabilities	Significant contingent assets and liabilities considered remote	Statement of Risks
	Unquantifiable contingent assets and liabilities that are improbable but not remote	Statement of Risks
	Quantifiable contingent assets and liabilities that are improbable but not remote	Statement of Risks
	Contingent assets and liabilities excluded on the basis of immateriality[b]	None
Assets and liabilities	Assets and liabilities that are probable and can be reliably measured	Balance sheet[c] [d]
	Assets and liabilities that are probable but have an uncertain timing or amount (provisions)	Balance sheet

a) Items that are described as probable have a 50 per cent or higher chance of occurrence.
b) Only risks with a possible impact on the forward estimates greater than $20 million in any one year, or $50 million over the forward estimates period, are considered material and disclosed in this Statement.
c) Unearned income from charging guarantee fees is shown as a liability in the balance sheet.
d) Additional disclosure to increase transparency on loans over $200 million is included in this Statement.

Table 9.2: Summary of fiscal risks, contingent liabilities and contingent assets in the Statement of Risks[(a)]

Agriculture, Fisheries and Forestry	**Status**
Contingent liabilities – unquantifiable	
Commonwealth liabilities in respect of matching payments to industries for research and development contributions	Unchanged
Emergency pest and disease response arrangements	Modified
White spot syndrome virus and disease 2016 outbreak	Unchanged
Attorney-General's	**Status**
Significant but remote contingency	
Indemnities relating to the Air Security Officer Capability	Unchanged
Contingent liabilities – unquantifiable	
Native Title costs	Unchanged
Current and prospective investor-state claims against the Australian Government	Modified
Contingent asset – unquantifiable	
Civil penalty relating to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*	Modified
Climate Change, Energy, the Environment and Water	**Status**
Fiscal Risk	
Snowy Hydro Limited	Modified
Significant but remote contingencies	
Snowy Hydro Limited – Board Members' indemnity	Unchanged
Snowy Hydro Limited – Termination of the Equity Subscription Agreements	Modified
Underwriting of Transmission Projects	Unchanged
Contingent liabilities – unquantifiable	
Gorgon liquefied natural gas and carbon dioxide storage project – long-term liability	Unchanged
Liability for costs incurred in a national liquid fuel emergency	Unchanged
Marinus Link Project – Shareholders' agreement	New
Murray-Darling Basin Reform – risk assignment	Unchanged
Remediation of Jabiru Township	Unchanged
United States Strategic Petroleum Reserve Lease Agreement – indemnity under certain conditions	Unchanged
Contingent liability – quantifiable	
Underwriting of the Marinus Link Project	Modified
Defence	**Status**
Fiscal Risks	
Implementation of the nuclear-powered submarine program	Modified
Major operations of the Australian Defence Force in 2024–25	Unchanged
Significant but remote contingencies	
ADI Limited – Officers' and Directors' indemnities	Unchanged
Litigation cases	Unchanged
Remote contingencies	Unchanged
Contingent liabilities – unquantifiable	
Cockatoo Island Dockyard	Unchanged
Land decontamination, site restoration and decommissioning of Defence assets	Unchanged
Contingent liability – quantifiable	
Claims against the Department of Defence	Unchanged

Table 9.2: Summary of fiscal risks, contingent liabilities and contingent assets in the Statement of Risks[(a)] (continued)

Employment and Workplace Relations	Status
Fiscal Risk	
Recovery of inappropriately claimed VET FEE-HELP payments from VET providers	Unchanged
Contingent liabilities – quantifiable	
ParentsNext program	Modified
Workforce Australia – Employment Fund	Modified
Finance	**Status**
Significant but remote contingency	
Australian Naval Infrastructure Pty Ltd – Termination of the Equity Funding Agreement	Unchanged
Contingent liabilities – unquantifiable	
ASC Pty Ltd – Directors' and Executives' indemnities	Unchanged
ASC Pty Ltd – Guarantee of Indemnity from ASC in favour of ASC Shipbuilding Pty Limited	Unchanged
Australian Government general insurance fund – Comcover	Unchanged
Commonwealth Superannuation Corporation – immunity and indemnity	Unchanged
Finance owned estate	Unchanged
Future Fund Management Agency and Future Fund Board of Guardians – indemnity	Unchanged
Googong Dam	Unchanged
Indemnities for the Reserve Bank of Australia and private sector banks	Unchanged
Indemnities relating to other former asset sales, privatisations and information technology outsourcing projects	Unchanged
Foreign Affairs and Trade	**Status**
Fiscal Risk	
Export Finance Australia – National Interest Account	Modified
Contingent liability – quantifiable	
Export Finance Australia	Modified
Health and Aged Care	**Status**
Fiscal Risk	
Fair Work Commission decision – Aged Care Work Value Case	Modified
Contingent liabilities – unquantifiable	
Accommodation Payment Guarantee Scheme	Unchanged
Advance Purchasing Agreements for COVID-19 vaccines	Unchanged
Australian Red Cross Society – indemnities	Unchanged
Blood and blood products liability cover	Unchanged
CSL Ltd	Unchanged
Indemnities relating to vaccines	Unchanged
Major sporting events	Unchanged
Medical Indemnity Exceptional Claims Scheme	Unchanged
Medical Rural Bonded Scholarship Waivers	New
mRNA manufacturing facility – indemnities	Unchanged
Contingent asset – unquantifiable	
Legal action seeking compensation	Unchanged

Table 9.2: Summary of fiscal risks, contingent liabilities and contingent assets in the Statement of Risks[(a)] (continued)

Home Affairs	Status
Fiscal Risk	
Regional processing arrangements	Unchanged
Contingent liabilities – unquantifiable	
Australian victims of terrorism overseas payment	Unchanged
Disaster Recovery	Unchanged
Facilities, garrison, transferee arrivals and reception, and health services in the Republic of Nauru – liability limit	Unchanged
Immigration detention services by state and territory governments – liability limit	Modified
Immigration detention services contract – liability limit	Unchanged
Industry, Science and Resources	**Status**
Fiscal Risk	
Rehabilitation of the Ranger Uranium Mine	Unchanged
Significant but remote contingencies	
Liability for damages caused by space and certain high-power rocket activities	Unchanged
Operations and maintenance of the Northern Endeavour and associated infrastructure	Unchanged
Contingent liabilities – unquantifiable	
Australian Nuclear Science and Technology Organisation – asbestos contamination	Unchanged
Australian Nuclear Science and Technology Organisation – indemnity	Unchanged
Australian Nuclear Science and Technology Organisation – legacy waste management to final disposal	Unchanged
Former British atomic test site at Maralinga	Unchanged
Land decontamination and site restoration for CSIRO property	Unchanged
Infrastructure, Transport, Regional Development, Communications and the Arts	**Status**
Fiscal Risks	
Australia Post's financial stability	Modified
Inland Rail – delivery	Unchanged
Significant but remote contingencies	
Inland Rail – Termination of the Equity Financing Agreement	Unchanged
Maritime Industry Finance Company Limited – Board Members' indemnity	Unchanged
Moorebank Intermodal Project – Glenfield Waste Site Easement	Unchanged
National Intermodal Corporation Limited – Termination of the Funding Agreement	Unchanged
Optus Financial Guarantee	Removed
Telstra Financial Guarantee	Unchanged
Tripartite deeds relating to the sale of federal leased airports	Unchanged
WSA Co Limited – Board Members' indemnities	Unchanged
WSA Co Limited – Sydney Metro – Western Sydney Airport indemnity	Unchanged
WSA Co Limited – Termination of the Equity Subscription Agreement	Unchanged

Table 9.2: Summary of fiscal risks, contingent liabilities and contingent assets in the Statement of Risks[(a)] (continued)

Infrastructure, Transport, Regional Development, Communications and the Arts (continued)	Status
Contingent liabilities – unquantifiable	
Australian Maritime Safety Authority – ship-sourced pollution incident costs	Unchanged
Aviation rescue and firefighting services potential per- and poly-fluoroalkyl substances contamination	Unchanged
Indemnity provided to the New South Wales Rural Fire Fighting Service in relation to the Jervis Bay Territory	Unchanged
Moorebank Intermodal Project – Georges River rail crossing	Unchanged
Service Delivery Arrangement Indemnities – Indian Ocean Territories and Jervis Bay Territory	Unchanged
Prime Minister and Cabinet	**Status**
Contingent liability – unquantifiable	
McDonald v Commonwealth (Stolen Wages Class Action)	Unchanged
Contingent liability – quantifiable	
Indigenous Land and Sea Corporation – Voyages Indigenous Tourism Australia	Unchanged
Social Services	**Status**
Fiscal Risks	
COVID-19 and disaster social security debt pause for specified areas	Unchanged
National Disability Insurance Scheme	Modified
Contingent liability – unquantifiable	
Income apportionment and debt pause	Unchanged
Contingent asset – quantifiable	
National Redress Scheme	Modified
Treasury	**Status**
Significant but remote contingencies	
Asbestos Injuries Compensation Fund	Unchanged
Financial Claims Scheme	Unchanged
Guarantee for Housing Australia	Modified
Guarantees under the *Commonwealth Bank Sale Act 1995*	Modified
Reserve Bank of Australia – Guarantee	Modified
Contingent liabilities – unquantifiable	
Compensation scheme of last resort	Unchanged
Establishment of a cyclone and related flooding reinsurance pool	Unchanged
Government guarantees for housing	Unchanged
Indemnities for specialised external advisers during the COVID-19 pandemic	Unchanged
Small and Medium Enterprise (SME) Guarantee Scheme and SME Recovery Loan Scheme	Unchanged
Terrorism insurance – commercial cover	Unchanged

Table 9.2: Summary of fiscal risks, contingent liabilities and contingent assets in the Statement of Risks[(a)] (continued)

Treasury (continued)	Status
Contingent liabilities – quantifiable	
Australian Taxation Office – tax disputes	Modified
International financial institutions – uncalled capital subscriptions	Modified
International Monetary Fund – 16th General Review of Quota	New
International Monetary Fund – New Arrangements to Borrow and Bilateral Borrowing Agreement	Modified
International Monetary Fund – Poverty Reduction and Growth Trust	Modified
International Monetary Fund – Resilience and Sustainability Trust	Modified
Veterans' Affairs	**Status**
Fiscal Risk	
Defence Service Homes Insurance Scheme	Unchanged

a) Detailed descriptions of these items are in the following text.

Agriculture, Fisheries and Forestry

Contingent liabilities – unquantifiable

Commonwealth liabilities in respect of matching payments to industries for research and development contributions

Under several Acts, the Commonwealth provides matching contributions to encourage expenditure on research and development (R&D) and to increase the competitiveness and sustainability of industries within Australia. Matching contributions on eligible R&D are subject to an annual limit that is calculated based on the determined gross value of production (GVP cap) for the industries. There will be a R&D excess, which can be claimable in future years, where the cumulative R&D expenditure is more than the GVP cap. The Commonwealth's future liability in respect of the matching contributions is contingent on the GVP cap and is therefore unquantifiable.

Emergency pest and disease response arrangements

National emergency response arrangements for animal, plant and environmental pest and disease incursions are largely funded through cost-sharing agreements between Australian governments and affected agricultural industry bodies. Under the terms of the emergency response cost-sharing agreements, the Australian Government is typically liable for 50 per cent of the total government funding for a nationally agreed response to a pest or disease incursion. Funding is provided in the forward estimates for the Australian Government's contributions under the emergency response agreements, which are then paid to the state or territory governments undertaking relevant activities.

There are currently 11 national cost-shared emergency responses. Since the 2023–24 Budget, the Australian Government increased the funding for large scale responses for the National Red Imported Fire Ant Eradication Program in Queensland and the outbreak of *Varroa destructor*.

The Australian Government has provided an additional $268.2 million over four years from 2024–25 for its share of the cost of the revised plan for the National Red Imported Fire Ant Eradication Program in Queensland.

In June 2023, the upper limit of the cost-shared budget for the response to the outbreak of *Varroa destructor* was increased to $132.0 million, with the Australian Government committing to contribute 40 per cent of this amount and allocating an additional $26.6 million over four years from 2023–24 as a provision for underwriting the 16 cost-sharing industries' contributions for this response. In February 2024, the Transition to Management plan was endorsed by the participating jurisdictions, with a revised upper limit of $100.0 million.

The Australian, state and territory governments developed a draft Aquatic Emergency Animal Disease Deed (the Deed) covering aquatic emergency animal diseases and have consulted prospective industry signatories. If the Deed is finalised, potential liabilities for the Australian Government will be increased. The extent of these liabilities will depend on which parties sign the Deed and what emergency aquatic incursions occur that would be subject to the Deed arrangements.

White spot syndrome virus and disease 2016 outbreak

The Commonwealth is responding to three claims related to the 2016 outbreak of white spot syndrome virus in Queensland. White spot syndrome virus was first detected in South East Queensland in December 2016 and seven prawn farms on the Logan River were affected from late 2016 to early 2017. Prawns on the infected farms were destroyed to eradicate the disease as part of a joint industry, Australian and state government response.

Gold Coast Marine Aquaculture Pty Ltd has filed a claim in the Federal Court of Australia, claiming a breach of a duty to warn by the Commonwealth. Gold Coast Marine Aquaculture Pty Ltd alleges that the Commonwealth's alleged breach caused, or contributed to, the outbreak of white spot syndrome virus in Queensland's Logan River in December 2016 and resulting in loss and damage to Gold Coast Marine Aquaculture Pty Ltd.

A class action has been filed in the Supreme Court of Queensland led by Tweed Bait Pty Ltd and TPF Management Company Pty Ltd on behalf of commercial fishers, handlers and wholesalers. The class action seeks compensation for loss and damage suffered as a result of the 2016 outbreak of white spot syndrome virus and white spot disease in Queensland's Logan River area, the Commonwealth's implementation of biosecurity measures in response to the outbreak, and the adverse impacts on consumer demand resulting from publicity regarding the outbreak.

A third claim, an open class action, has been filed in the Supreme Court of Queensland against the Commonwealth and is led by M&G Oyster Supplies Pty Ltd. The claim arises out of similar circumstances to the Tweed Bait Pty Ltd and TPF Management Company Pty Ltd matter. Litigation funding has not yet been secured by the class, despite the matter being before the court. Should it proceed, the matter is to be case managed alongside Tweed Bait.

Costs associated with these litigation claims or any future litigation relating to the 2016 outbreak of white spot syndrome virus are not quantifiable until the matter is determined by the Court or otherwise resolved.

Attorney-General's

Significant but remote contingency

Indemnities relating to the Air Security Officer Capability

The Australian Government has provided an indemnity to two Australian airlines connected with agreements to allow Air Security Officers on board their aircraft. The indemnities are limited to $2 billion per incident. The indemnity only applies where the airline(s) can establish that loss, damage or claim resulted from an act by an Air Security Officer, under or in connection with the Air Security Officer program. The indemnity applies to the extent that any loss, damage or claim is not covered by existing relevant insurance policies held by the airline.

Contingent liabilities – unquantifiable

Native Title costs

The Australian Government will likely be liable for any compensation found to be payable under the *Native Title Act 1993* in respect of compensable acts for which the Australian Government is responsible. While the High Court's decision in the *Timber Creek* litigation (*Northern Territory v Griffiths et al* [2019] HCA 7) provides guidance on the principles for calculating compensation under the *Native Title Act*, the Australian Government's liability cannot be quantified owing to uncertainty about the number and effect of compensable acts, and the value of Native Title affected by those acts.

Current and prospective investor-state claims against the Australian Government

The Commonwealth received a notice of arbitration from Singapore registered company Zeph Investments Pte Ltd (Zeph) concerning a dispute about the *Iron Ore Processing (Mineralogy Pty Ltd) Agreement Amendment Act 2020 (WA)*. Zeph raised this claim under Chapter 11 (Investment) of the *Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)*.

Subsequently, the Commonwealth has received two further notices of arbitration from Zeph. The first concerns a dispute about exploration permits held by Waratah Coal Pty Ltd (Waratah) in the Galilee Basin of Queensland. The second concerns a dispute about a coal mine proposed by Waratah, also in the Galilee Basin. Zeph raised both these claims under Chapter 11 (Investment) of the AANZFTA.

Should the Australian Government be unsuccessful in these proceedings, it would be liable for any compensation found to be payable to Zeph. Any such potential liability cannot be quantified at this stage.

The Commonwealth has also received a request for consultation from Zeph concerning another potential claim. An investor-state claim has not been brought against the Australian Government in relation to this matter at this time.

Contingent asset – unquantifiable

Civil penalty relating to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*

The Australian Transaction Reports and Analysis Centre (AUSTRAC) applied to the Federal Court of Australia for civil penalty orders against the following entities for alleged serious contraventions of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act):

- the Star Pty Limited and the Star Entertainment QLD Limited on 30 November 2022.
- SkyCity Adelaide (SkyCity) on 7 December 2022.

AUSTRAC alleges that these entities failed to comply with obligations under the AML/CTF Act, including failures to properly assess money laundering and terrorism financing risks, and failures to undertake appropriate customer due diligence.

The outcomes of these matters are unknown, including whether any penalties will be imposed by the Court and, if so, the quantum of any penalties.

In respect of the SkyCity matter, AUSTRAC has reached an in-principle agreement with SkyCity for SkyCity to pay a civil pecuniary penalty. The amount of the proposed penalty remains confidential and settlement is not finalised unless or until the parties reach a final agreement with agreed facts and admissions acceptable to AUSTRAC. If an agreement is reached, it remains subject to the Court's decision as to whether to make the orders agreed, including whether the proposed penalty is appropriate. As neither final agreement with SkyCity has been reached, nor the Court's judgment made, this remains an unquantifiable contingent asset.

Climate Change, Energy, the Environment and Water

Fiscal Risk

Snowy Hydro Limited

The Australian Government has committed to provide additional financial support to Snowy Hydro Limited to support the delivery of the Snowy 2.0 pumped hydro project and the Hunter Power Project. These projects will improve the security and reliability of the National Electricity Market by providing reliable, dispatchable power and large-scale energy storage. Project risks for both projects include potential construction delays, cost pressures and cash flow forecasts.

The Government continues to monitor these risks through engagement and oversight of Snowy Hydro Limited.

Significant but remote contingencies

Snowy Hydro Limited – Board Members' indemnity

The Australian Government has provided an indemnity for each of the Directors of Snowy Hydro Limited to protect them against certain claims relating to their employment as Directors. Until the indemnity agreements are varied or ceased, they will remain as contingent and unquantifiable liabilities.

Snowy Hydro Limited – Termination of the Equity Subscription Agreements

The Australian Government will provide sufficient funding to cover costs and liabilities incurred by Snowy Hydro Limited for the delivery of Snowy 2.0, capped to the total remaining undrawn equity, in the event that the Commonwealth terminates the Equity Subscription Agreements between the Commonwealth and Snowy Hydro Limited.

Underwriting of transmission projects

The Australian Government has underwritten up to:

- $75.8 million for early works for the Victoria to New South Wales Interconnector West (VNI West) NSW Section project (with a preferred route known as KerangLink) (signed 7 April 2022).

- $181.5 million for the Coleambally to Wagga Wagga section of Project EnergyConnect (signed 24 September 2021).

- $146.3 million for the early procurement of long lead equipment (transformers, reactors, towers and conductors) for the VNI West NSW section project and the Humelink project (signed 1 March 2023).

The conditions in which these underwriting agreements would be called on relate to the projects not achieving regulatory and approval requirements.

Contingent liabilities – unquantifiable

Gorgon liquefied natural gas and carbon dioxide storage project – long-term liability

The Australian and Western Australian (WA) Governments have provided an indemnity to the Gorgon Joint Venture Partners (GJV) against independent third-party claims (relating to stored carbon dioxide) under common law, for loss or damage caused by the injection of carbon dioxide into the Dupuy formation under Barrow Island, WA. Claims can only occur at least 15 years after the cessation of carbon dioxide injections into the formation. The project commenced in 2019 and has an expected life of around 40 years. The claims are subject to conditions similar to those set out in the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*.

The WA Government has indemnified the GJV and, subject to certain conditions being met, the Australian Government has indemnified the WA Government for 80 per cent of any amount determined to be payable under that indemnity.

Liability for costs incurred in a national liquid fuel emergency

The Australian Government has responsibility for the *Liquid Fuel Emergency Act 1984* (the Liquid Fuel Act). In addition, the Australian Government and state and territory governments have entered into an inter-governmental agreement (IGA) in 2006 in relation to a national liquid fuel emergency. Under the IGA, the Australian Government agrees to consult IGA parties on a likely shortage and, if necessary after those consultations, to advise the Governor-General of the Commonwealth of Australia to declare a national emergency under the Act.

The IGA contains three areas where the Australian Government may incur expenses in the unlikely event of a national liquid fuel emergency. These relate to the direct costs of managing a liquid fuel emergency and include the possibility of the Australian Government reimbursing the state and territory governments for costs arising from their responses, and potential compensation for industry arising from Australian Government directions under the Liquid Fuel Act.

Marinus Link Project – Shareholders' agreement

The Australian Government, along with the Victorian and the Tasmanian Governments, has invested in the joint venture entity Marinus Link Pty Ltd to deliver the Marinus Link project. If the three shareholders decide not to proceed with the project and Marinus Link Pty Ltd is wound up, the shareholders may be required to contribute additional equity to meet any outstanding liabilities of Marinus Link Pty Ltd.

Under the shareholders' agreement, the Tasmanian Government also has the option to sell some or all of its shares to the other shareholders. This option can only be exercised following the commencement of commercial operations of stage one of the project, currently scheduled for 2030. While the Victorian Government has the first right of refusal to purchase these shares (capped at 16.7 per cent of the Tasmanian Government's 17.7 per cent of the shareholdings), the Australian Government is required to purchase the shares that the Victorian Government does not acquire. Any additional shares purchased would be expected to generate a return in line with the Australian Government's existing shareholding in the entity.

There are also ongoing project risks as the project progresses, such as cost pressures, that may require additional equity contributions from the shareholders. The Australian Government will continue to monitor these risks through engagement and oversight of Marinus Link Pty Ltd's activities.

Murray-Darling Basin Reform – risk assignment

The Australian Government has committed to bridge the gap between the Baseline Diversion Limit and the Sustainable Diversion Limits in the *Basin Plan 2012* through water recovery. On 1 July 2019, the Sustainable Diversion Limits took effect. The *Water Act 2007* provides a risk assignment framework in which entitlement holders with reductions in water allocations, or changes in the reliability of water allocations (where the gap has not been bridged and an accredited water resource plan is in place), may be eligible for a payment from the Commonwealth.

The total cost of the operation of the risk assignment framework cannot be quantified at this time and remains a fiscal risk until the gap between the Baseline Diversion Limit and Sustainable Diversion Limits is fully bridged.

Remediation of Jabiru Township

The Australian Government, the Northern Territory Government, Gundjeihmi Aboriginal Corporation and Energy Resources of Australia Ltd signed a Memorandum of Understanding in 2019. The Memorandum of Understanding underpins the transfer of ownership of Jabiru to the Traditional Owners and related make good and rehabilitation arrangements. On 26 June 2021, the Australian Government officially returned ownership of Jabiru to the Traditional Owners. Before the handover, the Australian Government signed a Remediation and Indemnity Deed between representatives of the Traditional Owners in Jabiru and the Northern Land Council.

Under these agreements, the Australian Government's responsibilities include renewal or upgrading of some essential services infrastructure (stormwater, landfill and roads), managing contamination in Jabiru Lake, management or removal of hazardous materials and chemicals, replacing asbestos tiled roofs and improving housing stock, and other ecological remediation. Expenditure for the rehabilitation work will be shared between the Australian Government, Northern Territory Government and Energy Resources Australia.

United States Strategic Petroleum Reserve Lease Agreement – indemnity under certain conditions

On 3 June 2020, the Australian Government entered into a commercial leasing agreement with the United States (US) Department of Energy. This agreement facilitates the storage of Australia's first government-owned strategic fuel reserve in the US Strategic Petroleum Reserve (SPR).

Under the lease agreement, the Australian Government indemnifies the SPR for any liabilities incurred (subject to certain exceptions) arising from or related to: the transportation of crude oil to the SPR; third-party claims made in connection with the drawdown or delivery of the oil; and customs duties, fees or other charges which may arise from the Australian Government's noncompliance with US Customs Law.

Following the sale and delivery of all Australian oil held in the SPR in June 2022, the risk of any liability is currently significantly reduced. Australia continues to maintain its lease and could decide to store new reserves in the future.

Contingent liability – quantifiable

Underwriting of the Marinus Link Project

The Australian Government has underwritten up to:

- $76.5 million for reservation of manufacturing capacity for cable one for the Marinus Link project (signed 5 September 2023).
- Swedish Krona kr344.2 million, EUR12.9 million, US$2.5 million and A$59.4 million (estimated total value A$134.6 million as of 31 March 2024) for reservation of manufacturing and installation capacity for converter stations for the Marinus Link project (signed 31 March 2024).

The conditions for these underwriting agreements to be called on relate to agreement to proceed with the project not being reached and the associated notices to proceed not being issued to the cable one or converter station contractors by 31 July 2024 and 31 August 2025 respectively.

Defence

Fiscal Risks

Implementation of the nuclear-powered submarine program

On 14 March 2023, the Australian Government, alongside the governments of the United Kingdom and the United States of America, announced the optimal pathway for the nuclear-powered submarine program for Australia under the AUKUS trilateral security partnership.

The Australian Government has agreed a number of measures to support the initial implementation of the nuclear-powered submarine program, which have been outlined in Budget papers since 2023–24.

The total costs associated with the program will depend on the details of design and production processes and commercial and other arrangements, including the provision of indemnities, which will be finalised between governments and delivery partners.

Major operations of the Australian Defence Force in 2024–25

The 2024–25 estimates for the Department of Defence include the cost of major operations of the Australian Defence Force in 2024–25 in the Middle East region, and to protect Australia's borders and offshore maritime interests. Funding for major Defence operations is considered and provisioned on a year-by-year basis.

Significant but remote contingencies

ADI Limited – Officers' and Directors' indemnities

Under the sale agreements for ADI Limited, the Australian Government agreed to indemnify the directors, officers and employees of ADI Limited for claims and legal costs associated with assistance related to the sale of the Australian Government's shares in the company. The Australian Government has also provided an indemnity to ADI Limited for uninsured losses relating to specific heads of claims.

Litigation cases

The Department of Defence is involved in a wide range of litigation and other claims for compensation and/or damages that may result in litigation where the matters are not able to be finalised by negotiation.

The litigation includes:

- common law liability claims, including for personal injury and property damage, investigations of Defence by Comcare and active prosecutions in relation to alleged breaches of the *Work Health and Safety Act 2011*
- claims seeking compensation for alleged loss or damage arising from Defence use of aqueous film forming foam that contained manmade per- and poly-fluoroalkyl substances
- claims received following reviews into the Australian Defence Force and Defence culture.

Claims may also arise from the disposal of assets to third parties where such assets contain hazardous materials, or components that have the potential to cause injury.

Remote contingencies

As at 30 June 2023, the Department of Defence carried 273 instances of quantifiable remote contingent liabilities valued at $3.9 billion and 1,413 instances of unquantifiable remote contingent liabilities.

Details of these significant but remote contingent liabilities are not given due to commercial and/or national security sensitivities.

Contingent liabilities – unquantifiable

Cockatoo Island Dockyard

On 13 October 2001, Cockatoo Island Dockyard commenced proceedings against the Commonwealth in the New South Wales (NSW) Supreme Court seeking full reimbursement from the Australian Government for personal injury claims costs incurred after 31 October 1995 in relation to asbestos exposure. Following decisions in the NSW Supreme Court on 17 December 2004 and 4 February 2005, and the NSW Court of Appeal on 23 November 2006, Cockatoo Island Dockyard was awarded a complete indemnity from the Commonwealth for its uninsured exposure to asbestos damages claims, plus profit of 7.5 per cent. Defence continues to manage reimbursement of claims costs incurred by Cockatoo Island Dockyard.

Land decontamination, site restoration and decommissioning of Defence assets

The Department of Defence has made a financial provision for the estimated costs involved in restoring, decontaminating and decommissioning Defence assets where a legal or constructive obligation has arisen. For cases where there is no legal or constructive obligation, the potential costs have not been assessed and are unquantifiable contingencies.

Contingent liability – quantifiable

Claims against the Department of Defence

The Department of Defence has seven instances of non-remote, quantifiable contingent liabilities in respect of claims against Defence valued at $7.9 million.

The estimated figure is determined by conducting an objective analysis of the probable amount payable for all matters managed by firms engaged by Defence using the Attorney-General's Whole of Australian Government Legal Services Panel and those being handled in-house by Defence Legal Division. However, the exact amount payable under those claims is uncertain. Defence is defending the claims or trying to resolve them through alternative dispute resolution measures.

Employment and Workplace Relations

Fiscal Risk

Recovery of inappropriately claimed VET FEE-HELP payments from VET providers

The Australian Government is undertaking compliance action, including court action, to recover VET FEE-HELP payments from VET providers where loans were issued inappropriately to students by providers. The Government has legislated a remedy, which commenced 1 January 2019, for VET FEE–HELP students who incurred debts under the VET FEE-HELP loan scheme following inappropriate conduct by VET providers. The Government will undertake recovery activities against VET providers in cases where the student was ineligible for a VET FEE-HELP loan.

There are financial risks to the Commonwealth in the event that it cannot recover payments from VET providers where they have closed or entered into administration or liquidation.

The financial risk to the Commonwealth is currently unquantifiable as it depends on the receipt and assessment of applications from students, as well as outcomes from the Government's investigations into VET providers' conduct.

Contingent liabilities – quantifiable

ParentsNext program

ParentsNext supports parents to identify their education and employment related goals to build their work readiness, and plan and prepare for employment by the time their youngest child starts school. The Government has announced it will replace ParentsNext with a new voluntary pre-employment service for parents from 1 November 2024. The current ParentsNext program has been extended until 31 October 2024, and will continue to be voluntary during this extension period.

Under the current program, providers accumulate one-off credits which accrue to their provider's Participation Fund on commencement of a participant.

Currently, providers are forecast to spend less than the value of the available credits, creating an accumulating surplus of credits that present a contingent liability. As at 29 February 2024, there was $91.1 million in unspent Participation Fund credits in the Participation Fund notional bank.

Workforce Australia – Employment Fund

Since July 2022, with the introduction of Workforce Australia, contracted service providers and the Digital Services Contact Centre have had access to the Employment Fund, which can be used to purchase goods and services to help participants to get and keep a job.

- Providers accumulate a $1,600 Employment Fund credit upon commencement of each participant in Workforce Australia Provider Services.
- Participants in Workforce Australia Online attract a $300 Employment Fund credit, credited after a participant has been in Digital Services for two months.

Currently, Employment Fund expenditure is expected to be less than the value of the available credits, creating an accumulating surplus of credits that present a contingent liability. As at 29 February 2024, there was $549.7 million in unspent Employment Fund Credits in the Workforce Australia Employment Fund notional bank.

Finance

Significant but remote contingency

Australian Naval Infrastructure Pty Ltd – Termination of the Equity Funding Agreement

The Australian Government will provide sufficient funding to enable Australian Naval Infrastructure Pty Ltd (ANI) to meet the direct costs that may be incurred by ANI in the event that the Commonwealth terminates the Equity Funding Agreement entered into in October 2017 between the Commonwealth and ANI.

Contingent liabilities – unquantifiable

ASC Pty Ltd – Directors' and Executives' indemnities

In 2002, the Australian Government provided former directors of the then Australian Submarine Corporation Pty Ltd (now known as ASC Pty Ltd (ASC)) with indemnities for:

- any claim against them as a result of complying with ASC's obligations under the Process Agreement between the Electric Boat Corporation (EBC), the Australian Government and ASC
- any claim against them as a result of complying with ASC's obligations under the Service Level Agreement between ASC, the Department of Defence, EBC and Electric Boat Australia
- any claims and legal costs arising from the directors acting in accordance with the Board's tasks and responsibilities, as defined under the indemnity.

In 2018, the Australian Government provided directors and senior executives of ASC with indemnities to mitigate personal risk and provide coverage for legal costs related to any legal proceedings that may arise in relation to the transaction to separate ASC Shipbuilding Pty Limited from ASC.

ASC Pty Ltd – Guarantee of Indemnity from ASC in favour of ASC Shipbuilding Pty Limited

The Australian Government has provided a guarantee of an indemnity from ASC Pty Ltd (ASC) in favour of ASC Shipbuilding Pty Limited (ASC Shipbuilding).

ASC provided an indemnity in favour of ASC Shipbuilding prior to ASC Shipbuilding being separated from ASC Pty Ltd, which occurred in December 2018. This indemnity is intended to cover any liabilities unknown at the time of separation which may arise after separation. The indemnity is time limited to seven years.

The guarantee will only be called on if ASC is no longer owned by the Commonwealth and ASC can no longer meet its obligations under the terms of the indemnity. It is Australian Government policy to retain ASC as a Government Business Enterprise.

Australian Government general insurance fund – Comcover

The Department of Finance provides insurance and risk management services to Australian Government general government sector entities. Insurance liabilities are subject to potential revisions as the total number and size of claims covered is subject to unforeseen future events.

The Department of Finance takes all reasonable steps to ensure it has appropriate information regarding its claims exposure, including regularly updating estimates and parameters based on analysis of claim experience, actuarial calculations and other relevant factors.

Commonwealth Superannuation Corporation – immunity and indemnity

The *Governance of Australian Government Superannuation Schemes Act 2011* (the Governance Act) provides specific immunities for activities undertaken in good faith by directors and delegates of the board of the Commonwealth Superannuation Corporation (CSC), provided these activities relate to the performance of their functions.

Under the Governance Act, other than where not permitted by the *Superannuation Industry (Supervision) Act 1993* or regulations under that Act, any money that becomes payable by CSC in respect of an action, liability, claim or demand that relates to the superannuation schemes or funds for which it is responsible, is to be paid out of the relevant superannuation fund or, if there is no fund, the Consolidated Revenue Fund (CRF). Amounts paid from a superannuation fund are reimbursed to the fund from the CRF.

Finance owned estate

The Department of Finance owns and is responsible for managing properties in the Australian Government's domestic non-Defence portfolio, including remediation projects of contaminated sites to ensure there is no threat to human health and the environment. A small number of properties may require remediation and are subject to further investigation. Except for properties at Lucas Heights in New South Wales and Cox Peninsula in Northern Territory, none of the properties with potential remediation issues has had a provision for remediation recognised, as neither the conditions for legal nor constructive obligations have been met, nor is a reliable estimate of the obligation currently possible.

Future Fund Management Agency and Future Fund Board of Guardians – indemnity

The Australian Government has provided certain staff members of the Future Fund Management Agency (the Agency) and the members (board members) of the Future Fund Board of Guardians (the Board) with deeds of indemnity. The indemnities are intended to cover liabilities in excess of the insurance cover (including Comcover) of the Board, its subsidiary entities and the Agency. Board members are indemnified for liabilities incurred arising out of an act, omission or breach of statutory duty by the Board or a board member that relates to the performance of the Board's functions or the exercise of the Board's powers or that relates to any act, omission or breach of statutory duty by a board member as a director or officer of a wholly-owned Australian subsidiary of the Board.

Certain Agency staff members are indemnified in connection with the performance of functions or the exercise of powers in their capacity as a director or officer of investee companies or subsidiaries of the Board. Subject to certain exceptions or qualifications, board members and Agency staff members are indemnified for amounts up to the value of the relevant funds.

Board members are not indemnified in respect of any liability owed by them to the Board or its subsidiary, or which results from a contravention of a civil penalty provision of the *Future Fund Act 2006 or the Corporations Act 2001*. Agency staff members are not indemnified to the extent they are indemnified by the relevant investee company or subsidiary, in respect of any liability owed to the Board or the Commonwealth, or to the extent that they are granted and receive financial assistance under Appendix E of the *Legal Services Directions 2017*. Both board members and Agency staff members are not indemnified for any liability resulting from conduct they engage in other than in good faith, to the extent they recover a liability under a Directors and Officers insurance policy (including Comcover) or in respect of legal costs incurred by them in unsuccessfully defending or resisting criminal proceedings or proceedings regarding a contravention of a civil penalty provision.

Googong Dam

On 4 September 2008, a 150-year lease for Googong Dam was signed between the Australian Government and the Australian Capital Territory (ACT) Government. The Australian Government is liable to pay just terms compensation if the terms of the lease are breached by introducing new legislation or changing the *Canberra Water Supply (Googong Dam) Act 1974* in a way that impacts on the rights of the ACT. The lease includes a requirement for the Australian Government to undertake rectification of easements or any defects in title in relation to Googong Dam, and remediation of any contamination it may have caused to the site. It also gives an indemnity in relation to acts or omissions by the Australian Government.

Indemnities for the Reserve Bank of Australia and private sector banks

In accordance with Government entities' contracts for transactional banking services, the Australian Government has indemnified the Reserve Bank of Australia and contracted private sector banks against loss and damage arising from error or fraud by an entity, or transactions made by a bank with the authority of an entity.

Indemnities relating to other former asset sales, privatisations and information technology outsourcing projects

Ongoing and terminating indemnities have been given in respect of a range of asset sales, privatisations and information technology outsourcing projects that have been conducted by the Department of Finance and the former Office of Asset Sales and Commercial Support and its predecessors. The probability of an action being brought under one of these indemnities diminishes over time.

Details of indemnities in respect of other asset sales and privatisations have been provided in previous Budget and MYEFO papers, and previous Annual Reports of the Department of Finance and the Office of Asset Sales and Commercial Support.

Indemnified bodies are listed below. Apart from instances noted elsewhere, the Department of Finance does not currently expect any other action to be taken in respect of these indemnities.

Indemnified body	Year(s) raised
ADI Ltd	1998
Albury–Wodonga Development Corporation	2014
Australian Airlines	1991
Australian Industry Development Corporation	1996
Australian Multimedia Enterprise	1997
Australian National Rail Commission and National Rail Corporation Ltd	1997 and 2000
Australian River Co Ltd	1999
Australian Submarine Corporation Pty Ltd	2000
Bankstown Airport Ltd	2002
Camden Airport Ltd	2002
ComLand Ltd	2004
Commonwealth Accommodation and Catering Services	1988
Commonwealth Bank of Australia	1993 to 1996
Commonwealth Funds Management and Total Risk Management	1996 to 1997
Employment National Ltd	2003
Essendon Airport Ltd	2001
Federal Airports Corporation's Airports	1995 to 1997
Health Insurance Commission	2000
Housing Loans Insurance Corporation Ltd	1996
Hoxton Park Airport Limited	2002
Medibank Private Limited	2014
National Transmission Network	1999
Sydney Airports Corporation Ltd	2001
Telstra	1996, 1999 and 2006
Wool International	1999

Foreign Affairs and Trade

Fiscal Risk

Export Finance Australia – National Interest Account

There are five financing facilities under Export Finance Australia's National Interest Account, set out below.

- The Australian Infrastructure Financing Facility for the Pacific (AIFFP) started operation on 1 July 2019. The AIFFP can provide up to $4 billion in facilities, including up to $1 billion in grants and the balance in loans and guarantees, to support high priority infrastructure development in Pacific countries and Timor-Leste. To date, the Australian Government has agreed to provide loans, guarantees and grants to support the development of 19 infrastructure projects in ten countries. As at 29 February 2024, the maximum loan exposure is $1.1 billion, of which $262.7 million is estimated to be drawn down by 30 June 2024.

- The Critical Minerals Facility (CMF) was established on 28 September 2021 to provide finance to critical minerals projects in Australia where private sector finance is unavailable or insufficient. In the 2023–24 MYEFO, the Government expanded the CMF by $2.0 billion for a maximum aggregate exposure of $4.0 billion. To date, the Government has agreed to provide a total of approximately $2.15 billion to support five projects under the facility. As at 30 June 2024, $145.9 million is estimated to be drawn down from the CMF.

- The Defence Export Facility (DEF) was established to grow Australia's defence exports by helping to overcome difficulties in accessing private sector finance. The DEF has a maximum aggregate exposure of US$3.0 billion. To date, three loans under the DEF have been agreed for a total signing value of A$228 million. As at 30 June 2024, A$172.9 million is estimated to be outstanding.

- The COVID-19 Export Capital Facility was announced on 15 April 2020, with a maximum aggregate exposure of $500 million. The COVID-19 Export Capital Facility expired in April 2021. As at 30 June 2024, $1.5 million is estimated to be outstanding.

- The Southeast Asia Investment Financing Facility (SEAIFF) was announced on 5 March 2024. The SEAIFF will provide up to $2.0 billion in loans, guarantees, equity and insurance for projects that would boost Australian trade and investment in Southeast Asia, particularly in support of the region's clean energy transition and infrastructure development. To date, no funds have been committed under the SEAIFF.

The Government has also agreed to amend the *Export Finance and Insurance Corporation Act 1991* to enable Export Finance Australia to finance domestic projects in the national interest where they are consistent with the Future Made in Australia Framework. The Government will be able to consider supporting projects on the National Interest Account through financing including debt or equity, where projects are unable to progress solely through commercial financing.

Contingent liability – quantifiable

Export Finance Australia

The Australian Government guarantees the due payment of money that is, or may at any time become, payable by Export Finance Australia to anyone other than the Government. As at 29 February 2024, the Government's total contingent liability was $6.4 billion, comprising Export Finance Australia's liabilities to third parties ($5.3 billion) and Export Finance Australia's overseas investment insurance, contracts of insurance and guarantees ($1.1 billion). Of the total contingent liability, $2.6 billion relates to Export Finance Australia's Commercial Account and $3.8 billion relates to the National Interest Account.

Health and Aged Care

Fiscal Risk

Fair Work Commission decision – Aged Care Work Value Case

As the principal funder of the aged care sector, the Australian Government has committed to provide funding to support any increases to award wages from the Aged Care Work Value case that is currently before the Fair Work Commission. On 15 March 2024, the Fair Work Commission made a decision on Stage 3 of the Aged Care Work Value case. The operative date and phasing in of the variations to award wages are subject to further consideration by the Fair Work Commission.

Contingent liabilities – unquantifiable

Accommodation Payment Guarantee Scheme

The Accommodation Payment Guarantee Scheme guarantees the repayment of aged care residents' refundable accommodation payments (including refundable deposits and accommodation bonds) if the approved provider becomes insolvent or bankrupt and defaults on its refund obligations. In return for the payment, the rights that the resident had to recover the amount from their approved provider are transferred to the Australian Government so it can pursue the approved provider for the funds. In cases where the funds are unable to be recovered, the Australian Government may levy all approved providers holding bonds, entry contributions and refundable accommodation deposits to meet any shortfall.

Advance Purchasing Agreements for COVID-19 vaccines

The Australian Government has provided indemnities to the suppliers of COVID-19 vaccines, for which the Australian Government has entered into Advance Purchasing Agreements, covering certain liabilities that could result from the use of the vaccines. These agreements support access to vaccines from AstraZeneca Pty Ltd, Pfizer Inc, Moderna Switzerland GmbH and Novavax, Inc.

Australian Red Cross Society – indemnities

Deeds of Agreement between the Australian Red Cross Society (the Red Cross) and the National Blood Authority in relation to the operation of Australian Red Cross Lifeblood and the development of principal manufacturing sites in Sydney and Melbourne, include certain indemnities and a limitation of liability in favour of the Red Cross. These indemnities cover defined sets of potential business, product and employee risks and liabilities. Certain indemnities for specific risk events that operate within the term of the Deed of Agreement are capped and must meet specified pre-conditions. Other indemnities and the limitation of liability only operate in the event of the expiry and non-renewal, or the earlier termination, of the Deed of Agreement relating to the operation of the Red Cross or the cessation of funding for the principal sites, and only within a certain scope.

All indemnities are also subject to appropriate limitations and conditions, including in relation to mitigation, contributory fault, and the process of handling relevant claims.

Blood and blood products liability cover

The National Managed Fund (NMF) was established by a memorandum of understanding between the Australian Government, Australian Red Cross Lifeblood (Lifeblood) and state and territory governments to cover potential future claims in relation to the supply of blood and blood products by Lifeblood. The NMF provides for liabilities incurred by Lifeblood where other available mitigation or cover is not available. Under certain conditions, the Australian Government and the state and territory governments may jointly provide indemnity for Lifeblood through a cost-sharing arrangement for claims, both current and potential, regarding personal injury and loss or damage suffered by a recipient of certain blood products. If there are insufficient funds in the NMF to cover claim costs, the Jurisdictional Blood Committee will consider a report provided by the National Funds Manager to determine the level of additional funds required. The Australian Government's share of any additional liability is limited to 63 per cent of any agreed net cost.

CSL Ltd

CSL Limited (CSL) is indemnified against claims made by individuals who contract specified infections from specified products and against employees contracting asbestos-related injuries. CSL has unlimited cover for most events that occurred before the sale of CSL on 1 January 1994, but has more limited cover for a specified range of events that occurred during the operation of the Plasma Fractionation Agreement from 1 January 1994 to 31 December 2004. Where alternative cover was not arranged by CSL, the Australian Government may have a contingent liability.

The National Fractionation Agreement for Australia with CSL Behring (Australia) Pty Ltd (a subsidiary of CSL), which has operated since 1 January 2018, includes a requirement that the National Blood Authority make a defined payment to CSL Behring (Australia) Pty Ltd in certain circumstances only, in the event that the volume of plasma supplied annually to CSL Behring (Australia) Pty Ltd is less than a specified amount.

Indemnities relating to vaccines

The Australian Government has provided indemnities to a manufacturer of a smallpox/monkeypox vaccine held by the Australian Government, covering possible adverse events that could result from the use of the vaccine in an emergency situation. Indemnities have also been provided to a particular manufacturer of pandemic and pre-pandemic influenza vaccines for the supply or future supply of influenza vaccines under certain conditions (including H1N1 and H5N1).

Major sporting events

Brisbane 2032 Olympic and Paralympic Games – On 21 July 2021, the International Olympic Committee selected Brisbane to host the 2032 Olympic and Paralympic Games. On 17 February 2023, the Australian Government and the Queensland Government signed a bilateral agreement on matters of shared interest, including a capped capital contribution towards venue infrastructure by the Australian Government. The Australian Government has also provided a range of guarantees to the International Olympic Committee for provision of government services in support of Brisbane hosting the Games, at no cost to the Organising Committee of the Olympic Games. The financial implications of this support are not quantifiable at this time.

2027 Rugby World Cup and 2029 Women's Rugby World Cup – On 12 May 2022, World Rugby selected Australia as the host of the 2027 Rugby World Cup and the 2029 Women's Rugby World Cup. In addition to the financial assistance provided in the 2022–23 March Budget to support event delivery and legacy programs, the Government has committed to provide services and support (such as security commitments and visa processing for participants and support staff). The financial implication of this additional support is not quantifiable at this time.

2023 FIFA Women's World Cup – Between 20 July 2023 and 20 August 2023, Australia and New Zealand co-hosted the 2023 FIFA Women's World Cup. In addition to the financial assistance provided by the Australian Government to support direct event delivery costs and legacy programs, the Government committed to provide Commonwealth guarantees for the event including taxation exemptions. The financial implication of this additional support is not quantifiable at this time.

Medical Indemnity Exceptional Claims Scheme

Under the Medical Indemnity Exceptional Claims Scheme, the Australian Government assumes liability for 100 per cent of any damages payable against practitioners practising in a medical profession that exceed a specified level of cover provided by the practitioner's medical indemnity insurer (currently $20 million). These arrangements apply to payouts either related to a single large claim or to multiple claims that in aggregate exceed the cover provided by the practitioner's medical indemnity insurer, and would apply to claims notified under contract-based cover since 2003. From 1 July 2020, the *Medical and Midwife Indemnity Legislation Amendment Act 2019* provides transferred eligibility for allied health professionals (including registered only midwives) into the Allied Health High Cost Claims Scheme and Allied Health Exceptional Claims Scheme within the *Medical Indemnity Act 2002*.

Medical Rural Bonded Scholarship Waivers

The Department of Health and Aged Care is using debt waivers to address the creation of statutory debts by participants of the Medical Rural Bonded Scholarship Scheme who inadvertently breached contractual arrangements from 2020, when the reformed Bonded Medical Program was implemented. In 2022–23, the Department of Health and Aged Care waived $51.8 million in statutory debts and further waivers may be required. The total value of the waivers cannot yet be quantified.

mRNA manufacturing facility – indemnities

The Commonwealth has entered into a strategic partnership with Moderna Australia Pty Ltd (Moderna) to establish domestic mRNA vaccine manufacturing capacity and capability in Australia. Under the agreement between the Commonwealth and Moderna, the Commonwealth may enter into a pandemic vaccine advance purchase agreement with Moderna for locally manufactured mRNA vaccines in certain circumstances where an infectious disease pandemic is declared. Moderna will also have the capacity to supply the Commonwealth with non-pandemic vaccines through a non-pandemic vaccine supply agreement.

The Commonwealth does provide indemnities to Moderna under these arrangements to cover certain liabilities that could result from the implementation of the arrangement.

There are also indemnities provided by Moderna in favour of the Commonwealth for certain liabilities, which reflect risk sharing between the parties and are intended to limit financial exposure to the Australian Government.

Contingent asset – unquantifiable

Legal action seeking compensation

The Department of Health and Aged Care is engaged in legal action against certain pharmaceutical companies to recover savings denied to the Commonwealth. This is due to interim injunctions granted to these companies in unsuccessful patent litigation delaying generic versions of drugs being listed on the Pharmaceutical Benefits Scheme, thereby delaying statutory and price disclosure related price reductions for these drugs.

Home Affairs

Fiscal Risk

Regional processing arrangements

Effective 1 January 2022, the Australian Government supports regional processing arrangements in the Republic of Nauru, assisting the Government of Nauru to provide support and services to transferees residing in Nauru. Any significant changes in the number of transferees, the arrangements that underpin the provision of those services, relevant litigation or legislative changes, may incur a cost or generate cost reductions which are unquantifiable at this time.

Contingent liabilities – unquantifiable

Australian victims of terrorism overseas payment

The *Social Security Amendment (Supporting Australian Victims of Terrorism Overseas) Act 2012* inserted Part 2.24AA into the *Social Security Act 1991* to create a scheme to provide financial assistance to Australian residents who are victims of an overseas terrorist act that has been declared by the Prime Minister. The scheme commenced on 22 January 2013. Under the scheme, Australian residents who are harmed (primary victims) or whose close family member dies (secondary victims) as a direct result of a declared terrorist act are eligible to claim one-off payments of up to $75,000. As acts of terrorism are unpredictable, and the declaration of overseas terrorists acts discretionary, the cost of the scheme is unquantifiable.

Disaster Recovery

The Australian Government provides funding to states and territories through the jointly-funded Commonwealth-State Disaster Recovery Funding Arrangements (DRFA) to assist with natural disaster relief and recovery costs. A state or territory may claim DRFA funding if a natural disaster occurs and relief and recovery expenditure for that event meet the thresholds set out in the DRFA.

The forward estimates for the DRFA include preliminary estimates of costs for past events, based on the best information available at the time of preparation. Preliminary estimates of the cost of disaster relief and recovery and the timing of expenditure are subject to change. The total cost of relief and recovery from past events may not be completely realised for several years.

For major disasters, the Australian Government may approve payments to individuals, such as the Australian Government Disaster Recovery Payment and Disaster Recovery Allowance. As natural disasters and their impacts are unpredictable, the cost of these payments for future disasters is unquantifiable and is not included in the forward estimates.

Facilities, garrison, transferee arrivals and reception, and health services in the Republic of Nauru – liability limit

The Department of Home Affairs entered into two contracts for the provision of services and facilities in the Republic of Nauru in relation to regional processing arrangements with the following entities:

- Management & Training Corporation Pty Ltd (MTC), which commenced on 1 October 2022, for the provision of facilities, garrison and transferee arrival and reception services. The contract includes a provision that limits MTC's liability to the Commonwealth to a maximum of $200 million in aggregate for the term of the contract. The limitation of liability does not apply to loss arising from claims in relation to death or bodily injury, disease or illness of any person caused by MTC's breach of contract, negligent act or omission, wilful default, or breach of law. The limitation of liability also does not apply to loss arising from: criminal acts, malicious damage or wilful default of the service provider or its subcontractors; statutory penalties; breach of privacy legislation; breach of confidentiality; third party claims in relation to infringement of intellectual property rights; or claims brought by third parties to the extent they are caused by the breach of contract, wilful default, or negligence of the service provider.

- International Health and Medical Services Pty Ltd (IHMS), which commenced on 13 August 2022, for the provision of health services in the Republic of Nauru. The contract includes a provision that limits IHMS' liability to the Commonwealth with an indemnity limit of no less than $45 million in respect of each and every occurrence, and in respect of product liability only, and in the aggregate for all occurrences arising during any one 12-month policy period. The limitation of liability does not apply to loss arising from claims in relation to death or bodily injury, disease or illness (including mental health) of any person caused by IHMS' breach of contract, negligent act or omission, wilful default, or breach of law. The limitation of liability also does not apply to loss arising from: criminal acts, malicious damage or wilful default of the service provider or its subcontractors; statutory penalties; liability that cannot be excluded at law; breach of privacy legislation; breach of confidentiality; third party claims in relation to infringement of Intellectual Property Rights; or claims brought by third parties to the extent they are caused by the breach of contract, wilful default, or negligence of the service provider.

Immigration detention services by state and territory governments – liability limit

The Department of Home Affairs has negotiated arrangements with some state and territory governments for the provision of various services (including health, corrective and policing services) to immigration detention facilities and people in immigration detention.

Some jurisdictions sought indemnification by the Australian Government for the provision of these services. These agreements, listed below, provide unquantifiable indemnities relating to any damage or loss incurred by state and territory governments arising out of, or incidental to, the provision of services under these agreements.

Jurisdiction	Service Stream	Details
Christmas Island	Health	$5 million per claim or event
NSW	Corrections	Uncapped – with a risk rating assessment, no more than $30 million per event
	Police	$5 million per claim or event
QLD	Police	$5 million per claim or event
SA	Police	$5 million per claim or event
VIC	Police	$5 million per claim or event
WA	Police	$5 million per claim or event
NT	Corrections	$5 million per claim or event

The Department of Home Affairs negotiates arrangements as necessary for the provision of corrective services. The indemnity provided to state and territory governments under these arrangements is no more than $30 million per event.

The status of each agreement with state and territory governments varies, such as 'in progress', 'under review' and 'legacy'. The table above sets out all known current agreements with confirmed indemnity liability in accordance with the *Public Governance, Performance and Accountability Act 2013*.

Immigration detention services contract – liability limit

The Department of Home Affairs entered into a contract with Serco Australia Pty Ltd (Serco), which commenced on 11 December 2014, to deliver immigration detention services in Australia on behalf of the Australian Government at immigration detention facilities. The contract limits Serco's liability to the Commonwealth to a maximum of any insurance proceeds recovered by Serco up to a value of $330 million for the term of the contract. Serco's liability is unlimited for specific events defined under the contract.

Industry, Science and Resources

Fiscal Risk

Rehabilitation of the Ranger Uranium Mine

The Australian Government approved the Ranger Uranium Mine (Ranger) in the late 1970s. Energy Resources of Australia Ltd (ERA) was authorised to mine uranium at Ranger until 2021, and is required to rehabilitate the site to achieve an environmental condition similar to adjacent areas. Pursuant to the renegotiated agreement between the Australian Government and the Northern Land Council, the Australian Government would be responsible for carrying out rehabilitation works at the Ranger site should ERA fail to complete the works. ERA has provided a rehabilitation security to the Australian Government to cover the expected costs of rehabilitation should it be called upon.

The rehabilitation security is revalued periodically based on estimated rehabilitation costs at a point in time, and ERA may be required to provide further security if necessary following a revaluation. The security currently reflects valuation assumptions as at March 2020. Recent assessments of the rehabilitation costs undertaken by the Government indicate that the potential costs have increased significantly following the last security valuation (in March 2020) and that, at present, the security held by the Australian Government would not be sufficient to rehabilitate the site should the Australian Government be required to do so. The Government acknowledges the uncertainty in costing rehabilitation works beyond 2027 and the impact this has on the timing of the next security valuation. Until the security can be valued in light of the cost uncertainties being experienced by ERA, the difference between the expected rehabilitation costs and the security held by the Australian Government represents a fiscal risk to the Budget.

Significant but remote contingencies

Liability for damages caused by space and certain high-power rocket activities

Under the United Nations Convention on International Liability for Damage Caused by Space Objects, the Australian Government may be liable to pay compensation for damage caused to nationals of other countries by space objects launched from Australia, or by Australian nationals overseas. For activities approved under the *Space (Launches and Returns) Act 2018* the Government also accepts liability for damage suffered by Australian nationals, to a maximum value of $3 billion above an insured level.

To address this risk, in order to have a space or high-power rocket activity approved under the *Space (Launches and Returns) Act*, the responsible party is required to insure against, or take financial responsibility for, damage to third parties. The amount of insurance or financial responsibility is capped at $100 million.

The *Space (Launches and Returns) Act* provides for amounts lower than $100 million depending on the risk profile of the activity. A maximum probable loss methodology is also available to calculate the amount of insurance or financial responsibility.

Operations and maintenance of the Northern Endeavour and associated infrastructure

On 31 March 2022, Petrofac Facilities Management Limited (Petrofac) was engaged to deliver Phase One of the decommissioning of the Northern Endeavour. This will see the floating production storage and offtake facility (FPSO) disconnected from the sub-sea equipment and temporary suspension of the wells. On 30 September 2022, the operational control of the facility transitioned from Upstream Production Solutions Pty Ltd to Petrofac.

The contract with Petrofac has adopted an industry standard “knock-for-knock” risk and liability allocation arrangement, akin to the one with Upstream Production Solutions Pty Ltd, that positions risks so that they are borne by the party most likely to be able to financially manage the consequences of a risk materialising. Petrofac is liable, to a pre-determined cap, for several insured risks, including to property, pollution and the environment. Petrofac will also bear responsibility for some instances of loss or damage to the extent it is caused by Petrofac’s negligence or wilful misconduct.

The Australian Government has obtained protection and indemnity, facility damage and control of well insurance, and taken out membership with oil spill response agencies. These limit the Government’s potential risk and financial exposure.

The risk of an incident is remote. The floating production storage offtake facility is being maintained with safety critical maintenance carried out, limited oil in storage and no further oil production taking place. The additional works to prepare for disconnection are not considered to materially increase the risk.

The Australian Government has committed to decommission the Northern Endeavour FPSO and remediate the Laminaria-Corallina oil fields. The cost to deliver Phase One of the decommissioning, including the disconnection and disposal of the FPSO, is taken into account in the forward estimates. However, costs for the subsequent phases of the decommissioning – the permanent plug and abandonment of the wells (Phase Two) and the removal of subsea infrastructure (Phase Three), which are estimated to commence over the forward estimates period – are not able to be fully quantified until procurement activities for those Phases have been completed. Actual costs associated with Northern Endeavour decommissioning will be recovered through the *Offshore Petroleum (Laminaria and Corallina Decommissioning Cost Recovery Levy) Act 2022*.

Contingent liabilities – unquantifiable

Australian Nuclear Science and Technology Organisation – asbestos contamination

The Australian Nuclear Science and Technology Organisation (ANSTO) site contains asbestos in several buildings and in the soil at the Lucas Heights campus. Although there is potential for claims to be made in relation to asbestos-related diseases, the potential costs have not been assessed and are unquantifiable contingencies.

Australian Nuclear Science and Technology Organisation – indemnity

On 21 April 2016, the then Minister for Industry, Innovation and Science signed a Deed of Indemnity between the Australian Government, ANSTO and ANSTO Nuclear Medicine Pty Ltd (ANM), under which the Government formally agreed to indemnify ANSTO and ANSTO officers, and ANM and ANM officers, from any loss or liability arising from claims caused by ionising radiation. This Deed will remain in place until April 2026.

Australian Nuclear Science and Technology Organisation – legacy waste management to final disposal

ANSTO has accumulated, and will continue to accumulate, nuclear waste, the final disposal of which is unfunded. The majority of this waste has arisen from the production of nuclear medicine and will require characterisation in order to determine the nature of, and therefore the costs and timing required to manage, the waste to final disposal. It is anticipated that the long-term storage of the nuclear waste will be the responsibility of the National Radioactive Waste Management Facility. If this changes, ANSTO may need to meet the costs of the future management of the waste.

Former British atomic test site at Maralinga

The Australian Government is responsible for 14 unlimited indemnities relating to the Maralinga Rehabilitation Project (1995–2000). In November 2009, the Australian Government agreed to the handback of the former nuclear test site – Maralinga Section 400 – to the site's Traditional Owners, Maralinga Tjarutja. Under the terms of the *Maralinga Nuclear Test Site Handback Deed*, the Australian Government has indemnified the Maralinga Tjarutja people and the South Australian Government in respect of claims arising from test site contamination.

Land decontamination and site restoration for CSIRO property

The Commonwealth Scientific and Industrial Research Organisation (CSIRO) has made a financial provision for the estimated costs in restoring and decontaminating land where a legal or constructive obligation has arisen. For cases where there is no legal or constructive obligation, the potential costs have not been assessed and are unquantifiable contingencies.

Infrastructure, Transport, Regional Development, Communications and the Arts

Fiscal Risks

Australia Post's financial stability

Australia Post is a Government Business Enterprise wholly owned by the Australian Government. In the 2022–23 financial year, Australia Post reported a full financial year pre-tax loss of $200 million. This is Australia Post's first annual loss since 2014–15. It reflects the way in which digitisation of the global and national economy is changing how many people and businesses use postal and related services. Australia Post does not receive financial support from the Australian Government but is required to meet a range of Community Service Obligations.

On 6 December 2023, the Australian Government announced a package of reforms to enable Australia Post to boost productivity, increase its focus on parcel delivery services, and improve financial sustainability. The Government will monitor the implementation of these reforms to assess whether they achieve meaningful financial benefits as intended.

Given the uncertainty surrounding Australia Post's financial position, there is a risk that the Australian Government will need to consider providing financial assistance to Australia Post in the future.

Inland Rail – delivery

In April 2023, the Australian Government released the findings of the Independent Review of Inland Rail (the Review) and agreed to the 19 recommendations in full or in principle. The Review assessed the project's scope, schedule and cost. While final project costs will not be known until the completion of procurement for all sections of Inland Rail, following finalisation of design, planning and gaining environmental approvals, the Review identified that the estimated cost to complete Inland Rail will be significantly higher than the available funding.

The Australian Government will work with independent specialists to review the cost, scope, engineering, delivery models and schedule of the project. In the interim, Inland Rail Pty Ltd (IRPL) is prioritising the delivery of sections from Beveridge to Parkes.

The major funding source available to the Australian Rail Track Corporation/IRPL to deliver Inland Rail is Commonwealth equity investment. Pre-existing project risks have been realised, including extensive delays and cost increases. Significant project delivery risks will remain, including securing jurisdictional support, cost and scheduling pressures, pre-existing land and contamination, and realising revenues.

Significant but remote contingencies

Inland Rail – Termination of the Equity Financing Agreement

The Australian Government will provide sufficient funding to cover all costs and liabilities incurred by the Australian Rail Track Corporation (ARTC) or Inland Rail Pty Ltd for delivery of Inland Rail in the event the Commonwealth terminates the Equity Financing Agreement between the Commonwealth and the ARTC.

Maritime Industry Finance Company Limited – Board Members' indemnity

Indemnities for Maritime Industry Finance Company Limited (MIFCO) board members were provided to protect them against civil claims relating to their employment and conduct as Directors. MIFCO was placed into voluntary liquidation in November 2006 and was deregistered on 24 April 2008. The indemnity is not time-limited and continues even though the company has been liquidated. Until the indemnity agreements are varied or ended, they will remain as contingent and unquantifiable liabilities.

Moorebank Intermodal Project – Glenfield Waste Site Easement

The Australian Government has provided an indemnity to cover all costs and liabilities that may be incurred by the Grantor (the private sector owner of the Glenfield Waste Site) of any easement for the rail spur going across the Glenfield Waste Site, to the extent such costs or liabilities are caused or contributed to by the Commonwealth or its agents.

National Intermodal Corporation Limited – Termination of the Funding Agreement

The Australian Government has provided an indemnity to cover all costs and liabilities that may be incurred by the National Intermodal Corporation Limited (National Intermodal) if the Commonwealth terminates the Funding Agreement between the Commonwealth and National Intermodal.

Telstra Financial Guarantee

The Australian Government has provided Telstra Corporation Limited (Telstra) a guarantee in respect of NBN Co's financial obligations under the Definitive Agreements. The Agreements were amended on 14 December 2014. The Guarantee was not amended at that time and it continues in force in accordance with its terms in respect of the amended Definitive Agreements. The liabilities under the Definitive Agreements between Telstra and NBN Co arise progressively during the roll-out of the National Broadband Network as Telstra's infrastructure is accessed and Telstra's customers are disconnected from its copper and Hybrid Fibre Coaxial cable networks. The Australian Government is only liable in the event NBN Co does not pay an amount when due under the Definitive Agreements. As at 28 February 2024, NBN Co had liabilities covered by the Guarantee estimated at $11 billion.

The Guarantee will terminate when:

- NBN Co achieves specified credit ratings for a period of two continuous years
- the company is capitalised by the Commonwealth to the agreed amount
- the Communications Minister declares, under *the National Broadband Network Companies Act 2011*, that, in his or her opinion, the National Broadband Network should be treated as built and fully operational. This declaration was made on 11 December 2020.

Tripartite deeds relating to the sale of federal leased airports

The tripartite deeds between the Australian Government, the airport lessee company and financiers, amend airport (head) leases to provide for limited step-in rights for financiers in circumstances where the Australian Government terminates the head lease to enable the financiers to correct the circumstances that triggered such a termination event. The tripartite deeds may require the Australian Government to pay financiers compensation as a result of terminating the (head) lease, once all Australian Government costs have been recovered. The Australian Government's contingent liabilities are considered to be unquantifiable and remote.

WSA Co Limited – Board Members' indemnities

The Australian Government has provided an indemnity to the inaugural directors of WSA Co Limited (WSA Co) to protect them against certain claims relating to their role as directors. Unless the indemnity agreements are varied or ended, they cease to apply from the date the Commonwealth has fully satisfied its obligations to subscribe for equity in WSA Co pursuant to the WSA Co Equity Subscription Agreement.

WSA Co Limited – Sydney Metro – Western Sydney Airport indemnity

The Australian Government has provided an indemnity to cover liabilities that may be incurred by WSA Co related to the integration of the Sydney Metro – Western Sydney Airport project (delivered by the New South Wales Government) with the Western Sydney International (Nancy-Bird Walton) Airport, to the extent such liabilities are established in the Airport-Rail Integration Deed.

WSA Co Limited – Termination of the Equity Subscription Agreement

The Australian Government is required to cover all costs and liabilities that may be incurred by WSA Co if the Commonwealth terminates the Equity Subscription Agreement between the Commonwealth and WSA Co.

Contingent liabilities – unquantifiable

Australian Maritime Safety Authority – ship-sourced pollution incident costs

In the normal course of operations, shipowners carry the liability for any clean-up costs following a ship-sourced pollution incident. The Australian Maritime Safety Authority (AMSA) is responsible for the provision of interim funds necessary to immediately meet clean-up operations and, in all circumstances, seeks to recover these costs from ship owners.

AMSA has established a pollution response financial capability of $50 million, backed by liquid investments, to provide funds for clean-up costs (which may be across a range of concurrent incidents) to cover expenditure pending recoveries.

The Australian Government meets costs that cannot be recovered. Given the nature of ship-sourced pollution incidents, it is not possible to estimate the amounts of any eventual payments that may be required.

Aviation rescue and firefighting services potential per- and poly-fluoroalkyl substances contamination

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA) has identified a number of sites in Australia potentially contaminated with per- and poly-fluoroalkyl substances (PFAS), which were contained in firefighting foams.

PFAS contaminants do not naturally break down in the environment and several have been listed on the Stockholm Convention as persistent contaminants. Australian health and environmental agencies have set a range of standards for environmental protection and precautionary health measures.

Up to 37 airport sites are potentially contaminated with PFAS (20 federally-leased airports and 17 regional airports), which relate to the Australian Government's provision of firefighting services. DITRDCA is undertaking PFAS investigations at these airports to understand the risks and develop management plans for any identified PFAS contamination. These investigations are funded under DITRDCA's $130.5 million PFAS Airports Investigation Program (the Program). Airservices Australia (Airservices) is continuing to implement the National PFAS Management Program, which includes ongoing PFAS investigations at 18 airport sites. The costs of potential long-term management options cannot be quantified at this time.

For Commonwealth-owned airports that are leased on a long-term basis, Airport Lessee Companies are responsible for environmental management of their airport sites. Airport leases indemnify the Commonwealth in relation to damages or injury to the environment, including in respect of costs and claims arising due to such damages or injury. However, these leases do not indemnify Airservices, as it is a corporate Commonwealth entity. The Commonwealth is not indemnified for 16 airports (which are privately or local government owned) in the Program's scope because the Commonwealth is not a party to any lease deed at these airports. The costs of potential long-term management options cannot be quantified at this time.

A number of Airport Lessee Companies have requested that the Airport Environment Officer (AEO) issue remedial orders to Airservices for PFAS contamination under the *Airports (Environment Protection) Regulations 1997*. On 30 March 2023, the AEO issued Airservices with an environmental remedial order in relation to PFAS contamination caused by Airservices at the former fire training ground at Launceston Airport. AEOs are also actively considering regulatory action at Brisbane, Canberra, Moorabbin and Sydney Airports.

Brisbane Airport Corporation has commenced legal proceedings in the Queensland Supreme Court against Airservices concerning legacy PFAS contamination from Airservices' use of firefighting foams containing PFAS at the airport. Australia Pacific Airports Launceston and Perth Airport Pty Ltd have also commenced legal proceedings against Airservices in relation to PFAS contamination in the Federal Court. Potential costs relating to these matters are unquantifiable at this time.

Indemnity provided to the New South Wales Rural Fire Fighting Service in relation to the Jervis Bay Territory

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA) engages the New South Wales Rural Fire Service (NSW RFS) to provide fire management in the Jervis Bay Territory (JBT). To provide these services, the NSW RFS requires the Australian Government to provide an uncapped indemnity against any actions or claims resulting from the actions of the NSW RFS while providing fire management services in the JBT. The indemnity covers the same period of time for which NSW RFS is engaged to provide the fire management services. The likelihood of an event occurring that may result in a liability for the Australian Government is assessed as unlikely. The risk of a liability is mitigated through a range of risk management measures, including the *Jervis Bay Territory Rural Fires Ordinance 2014*, the establishment of a JBT Emergency Management Committee (EMC), a fire management plan prepared and implemented by the EMC, NSW RFS staff training and professional qualifications and DITRDCA actively managing the Service Level Agreement with the NSW RFS.

Moorebank Intermodal Project – Georges River rail crossing

The Australian Government has provided an indemnity to cover costs and liabilities that may be incurred by the State of New South Wales arising under the *Native Title Act 1993 (Cth)* associated with the construction of a rail bridge over the Georges River to the Moorebank Intermodal Terminal. The likelihood of costs being incurred is considered remote and potential costs are unquantifiable.

Service Delivery Arrangement Indemnities – Indian Ocean Territories and Jervis Bay Territory

Since 1992, the Australian Government has entered into Service Delivery Arrangements with the Western Australian (WA) Government for the provision of services to the Indian Ocean Territories of Christmas Island and the Cocos (Keeling) Islands. The Australian Government has provided certain indemnities for the WA Government and its respective officers, agents, contractors and employees against civil claims relating to their employment and conduct as officers.

The Australian Capital Territory (ACT) provides services to the Jervis Bay Territory under a Memorandum of Understanding. The Australian Government has provided certain indemnities for the ACT Government authorities and officials in relation to the delivery of services to the Jervis Bay Territory.

The likelihood of an event occurring that may result in a liability for the Australian Government has been assessed as remote and the risks are currently mitigated through the training and professional qualifications of the staff of these agencies and the existence of systems, processes and standards for the delivery of services.

Prime Minister and Cabinet

Contingent liability – unquantifiable

McDonald v Commonwealth (Stolen Wages Class Action)

A class action against the Commonwealth has been filed in the Victorian Registry of the Federal Court on behalf of all Aboriginal and Torres Strait Islander persons who lived and worked in the Northern Territory during the period 1 June 1933 to 12 November 1971, and whose wages were allegedly unjustly withheld, inadequate or not paid as a result of wage control legislation. Costs associated with this litigation (if any) and any potential related future litigation are not quantifiable until the matter is determined by the Court or otherwise resolved.

Contingent liability – quantifiable

Indigenous Land and Sea Corporation – Voyages Indigenous Tourism Australia

Voyages Indigenous Tourism Australia Pty Ltd (Voyages), the owners of the Ayers Rock Resort, has debt facilities with ANZ Banking Group Limited ($110.5 million) and the Northern Australia Infrastructure Facility ($27.5 million). The Indigenous Land and Sea Corporation is the guarantor for each of these facilities.

While Ayers Rock Resort's performance has not, as yet, recovered to pre-pandemic levels, there has been significant improvement over 2022–23 and into 2023–24 due to increased tourism activity.

Social Services

Fiscal Risks

COVID-19 and disaster social security debt pause for specified areas

The Australian Government implemented a temporary pause on a range of debt activities from 4 August 2021 in New South Wales, Victoria, the Australian Capital Territory and 11 Local Government Areas in South East Queensland. This was undertaken to help ease pressure on people subject to stay at home orders and natural disaster impacts. Since 1 July 2022, consistent with the easing of COVID-19 restrictions, Services Australia has progressively lifted debt pauses associated with the pandemic and natural disasters.

There is currently an unquantifiable financial risk as the financial impacts of the debt pause over 2020–21 and 2021–22 are yet to be fully realised.

National Disability Insurance Scheme

The National Disability Insurance Scheme (NDIS) provides Australians with permanent and significant disability with financial support to build capacity, increase independence and establish stronger connections with their community.

As with other demand-driven programs, the estimated costs for the NDIS are subject to adjustments to reflect observed changes in actual payments. As the Scheme is relatively new, there is greater potential for changes in forecasts of the number of participants, the funds allocated in participant support packages, the payments by participants from those funds for supports, and the resourcing required by the National Disability Insurance Agency to administer the Scheme.

National Cabinet has committed to a NDIS Financial Sustainability Framework to ensure the Scheme is sustainable in the long term, with an annual growth target for Scheme costs of no more than 8 per cent from 1 July 2026. On 27 March 2024 the Government introduced the National Disability Insurance Scheme Amendment (Getting the NDIS Back on Track) Bill 2024 No. 1 (the Bill) to Parliament. Changes in the Bill and subsequent amendments to NDIS rules and other legislative instruments will moderate growth in NDIS expenditure, by determining NDIS participant plan budgets more consistently based on participant need and supporting participants to spend in accordance with their plans. The realisation of the financial projections for the NDIS is dependent on the successful implementation of the Financial Sustainability Framework, including the passage of the Bill and subsequent changes to NDIS rules and other legislative instruments.

Contingent liability – unquantifiable

Income apportionment and debt pause

Following legislative changes made in November 2020, from 7 December 2020 the Australian Government ceased calculating a customer's income support entitlements for debts arising through income apportionment. This method was used in certain instances to evenly divide or apportion a customer's employment income across two or more Centrelink fortnightly reporting periods. The legislative changes in November 2020 simplified income reporting: income is now reported when it is received, removing the need for customers to calculate and report what they have earned each fortnight.

Where income apportionment was or may have been applied to recover certain Commonwealth social security debts prior to 7 December 2020, recovery activities have been paused while the Australian Government investigates a resolution.

Contingent asset – quantifiable

National Redress Scheme

The *National Redress Scheme for Institutional Child Sexual Abuse Act 2018* aims to support people who experienced institutional child sexual abuse from institutions participating in the National Redress Scheme to gain access to counselling and psychological services, a direct personal response from the responsible institution, and a monetary payment. The Department of Social Services (DSS) administers the National Redress Scheme. In this capacity, DSS makes the monetary payment to the survivor and then recovers the costs from the institution determined to be responsible for the abuse.

As at 5 March 2024, DSS has an administered quantifiable contingent asset of $374.1 million in relation to the probable recovery from responsible institutions of monetary payments that may be made to survivors under the National Redress Scheme. The value is based on applications that have been referred to an independent decision maker for assessment and the payment values.

As at 5 March 2024, DSS has an administered quantifiable contingent liability of $195.5 million in relation to applications made under the National Redress Scheme that have been referred to an independent decision maker for assessment. The amount is based on the number of applications and the payment values.

The difference between the contingent asset and the contingent liability represents the net risk to the Budget from the National Redress Scheme.

Treasury

Significant but remote contingencies

Asbestos Injuries Compensation Fund

In February 2016, the Commonwealth agreed to assume one third of the default risk associated with a $320 million New South Wales (NSW) Government loan to the Asbestos Injuries Compensation Fund (AICF), contingent on all states and territories agreeing to assume the remaining default risk. States and territories agreed to assume the remaining default risk in the period following the publication of the 2016–17 Budget.

The AICF provides compensation to Australian asbestos disease related claims against former subsidiaries of the James Hardie Group and is funded on an ongoing basis through contributions from the James Hardie Group. NSW provided a $320 million loan facility in 2010 to enable AICF to continue to pay compensation as lump sums, rather than on an instalment basis.

Financial Claims Scheme

The Financial Claims Scheme provides depositors of authorised deposit-taking institutions (ADIs) and claimants against general insurers with timely access to their funds in the event of a financial institution failure.

Under the *Banking Act 1959*, the Financial Claims Scheme provides a mechanism for making payments to depositors under the Australian Government's guarantee of deposits in ADIs. Payments are capped at $250,000 per account holder per ADI. The total value of deposits eligible for coverage under the Financial Claims Scheme was estimated at $1.3 trillion as at 31 December 2023.

Under the *Insurance Act 1973*, the Financial Claims Scheme provides a mechanism for making payments to eligible beneficiaries with a valid claim against a failed general insurer. It is not possible to estimate the amounts of any eventual payments that may be required in relation to general insurance claims.

In the very unlikely event of an ADI or general insurer failure, any payments made under the Financial Claims Scheme would be recovered through the liquidation of the failed institution. If there was a shortfall in the amount recovered through the liquidation of the failed institution, a levy could be applied to the relevant industry to recover the difference between the amount expended and the amount recovered in the liquidation.

The Australian Prudential Regulation Authority (APRA) is responsible for the administration of the Financial Claims Scheme. Under the Financial Claims Scheme, any payments to account holders with eligible protected accounts or eligible claimants would be made from APRA's Financial Claims Scheme Special Account. Under the legislation, upon declaration by the Minister in relation to a specified ADI, up to $20 billion per institution would be available to meet Financial Claims Scheme payments and up to $100 million per institution for administration costs.

Guarantee for Housing Australia

The Australian Government guarantees the due payment of money payable by Housing Australia to anyone other than the Government.

The Housing Australia Board must not allow Housing Australia to enter into a transaction that would result in its total guaranteed liabilities, and any outstanding amount borrowed from the Government, to exceed $7.5 billion, unless approved by the Government. As part of the 2024–25 Budget, the Government announced the cap on the Government guarantee of Housing Australia's liabilities will increase from $7.5 billion to a total of $10 billion on 1 July 2024.

Guarantees under the *Commonwealth Bank Sale Act 1995*

Under the terms of the *Commonwealth Bank Sale Act 1995*, the Australian Government guarantees various superannuation and other liabilities of the Commonwealth Bank. As at 31 December 2023, the Commonwealth Bank of Australia holds no attributed liabilities, and $4.27 billion is attributable to liabilities of the Commonwealth Bank Officers' Superannuation Corporation.

Reserve Bank of Australia – Guarantee

The Australian Government guarantees the liabilities of the Reserve Bank of Australia, measured as the Bank's total liabilities excluding capital, reserves, and Australian Government deposits. The principal component of the Bank's liabilities consists of exchange settlement balances. As at 29 February 2024, exchange settlement balances amount to $335.4 billion, and the total guarantee is $453.3 billion.

Contingent liabilities – unquantifiable

Compensation scheme of last resort

The compensation scheme of last resort (CSLR) will facilitate the payment of compensation to consumers who have an eligible determination from the Australian Financial Complaints Authority which remains unpaid, primarily due to the insolvency of the relevant financial service provider.

Legislation to establish the CSLR was passed on 22 June 2023. The CSLR will be funded by the Government in the first levy period, which ends 30 June 2024. Thereafter, liabilities under the CSLR will transfer to the financial services sector and will be funded by levies on the sector.

The value of the Australian Government's liabilities under the CSLR is unquantifiable. The collapse of Dixon Advisory and Superannuation Services Pty Ltd substantially increased the backlog of potential eligible claims.

Establishment of a cyclone and related flooding reinsurance pool

The Government provides an annually reinstated Government guarantee to the Australian Reinsurance Pool Corporation (ARPC) of $10 billion, or a larger amount if required, to support a reinsurance pool for the impact of cyclones and related flooding on eligible insured properties. The guarantee took effect from 1 July 2022, following the passage of legislation in March 2022, and may be called upon in the event of a large cyclone and related flooding, or in a year with a high number of cyclones and related flooding, to ensure the ARPC can pay any and all liabilities.

The reinsurance pool is designed to be cost neutral to Government over time, based on the predicted cost and frequency of cyclone events. The estimated value and range of calls on the guarantee is unquantifiable due to significant uncertainty in the frequency and severity of cyclones and the resulting losses.

Government guarantees for housing

The Australian Government has several programs to support individuals to enter the housing market sooner. These are administered by Housing Australia.

The **First Home Guarantee** (formerly the First Home Loan Deposit Scheme) is designed to support eligible first home buyers, and non-first home buyers who have not owned a property in Australia within the past ten years, to build or purchase a home by providing a guarantee to participating lenders for up to 15 per cent of the property purchase price. The First Home Guarantee began on 1 January 2020.

The **New Home Guarantee** is designed to support eligible first home buyers seeking to build a new home or purchase a newly built home by providing a guarantee to participating lenders for up to 15 per cent of the property purchase price. A second tranche of 10,000 New Home Guarantees was made available from 1 July 2021. The New Home Guarantee concluded on 30 June 2022 but its guarantees issued in previous financial years remain active.

The **Family Home Guarantee** is designed to support single parents and single legal guardians with dependents seeking to enter, or re-enter, the housing market. The Family Home Guarantee commenced on 1 July 2021.

The **Regional First Home Buyer Guarantee** is designed to support eligible first home buyers and non-first home buyers who have not owned a property in Australia within the past ten years, to build or purchase a home in a regional location by providing a guarantee to participating lenders of up to 15 per cent of the property purchase price (subject to a minimum deposit of 5 per cent). The Regional First Home Buyer Guarantee commenced on 1 October 2022.

For the four programs listed above, the Australian Government guarantees the liabilities as they arise. Guaranteed liabilities arise where a lender’s loss is covered by the guarantee. The lender then makes a claim against the guarantee and Housing Australia assesses the claim. Given liabilities under the Scheme are met by a standing appropriation, Housing

Australia is not required to maintain capital and reserves to meet the liabilities associated with these programs.

Indemnities for specialised external advisers during the COVID-19 pandemic

The Government has provided indemnities for certain specialised external advisers engaged to provide advice on emerging markets issues related to COVID-19. Indemnities were provided to mitigate personal risk and provide coverage for costs related to any legal proceedings that may arise in relation to the provision of that advice.

The indemnities apply for the period of engagement as advisers and for claims that are notified within 12 years after cessation of the adviser's engagement. Until the indemnity agreements are varied or expire, they will remain as contingent and unquantifiable liabilities.

Small and Medium Enterprise (SME) Guarantee Scheme and SME Recovery Loan Scheme

The Australian Government provided support for small and medium enterprises during the COVID-19 pandemic through guaranteeing loans issued by participating lenders. This support was provided under a number of schemes.

The **Coronavirus Small and Medium Enterprises (SME) Guarantee Scheme** provided a guarantee of 50 per cent of the eligible loan amount for eligible SMEs and the **Show Starter Loan Scheme** provided a guarantee of 100 per cent of the eligible loan amount for the arts and entertainment businesses, with both schemes closing for new loans on 30 June 2021.

The **SME Recovery Loan Scheme**, an expansion and extension of the Coronavirus SME Guarantee Scheme, provided a guarantee of up to 80 per cent of the eligible loan amount, and was initially available to applicants from 1 April 2021 until 31 December 2021.

The SME Recovery Loan Scheme was extended from 1 January 2022 to 30 June 2022, and during this period the Government provided a guarantee of 50 per cent of the eligible loan amount.

Under each of the above schemes, the Australian Government guaranteed to pay an approved lender in the event of default by small and medium enterprises. Although all schemes have closed to new loans, the risk to the Australian Government remains until the final claim date for SME Recovery Loan Scheme on 30 September 2033.

Terrorism insurance – commercial cover

The *Terrorism and Cyclone Insurance Act* 2003 (formerly the *Terrorism Act 2003*) established a scheme for terrorism insurance covering damage to commercial property, including associated business interruption and public liability (extended in 2017 to mixed-use and high-value residential buildings). The Australian Reinsurance Pool Corporation (ARPC) uses reinsurance premiums paid by insurers to meet its administrative expenses, to maintain a pool of funds and to purchase reinsurance to help meet future claims.

The Australian Government guarantees to pay any liabilities of the ARPC, however the responsible Minister (or delegate) must declare a reduced payout rate to insured entities if the Government's liability would otherwise exceed $10 billion.

Contingent liabilities – quantifiable

Australian Taxation Office – tax disputes

At any point in time, the Australian Taxation Office is involved in a range of dispute resolution processes, including litigation, relating to tax disputes.

Details of the outcome of dispute resolution processes remain uncertain until a court ruling is made and/or an agreement is reached with the taxpayer. Accordingly, in most cases it is not possible to reliably estimate the likely financial impact of current disputes. The estimated aggregate value of tax in dispute as at 29 February 2024, for which a provision has not been made, is $9.7 billion.

Outcomes of dispute resolution processes are included in the Commissioner of Taxation's Annual Report each year. This may include disputes resolved through objections, settlements and court and tribunal decisions. It may also include amounts owed by taxpayers that are subject to dispute but not finalised.

International financial institutions – uncalled capital subscriptions

The Australian Government has held an uncalled capital subscription in the International Bank for Reconstruction and Development (IBRD) since 1947. Australia's current uncalled capital subscription to the IBRD totals around US$4.4 billion (estimated value A$6.6 billion as at 14 March 2024).

The Australian Government has an uncalled capital subscription in the European Bank for Reconstruction and Development (EBRD) since 1991. Australia's uncalled capital subscription to the EBRD totals around EUR237.5 million (estimated value A$396.9 million as at 14 March 2024).

The Australian Government has held an uncalled capital subscription in the Asian Development Bank (ADB) since 1966. Australia's uncalled capital subscription to the ADB totals around US$7.0 billion (estimated value A$10.6 billion as at 14 March 2024).

The Australian Government has an uncalled capital subscription in the Multilateral Investment Guarantee Agency of around US$26.5 million (estimated value A$40.0 million as at 14 March 2024).

The Asian Infrastructure Investment Bank (AIIB) was established on 25 December 2015. The Australian Government has subscribed to shares in the AIIB, which includes an uncalled capital subscription. Australia's uncalled capital subscription to the AIIB totals around US$3.0 billion (estimated value A$4.5 billion as at 14 March 2024).

None of these international financial institutions has ever drawn on Australia's uncalled capital subscriptions.

International Monetary Fund – 16th General Review of Quota

The Australian Government has agreed to approve a 50 per cent increase to the International Monetary Fund (IMF) quota. Under the agreement, Australia's quota will increase from Special Drawing Rights (SDR) 6.6 billion (approximately A$13.3 billion as at 14 March 2024) to SDR 9.9 billion (approximately A$19.9 billion as at 14 March 2024). This increase maintains Australia's voting power at the IMF and share of any future SDR allocation and increases access to fund financing. The timing of the contribution is uncertain, it will come into effect no earlier than 15 November 2024 and is subject to conditions including consent by members representing 85 per cent of existing quota. 25 per cent of the increase, SDR 821.55 million (approximately A$1.7 billion as at 14 March 2024), will be made in foreign currency (in consultation with the IMF) and the remainder will be covered by Australian dollar denominated promissory notes. If the IMF quota increase is implemented it will be largely offset by reductions in Australia's other IMF commitments.

International Monetary Fund – New Arrangements to Borrow & Bilateral Borrowing Agreement

Australia has made a line of credit available to the International Monetary Fund (IMF) under its New Arrangements to Borrow since 1998. This is a contingent loan to help ensure that the IMF has the resources available to maintain stability in the global economy. On 8 October 2020, the Treasurer advised the IMF that Australia consented to the New Arrangements to Borrow decision and, on 26 January 2020, the IMF Executive Board approved amendments to the New Arrangements to Borrow decision, including increasing the credit arrangements of all participants and extending the arrangement from 1 January 2021 to 31 December 2025. The value of Australia's New Arrangements to Borrow credit arrangement stands at around Special Drawing Rights (SDR) 4.4 billion (estimated value A$9.0 billion at 14 March 2024). If the IMF quota increase is implemented, the value of Australia's NAB contribution will decrease by SDR 0.7 billion to SDR 3.7 billion (approximately A$7.5 billion as at 14 March 2024).

Australia has also made available approximately SDR 2.0 billion (estimated as approximately A$4.0 billion at 14 March 2024) through a contingent bilateral loan to the IMF, known as a Bilateral Borrowing Agreement (BBA). This contingent bilateral loan is on terms consistent with other bilateral loans and note purchase agreements between the IMF and other contributing countries. The contingent bilateral loan will be drawn upon by the IMF only if needed to supplement the IMF's quota and New Arrangements to Borrow resources, and any drawings on loans would be repaid in full, with interest. On 26 July 2023, Australia agreed to extend the BBA by one year through to 31 December 2024. If the IMF quota increase is implemented in 2024, Australia's BBA will be allowed to expire. If the implementation of the quota increased is delayed beyond end-2024, the IMF may seek to negotiate a transitional BBA with Australia.

International Monetary Fund – Poverty Reduction and Growth Trust

The Australian Government has entered into agreements to make a line of credit available to the International Monetary Fund (IMF) under the Poverty Reduction and Growth Trust through to 31 December 2029. The Poverty Reduction and Growth Trust provides concessional financial support to low-income countries to help them achieve, maintain, or restore a stable and sustainable macroeconomic position. Poverty Reduction and Growth Trust funds are drawn upon by the IMF as needed and will be repaid in full, with interest.

Through these agreements, the Government has made available Special Drawing Rights (SDR) 1 billion (approximately A$2.0 billion as at 14 March 2024) to loan to the IMF under the Poverty Reduction and Growth Trust. As at 30 June 2024, SDR 257.0 million (approximately A$518.6 million) has been drawn down, leaving SDR 743.01 million (approximately A$1.5 billion) available to the IMF under the Poverty Reduction and Growth Trust.

International Monetary Fund – Resilience and Sustainability Trust

On 11 October 2022, the Australian Government entered into an agreement to make a line of credit of Special Drawing Rights (SDR) 760 million (approximately A$1.5 billion as at 14 March 2024) available to the IMF under the Resilience and Sustainability Trust through to 30 November 2030. The Resilience and Sustainability Trust will provide affordable long-term financing to help vulnerable countries build resilience and sustainability to address the risks stemming from climate change and pandemic preparedness. Resilience and Sustainability Trust line of credit funds are drawn upon by the IMF as needed and will be repaid in full, with interest. As at 30 June 2024, SDR 14.2 million (approximately A$28.6 million as at 14 March 2024) has been drawn down, leaving SDR 745.8 million (approximately A$1.5 billion as at 14 March 2024) available to the IMF under the Resilience and Sustainability Trust.

Veterans' Affairs

Fiscal Risk

Defence Service Homes Insurance Scheme

The Defence Service Homes Insurance Scheme (DSH Insurance) was established in 1919 under the *Defence Service Homes Act 1918*. DSH Insurance offers personal insurance products to eligible serving Australian Defence Force members, veterans and widow(er)s. It underwrites home building insurance and offers a range of personal insurance products (such as contents and motor vehicle insurance) underwritten by QBE Insurance (Australia) Limited (QBE).

DSH Insurance is funded by premiums collected from policy holders, commissions from QBE and returns on investments. Due to the nature of insurance, DSH Insurance's financial performance can be volatile from year to year. The last few years have been challenging for DSH Insurance due to increases in claims from extreme weather events (including bushfires, hailstorms and floods), combined with low investment returns and increased pricing on reinsurance premiums. These are industry-wide challenges affecting all general insurers.

DSH Insurance manages the volatility of the insurance cycle by aiming for an appropriate level of capital (that is, reserves) consistent with the regulations placed on insurers and monitored by the Australian Prudential Regulation Authority. DSH Insurance also has a comprehensive reinsurance program in place, reducing the exposure to loss by passing part of the risk of loss to a group of reinsurers. Nevertheless, there remains a risk that additional Government contributions could be required should these reserves be insufficient to cover the liabilities of DSH Insurance.

Government loans

Loans are recorded as financial assets. Accordingly, the amounts advanced and repaid do not normally affect the Budget aggregates of fiscal balance and underlying cash balance. Loans that are concessional (lower than market interest rate) or are agreed to be written off, result in an impact on the fiscal balance.

The Government makes loans for policy purposes. All loans contain some element of credit risk that they will not be repaid in full, although in many cases this risk is small. Table 9.3 summarises Government loans estimated to exceed $200 million at 30 June 2024.

Table 9.3: Summary of Australian Government loans meeting the materiality threshold

Portfolio	Loan amount[a] ($m)	Borrower	Interest rate	Term	Status[b]
Agriculture, Fisheries and Forestry					
Drought-related and farm finance concessional loans – Agriculture	165	State Governments (that through their delivery agencies, on-lend to eligible farm businesses)	Various	Various	Modified
Farm Investment Loans, Drought Loans, AgriStarter Loans, AgBiz Drought Loans and AgRebuild Loans	2,745	Eligible Australian farm businesses and related small businesses, through the Regional Investment Corporation	4.99 per cent for all loans	Up to 10 years for all loans	Modified
Climate Change, Energy, the Environment and Water					
Clean Energy Finance Corporation	2,830	Approved entities undertaking clean energy technology projects	Approximately 4.5 per cent weighted average	Predominately 5-15 years	Unchanged
Education					
Higher Education Loan Program	43,200	Eligible higher education students	The lower of Wage Price Index (WPI) or Consumer Price Index (CPI) growth	9.6 years (average)	Modified
Employment and Workplace Relations					
Australian Apprenticeship Support Loans Program	987	Eligible Australian Apprentices	The lower of WPI or CPI growth		Modified
VET Student Loans Program	3,300	Eligible diploma and above students	The lower of WPI or CPI growth		Modified
Foreign Affairs and Trade					
Government support for PsiQuantum Pty Ltd	Commercial-in-confidence	PsiQuantum Pty Ltd	Commercial-in-confidence	Commercial-in-confidence	New
Telstra acquisition of Digicel Pacific	2,029	Telstra	Commercial-in-confidence	Various	Modified
Industry, Science and Resources					
National Reconstruction Fund Corporation[c]	Various	To be determined	To be determined	To be determined	Modified

Table 9.3: Summary of Australian Government loans meeting the materiality threshold (continued)

Portfolio	Loan amount[(a)] ($m)	Borrower	Interest rate	Term	Status[(b)]
Infrastructure, Transport, Regional Development, Communications and the Arts					
NBN Co Loan	-	NBN Co Limited	3.96 per cent	30 June 2024	Removed
Northern Australia Infrastructure Facility Loans	1,500	Northern Australia jurisdictions (Western Australia, Queensland or the Northern Territory) for on lending to project proponents. The NAIF Investment Mandate Direction 2021 additionally allows for provision of financial assistance directly to other entities	Various (circa. 5 per cent)	Various	Modified
WestConnex Stage 2 Concessional Loan	2,266	WCX M5 Finco Pty Ltd	3.36 per cent	November 2015 to July 2034	Unchanged
Prime Minister and Cabinet					
Indigenous home ownership, business development and assistance	1,028	Eligible Indigenous persons	1.64 per cent – 6.14 per cent	Up to 32 years	Unchanged
Voyages Indigenous Tourism Australia Pty Ltd	335	Voyages Indigenous Tourism Australia Pty Ltd	90 Day bank bill swap reference rate plus 5 per cent (on $176 million of principal)	9 years, 11 months	Unchanged
Social Services					
Home Equity Access Scheme	401	Eligible older Australians who meet residency requirements and own suitable real estate in Australia to use as security.	3.95 per cent	Various	Unchanged
Student Financial Supplement Scheme	181	Eligible recipients of Youth Allowance (student), Austudy and ABSTUDY recipients	CPI growth	Various	Unchanged
Student Start-up Loan	839	Eligible Youth Allowance (student), Austudy and ABSTUDY Living Allowance recipients	The lower of WPI or CPI growth	Various	Modified

Table 9.3: Summary of Australian Government loans meeting the materiality threshold (continued)

Portfolio	Loan amount[(a)] ($m)	Borrower	Interest rate	Term	Status[(b)]
Treasury					
Affordable Housing Bond Aggregator	80	Housing Australia	Commonwealth cost of borrowing	Various	Unchanged
Commonwealth-State financing arrangements – housing and specific purpose capital	1,300	State and Northern Territory governments	4.0 per cent – 6.0 per cent	Up to 30 June 2042	Unchanged
International Monetary Fund – New Arrangements to Borrow	-	International Monetary Fund	IMF Special Drawing Rights (SDR) interest rate	10 years	Removed
International Monetary Fund – Poverty Reduction and Growth Trust	519	International Monetary Fund	IMF SDR interest rate	10 years	Unchanged
International Monetary Fund – Resilience and Sustainability Trust	29	International Monetary Fund	IMF SDR interest rate	20 years	Unchanged
Loan Agreement between the Australian Government and the Government of Indonesia	895	Government of Indonesia	Commonwealth cost of borrowing plus 0.5 per cent	15 years	Unchanged
2020 Loan Agreement between the Australian Government and the Government of Papua New Guinea	286	Government of Papua New Guinea	Commonwealth cost of borrowing plus 0.5 per cent	15 years	Unchanged
2021 Loan Agreement between the Australian Government and the Government of Papua New Guinea	307	Government of Papua New Guinea	Commonwealth cost of borrowing plus 0.5 per cent	20 years	Unchanged
2022 Loan Agreement between the Australian Government and the Government of Papua New Guinea	350	Government of Papua New Guinea	Commonwealth cost of borrowing	20 years	Modified
2023 Loan Agreement between the Australian Government and the Government of Papua New Guinea	344	Government of Papua New Guinea	Commonwealth cost of borrowing	20 years	New

a) Loan amount is the estimated loan program amounts outstanding as at 30 June 2024 in $ million.
b) Status of loan items are considered 'unchanged' unless there are modifications to respective interest rates and/or loan term.
c) The Government has established the National Reconstruction Fund, which will offer loans and guarantees and make equity investments in a range of emerging technologies and technically complex projects. These investments carry the inherent risks associated with investing in a large and diverse portfolio of financial assets. Details will be provided in this disclosure once loans, guarantees and investments are made.

Note: The Australian Government will provide Snowy Hydro Limited with a loan of up to $4.5 billion on commercial terms to put towards completion of Snowy 2.0. The loan will commence in 2024–25 and is expected to be refinanced by Snowy Hydro from 2029–30 onwards, once Snowy 2.0 is operational.

Agriculture, Fisheries and Forestry

Drought-related and farm finance concessional loans – Agriculture

As at 30 June 2024, the fair value of farm business, drought and dairy farm related loans is estimated to total $164.6 million.

Drought Recovery and Dairy Recovery Concessional Loans Scheme: The drought recovery component of this scheme provided loans to farm businesses affected by unprecedented drought or, where applicable, Queensland farm businesses directly impacted by the combined effects of drought and the mid-2011 disruption to live cattle exports to Indonesia. The loans funded planting and restocking activities and associated expenses when seasonal conditions allowed. The loans were available from January 2015 and, in 2014–15, operated in Queensland and New South Wales. In 2015–16, drought recovery concessional loans were available in Queensland, New South Wales, South Australia and Tasmania.

The dairy recovery component of this scheme provided concessional loans to dairy farm businesses affected by the 2016 reduction in farm gate milk prices by Murray Goulburn, Fonterra and National Dairy Products. Loans were available for debt restructuring, providing new debt for operating expenses or productivity enhancement activities, or a combination of these purposes. Dairy recovery concessional loans became available in Victoria, New South Wales, South Australia and Tasmania from June 2016. Applications closed on 31 October 2016. A dairy recovery concessional loan product was available under the Farm Business Concessional Loans Scheme until 30 June 2018.

As at 1 February 2024, the scheme's interest rate was 4.06 per cent, reviewed on a six-monthly basis and revised in accordance with changes in the ten-year Australian Government bond rate. Loans have a maximum term of ten years with interest-only payments required for the first five years. Principal and interest repayments will be made in the remaining five years of the loan term.

Farm Business Concessional Loans Scheme: This scheme provided three types of concessional loans: drought assistance, dairy recovery and business improvement. This scheme was designed to cover a farmer's short-term needs when income was tight and to supplement, rather than replace, commercial finance. Loans under the scheme were first available in November 2016. Applications for loans under the scheme closed on 30 June 2018.

Drought assistance concessional loans were available in Queensland, New South Wales, Victoria, South Australia, Tasmania and the Northern Territory. Loans were available for debt restructuring, operating expenses, drought preparedness activities or drought recovery activities or a combination of these purposes.

Business improvement concessional loans were available in Queensland, New South Wales, Victoria, South Australia, Tasmania and the Northern Territory. Loans were available for eligible Farm Household Allowance (FHA) recipients who were recovering from financial hardship and had exhausted or would exhaust their FHA 1,095-day income support entitlement by 30 June 2018. These loans were for debt restructuring only.

Dairy recovery concessional loans were available in New South Wales, Victoria, South Australia and Tasmania to eligible suppliers of Murray Goulburn, Fonterra and National Dairy Products. Loans were available for debt restructuring, providing new debt for operating expenses, productivity enhancement activities or a combination of these purposes.

As at 1 February 2024, the interest rate was 4.46 per cent, reviewed on a six-monthly basis and revised in accordance with changes in the ten-year Australian Government bond rate. Loans have a maximum term of ten years.

Farm Finance Concessional Loans Scheme: This scheme provided concessional loans to eligible farm businesses experiencing financial difficulties that were considered commercially viable in the long-term, and were for productivity enhancements and debt restructuring. Applications for Farm Finance Concessional Loans closed on 30 June 2015.

Farm Investment Loans, Drought Loans, AgriStarter Loans, AgBiz Drought Loans and AgRebuild Loans

The Regional Investment Corporation commenced operations on 1 July 2018.

There are three loan products currently available to farm businesses: Farm Investment Loans, Drought Loans and AgriStarter Loans. In addition, AgBiz Drought Loans are available for small businesses. AgRebuild Loans (North Queensland flood) closed on 30 June 2020.

The Farm Investment, Drought, AgriStarter and AgBiz Drought loan products provide concessional loans to eligible businesses experiencing financial difficulties and are considered financially viable in the long term (additional criteria apply for each product, and terms and conditions may vary). All products are for farm businesses, except for AgBiz Drought Loans which are for small businesses that provide primary production related goods and services for drought affected farm businesses.

As at 1 February 2024, the variable interest rate was 4.99 per cent for the Farm Investment, Drought, AgriStarter and AgBiz Drought loan products. Interest rates are revised on a 6-monthly basis in line with any material changes to the Australian Government 10-year bond rate where a material change is taken to be a movement of more than ten basis points (0.1 per cent). The next update will be on 1 August 2024.

Interest is not payable during the first two years of the AgRebuild Loan, or on the Drought Loans and AgBiz Drought Loans for loan applications that were received before 30 September 2020.

Loans have a maximum term of ten years.

Climate Change, Energy, the Environment and Water

Clean Energy Finance Corporation

The Clean Energy Finance Corporation (CEFC) has developed a portfolio of loans and investments across the spectrum of clean energy technologies, as required by the *Clean Energy Finance Corporation Act 2012* and the *Clean Energy Finance Corporation Investment Mandate Direction 2023* (the Investment Mandate), comprising the General Portfolio, Rewiring the Nation Fund and Specialised Investment Funds.

The CEFC's loan portfolio consists of predominantly senior-ranking secured loans, bonds and secured project finance facilities, typically secured against energy generating assets such as wind or solar farms or energy efficiency assets.

The CEFC's Rewiring the Nation Fund is expected to deliver concessional finance, including loans, for projects that support grid transformation. This portfolio of loans is expected to be predominately comprised of unsecured corporate facilities, as well as senior ranking secured loans and secured project finance facilities.

The CEFC's Specialised Investment Funds portfolio of loans (consisting of the Clean Energy Innovation Fund, the Advancing Hydrogen Fund, the Powering Australia Technology Fund and the Household Energy Upgrades Fund) are expected to be predominantly unsecured corporate facilities, senior-ranking secured loans, bonds and secured project finance facilities.

The targeted level of risk for each of these portfolios is set out in the Investment Mandate. For all but the Rewiring the Nation Fund, the CEFC Board seeks to develop a portfolio of loans and investments that, in aggregate, has an acceptable but not excessive level of risk relative to the sector and the specific focus of each of the Funds. For the Rewiring the Nation Fund, the Board must seek to develop a portfolio that, in aggregate, has an acceptable level of risk relative to the sector and the focus of the Rewiring the Nation Fund.

The Rewiring the Nation Fund investments may increase the CEFC's overall exposure to risk as the scale, concentration, loan tenor and nature of these investments will have a higher risk profile. The Specialised Investment Funds may also have a higher risk profile than the General Portfolio, however they are a relatively smaller component of the CEFC's overall exposure.

The CEFC has predominantly made loans as a co-financier either jointly or in consortiums with private sector financial institutions. Interest rates vary with a current average expected return of approximately 4.5 per cent. Loans have various maturity dates, typically in the range of 5 to 15 years, although it is anticipated that loan tenors will extend with the introduction of the Rewiring the Nation Fund. As at 30 June 2024, loans contracted and outstanding are estimated to total $2.8 billion and are almost exclusively in the General Portfolio.

Education

Higher Education Loan Program

The Higher Education Loan Program (HELP) is an income-contingent loan program that assists eligible higher education students with the cost of their student contribution amounts and tuition fees. As at 30 June 2024, the fair value of HELP debt outstanding is estimated to be $43.2 billion. The fair value takes into account the concessionality of HELP loans and makes an allowance for debt not expected to be repaid.

Debts outstanding for more than 11 months are indexed annually. From 1 June 2023, subject to the passage of legislation, indexation will be based on the lower of the Wage Price Index or the Consumer Price Index. The Australian Taxation Office collects repayment of these debts through the tax system. Repayment of debts commence when an individual debtor’s income reaches the repayment threshold.

There were 2,952,715 HELP debtors as at 30 June 2023. The repayment term of a HELP debt can only be determined for people who have fully repaid their debt. As at the end of June 2023, the average time taken to repay HELP debts was 9.6 years.

Employment and Workplace Relations

Australian Apprenticeship Support Loans Program

The Australian Apprenticeship Support Loans Program (formerly Trade Support Loans Program) is an income-contingent, concessional loan program that assists eligible Australian apprentices by providing financial support of up to $24,492 (for 2023–24) to assist with the costs of living, learning and undertaking an apprenticeship, and helping apprentices to focus on completing a qualification listed on the Australian Apprenticeships Priority List.

An eligible Australian Apprentice can access up to $816.41 per month in the first year of their apprenticeship, $612.31 per month in the second year, $408.20 per month in the third year, and $204.10 per month in the fourth year.

The loan amounts provided are higher in the early years of training to compensate for lower wages. The lifetime limit of $24,492 was indexed on 1 July 2023 using the Consumer Price Index and will continue to be indexed annually on 1 July to maintain its real value.

As an incentive to encourage completion of training, apprentices who successfully complete their apprenticeships are eligible for a 20 per cent discount on their loan. The loans become repayable at the same thresholds as the Higher Education Loan Program, which is $51,550 for the 2023–24 income year. This is a demand driven program. As at 30 June 2024, the fair value of the Australian Apprenticeship Support Loans debt outstanding is estimated to be $987.2 million. The fair value takes into account the concessionality of Australian Apprenticeship Support Loans and makes an allowance for debt not expected to be repaid.

VET Student Loans Program

The VET Student Loans (VSL) Program is an income contingent loan program that assists eligible tertiary education students with the cost of their fees when undertaking approved higher-level Vocational Education and Training (VET) courses (diploma and above).

Debts outstanding for more than 11 months are indexed annually. From 1 June 2023, subject to the passage of legislation, indexation will be based on the lower of Wage Price Index or Consumer Price Index. The Australian Taxation Office collects repayment of these debts through the tax system. Repayment of debts commences when an individual debtor's income reaches the repayment threshold. Debtors must pay Higher Education Loan Program (HELP) debts before they repay VSL debts.

There were 129,357 VSL debtors as at 30 June 2023. The repayment term of a VSL debt can only be determined for people who have fully repaid their debt. There is insufficient data for post 1 July 2019 VSL to determine the average time to repay.

Prior to the commencement of the VSL Program, loans for VET students were available through the VET-FEE HELP (VFH) scheme, which closed to new students on 31 December 2016. As at 30 June 2024, the fair value of both VFH debt and VSL debt outstanding is estimated to be $3.3 billion. The fair value takes into account the concessionality of VSL loans and makes an allowance for debt not expected to be repaid.

To support students affected by the delayed transfer of historical VET loans, accessed under the former VFH scheme and the current VSL program, the Australian Government agreed to waive historical indexation for affected loans and the entirety of affected VFH debts for study prior to 2017.

Foreign Affairs and Trade

Government support for PsiQuantum Pty Ltd

The Australian Government has agreed to provide a financing package through Export Finance Australia to PsiQuantum Pty Ltd to support the construction and operation of quantum computing capabilities and associated investment in industry and research development in Brisbane. The package includes loans and equity investments. The Australian Government is supporting the project jointly with the Queensland Government. Funding has yet to be provided and will be subject to terms and conditions.

Telstra acquisition of Digicel Pacific

The Australian Government provided Telstra a financing package through Export Finance Australia for Telstra's acquisition of Digicel Pacific. Telstra now owns and operates Digicel Pacific. This package includes debt and equity, such as securities designed to secure the Government a long-term return. It is estimated that by 30 June 2024, US$1.443 billion (around A$2.029 billion) in funds will have been drawn down.

Industry, Science and Resources

National Reconstruction Fund Corporation

The *National Reconstruction Fund Corporation Act 2023* (NRFC Act) commenced on 18 September 2023, establishing the National Reconstruction Fund Corporation (NRFC) to facilitate increased flows of finance into priority areas of the Australian economy.

The NRFC offers loans and guarantees and makes equity investments in priority areas of the economy consistent with the NRFC Act and the associated instrument. The NRFC will make a range of investments, including in emerging technologies and technically complex projects that carry higher risk. There are also risks inherent in investing in a large and diverse portfolio of financial assets. In practice, this will involve some short-term volatility in the NRFC's returns, including the possibility of credit losses across the portfolio.

While the NRFC has been established in 2023–24, the risk around revenue and loss projections are unquantifiable at this time.

The NRFC Board develops the NRFC's investment portfolio with an appropriate risk tolerance relative to the National Reconstruction Fund priority areas as required by the *National Reconstruction Fund Corporation (Investment Mandate) Direction 2023* and the *National Reconstruction Fund Corporation (Priority Areas) Declaration 2023*.

Infrastructure, Transport, Regional Development, Communications and the Arts

Northern Australia Infrastructure Facility Loans

The Northern Australia Infrastructure Facility (NAIF) is a lending facility established by the Australian Government under the *Northern Australia Infrastructure Facility Act 2016* and will continue to make investment decisions until 30 June 2026. The primary purpose of the NAIF is to provide loans or alternative financing mechanisms to infrastructure projects. The infrastructure that NAIF can finance is wide ranging and includes assets that facilitate the establishment or enhancement of business activity or increase economic activity in a region.

To be eligible for a loan from the NAIF, including up to 100 per cent of the project's debt, project proponents must meet the mandatory criteria outlined in the NAIF Investment Mandate that commenced on 15 December 2023. Since its establishment, the NAIF has been amended to:

- expand the eligibility for NAIF financing to include non-construction activities associated with the development of economic infrastructure
- provide NAIF with expanded debt tools, including the ability to provide letters of credit, guarantees and lend in foreign currency, finance smaller loans through working with financing partnerships, and in certain circumstances provide financing directly to proponents rather than via the States or Northern Territory

- make equity investments subject to a cap of $50 million and a minimum of $5 million per investment, for non-controlling interest
- enhance the potential to deliver significant public benefit to northern Australia by removing the prohibition against the Australian Government assuming the majority risk in any project. The new requirement is that the financial risk be acceptable but not excessive
- legislate the requirement to earmark $500 million of its $7 billion appropriation to go towards realising the Government's Critical Minerals Strategy and create alignment of investment decisions to Government Policy Priorities
- add further areas to be considered as part of NAIF's Risk Appetite Statement – including risk sharing between NAIF and the Australian Government, climate change related risks and net zero transition risks
- extend NAIF's internal and external reporting on investments
- further tighten NAIFs Direct Financing powers and a greater emphasis on consulting/collaborating with other Commonwealth entities/Specialist Investment Vehicles.

The Australian Government updated the Investment Mandate to give effect to these changes.

WestConnex Stage 2 Concessional Loan

The WestConnex concessional loan is a $2 billion loan facility provided to deliver WestConnex Stage 2. The concessional loan enabled Stage 2 to be brought forward, allowing Stages 1 and 2 to proceed in parallel. This resulted in significant time savings compared to the original approach where these stages progressed in sequence.

WestConnex Stage 2 includes the King Georges Road Interchange Upgrade (completed in 2016) and construction of new twin tunnels from Kingsgrove to a new St Peters interchange, providing motorway connections to Alexandria and Mascot, the M4-M5 Link (completed in January 2023) and the future Sydney Gateway.

The concessional loan agreement requires that the loan be repaid between September 2029 and July 2034.

Prime Minister and Cabinet

Indigenous home ownership, business development and assistance

Indigenous Business Australia delivers flexible loans with concessional interest rates to improve Indigenous home ownership across Australia, including in remote Indigenous communities. Indigenous Business Australia also provides concessional interest rate business loans and business support to increase Indigenous ownership of small-to-medium-sized enterprises and support their sustainability and growth.

As at 30 June 2024, the expected fair value of outstanding loans for Indigenous home ownership and business development and assistance is estimated to total $1,027.5 million.

Voyages Indigenous Tourism Australia Pty Ltd

The Indigenous Land and Sea Corporation purchased Ayers Rock Resort for $291.2 million in May 2011 and immediately on-sold it to its wholly owned subsidiary, Voyages Indigenous Tourism Australia Pty Ltd, creating an inter-company loan that is partly funded by borrowings. The interest rate is set at the 90-day bank bill swap reference rate plus 5 per cent, and is reset 6-monthly. As at 30 June 2024, the outstanding loan balance is estimated to total $335.4 million.

Social Services

Home Equity Access Scheme

The Home Equity Access Scheme (HEAS) is a voluntary arrangement which allows eligible older Australians to receive a non-taxable loan from the Australian Government. The loan can be paid as regular fortnightly instalments or capped lump sum advance payments, or both, for people of Age Pension age who meet certain residency criteria and own suitable real estate in Australia.

Any amount received under HEAS, and any interest and costs accrued, is attributed as a debt against real estate assets provided as collateral by the participant. The loan can be paid back at any time or is recovered on the sale of the secured real estate or from the person's estate. Additionally, since 1 July 2022, a No Negative Equity Guarantee applies to HEAS loans, limiting the recoverable debt to the equity in the property used to secure the loan.

Student Financial Supplement Scheme

The Student Financial Supplement Scheme (SFSS) commenced in January 1993 and closed on 31 December 2003. It was a voluntary income-contingent loan scheme for tertiary students (primarily Austudy and ABSTUDY) to help cover their living expenses while studying. Under the scheme, eligible students were able to trade one dollar of income support entitlement for two dollars in loans. Debtors are required to start repaying their SFSS loan once they earn $51,550 for 2023–24 and only after they have repaid any Higher Education Loan Program and Vocational Education and Training student loan debt.

The estimated fair value of SFSS loans outstanding is $180.5 million at 30 June 2024.

Student Start-up Loan

The Student Start-up Loan (SSL) is a voluntary income-contingent loan for student payment (Youth Allowance (student), Austudy and ABSTUDY Living Allowance) recipients undertaking higher education. Introduced on 1 January 2016, the SSL is paid a maximum of twice a year and each SSL payment is valued at $1,273 (in 2024). The SSL is repayable under similar arrangements to Higher Education Loan Program (HELP) debts. Students are required to start repaying their SSL once they earn over $51,550 for 2023–24, and only after they have repaid any HELP and Vocational Education Training student loan debt. When it commenced, the SSL was initially for new student payment recipients undertaking higher education. From 1 July 2017, with the closure of the Student Start-up Scholarship, the SSL has become available to all eligible student payment recipients undertaking higher education.

The estimated fair value of the SSL is $839.3 million at 30 June 2024.

Treasury

Affordable Housing Bond Aggregator

The Australian Government, through the Treasury, has made available a line of credit for the Housing Australia Affordable Housing Bond Aggregator. As part of the 2024–25 Budget, the Government announced that the line of credit will be increased by $3 billion to a total of $4 billion. The provision of funds will be in accordance with appropriations under the *Housing Australia Act 2018*. The line of credit is ongoing, and funds borrowed will be repaid with interest. The Treasury manages the receipt of interest and principal repayments from Housing Australia. As at 30 June 2024, the value of outstanding advances issued to Housing Australia from the line of credit is expected to be $80.4 million.

Commonwealth-State financing arrangements – housing and specific purpose capital

From 1945 to 1989, the Australian Government made concessional advances to the state and Northern Territory governments under Commonwealth–state financing arrangements for housing and for specific purpose capital. The advances were concessional fixed-rate loans to be repaid over 53 years, with the last loans maturing in 2042. Annual payments, comprising both interest and principal repayment, are made to the Commonwealth. As at 30 June 2023, the amortised value of the advances was $1.3 billion (and principal value of $1.4 billion).

The Australian Office of Financial Management manages the receipt of interest and principal repayments from the state and Northern Territory governments to the Commonwealth.

International Monetary Fund – Poverty Reduction and Growth Trust

The Australian Government has entered into two agreements to make a line of credit of Special Drawing Rights (SDR) 1 billion (approximately A$2.0 billion as at 14 March 2024) available to the International Monetary Fund (IMF) under the Poverty Reduction and Growth Trust (PRGT) through to 31 December 2029.

The PRGT provides concessional financial support to low-income countries to help them achieve, maintain, or restore a stable and sustainable macroeconomic position. PRGT funds are drawn upon by the IMF as needed and will be repaid in full with interest.

The estimated value of loans outstanding to Australia was SDR 257.0 million (approximately A$518.4 million as at 14 March 2024).

On 11 October 2022, the Government entered into an agreement to lend SDR 1 billion (approximately A$2.0 billion as at 14 March 2024) to the PRGT Pooled Investments, in order to provide subsidy resources to the PRGT of SDR 36 million (approximately A$72.6 million as at 14 March 2024). This loan was drawn down by the IMF on 21 October 2022. On 30 October 2023 the Government advised the IMF that it would increase the subsidy resources provided to SDR 82 million (approximately A$165.4 million as at 14 March 2024).

PRGT Pooled Investments funds will be repaid in full, with interest.

International Monetary Fund – Resilience and Sustainability Trust

On 11 October 2022, the Australian Government entered into an agreement to make a Special Drawing Rights (SDR) 760 million (approximately A$1.5 billion as at 14 March 2024) line of credit available to the International Monetary Fund (IMF) under the Resilience and Sustainability Trust's Loan Account through to 30 November 2030. The Resilience and Sustainability Trust Loan Account provides affordable long-term financing to help vulnerable countries build economic resilience and sustainability to address the risks stemming from climate change and pandemics. Resilience and Sustainability Trust Loan Account funds are drawn upon by the IMF as needed and will be repaid in full, with interest. As at 14 March 2024, SDR 14.2 million (approximately A$28.7 million) has been drawn down, leaving SDR 745.8 million (approximately A$1.5 billion) available to the IMF under the Resilience and Sustainability Trust.

Additionally, on 11 October 2022, the Australian Government entered into an agreement to–lend SDR 152 million (approximately A$306.6 million as at 14 March 2024) to the Resilience–and Sustainability Trust Deposit Account through to 30 November 2050, and SDR 15.2 million (approximately A$30.7 million as at 14 March 2024) to the Resilience and Sustainability Trust Reserve Account through to liquidation of the Trust. Resilience and Sustainability Trust Deposit Account funds will be repaid in full, with interest. Resilience and Sustainability Trust Reserve Account funds will be repaid upon liquidation of the Trust and will not accrue interest. These additional contributions will enable the IMF to build sufficient reserves over time to manage risks associated with Resilience and Sustainability Trust lending such as potential late payments.

Loan Agreement between the Australian Government and the Government of Indonesia

On 12 November 2020, Australia entered into a A$1.5 billion loan agreement with Indonesia. This agreement is part of a multilateral action to support Indonesia led by the Asian Development Bank and includes the Asian Infrastructure Investment Bank, the Japan International Cooperation Agency and the German state-owned KfW Development Bank.

The funds are being used to support Indonesia's COVID-19 response, including social protection initiatives and health system development.

2020 Loan Agreement between the Australian Government and the Government of Papua New Guinea

On 22 November 2020, the Australian Government entered into a loan agreement for US$400 million (approximately A$558 million) in 2020–21 to the Government of Papua New Guinea (PNG). The loan refinances the US$300 million short-term loan made in 2019–20 and a further A$140 million loan for budget support, including PNG's response to COVID-19. The previous short-term loan was made to support budget sustainability, assist in the delivery of core government services, support longer term economic reforms, and increase the availability of foreign exchange in the country. The Australian Government had agreed with PNG to temporarily suspend principal and interest repayments for the loan consistent with the Debt Service Suspension Initiative of G20 nations to support low-income nations during the COVID-19 pandemic. This suspension has now ended.

2021 Loan Agreement between the Australian Government and the Government of Papua New Guinea

On 10 December 2021, the Australian Government entered into a loan agreement for A$650 million in 2021–22 to the Government of Papua New Guinea (PNG). The loan was provided in response to a request from the PNG Prime Minister for further support to enable the PNG Government to meet required expenditure in its 2021 Budget, including on the health and economic response to the COVID-19 pandemic. The loan is also provided to help PNG continue progress on economic reforms under the second International Monetary Fund Staff-Monitored Program.

2022 Loan Agreement between the Australian Government and the Government of Papua New Guinea

On 15 December 2022, the Australian Government entered into a loan agreement for A$750 million in 2022–23 to the Government of Papua New Guinea (PNG). The loan was provided in response to a request from the PNG Treasurer for financial assistance to enable the PNG Government to meet required expenditure in its 2022 Budget and support the delivery of reform actions under multilateral development programs, including a new International Monetary Fund program established in 2023.

2023 Loan Agreement between the Australian Government and the Government of Papua New Guinea

On 8 December 2023, the Australian Government entered into a loan agreement for A$600 million in 2023–24 to the Government of Papua New Guinea (PNG). The loan was provided in response to a request from the PNG Prime Minister, to support PNG to meet its estimated 2023 budget financing shortfall. The loan will also assist PNG in delivering economic reforms under the International Monetary Fund Extended Credit Facility and Extended Fund Facility Program.

Statement 10: Australian Government Budget Financial Statements

Consistent with the *Charter of Budget Honesty Act 1998 (the Charter),* the Government has produced a set of financial statements for the Australian Government general government sector (GGS), the public non-financial corporations (PNFC) sector, the total non-financial public sector (NFPS) and the public financial corporations (PFC) sector. The financial statements comply with both the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) and Australian Accounting Standards (AAS), with departures disclosed. These statements are:

- an operating statement, including other economic flows, which shows net operating balance and net lending/borrowing (fiscal balance)
- a balance sheet, which shows net worth, net financial worth, net financial liabilities and net debt
- a cash flow statement, which includes the calculation of the underlying cash balance.

In addition to these general purpose statements, notes to the financial statements are required. These notes include a summary of accounting policies, disaggregated information and other disclosures required by AAS.

The statements reflect the Government's policy that the ABS GFS remains the basis of budget accounting policy, except where AAS is applied because it provides a better conceptual basis for presenting information of relevance to users of public sector financial reports.

The Australian, state and territory governments have an agreed framework – the Uniform Presentation Framework (UPF) – for the presentation of government financial information on a basis broadly consistent with the Australian Accounting Standard AASB 1049. The financial statements are consistent with the requirements of the UPF.

Statement contents

Statement 10: Australian Government Budget Financial Statements

Table 10.1: Australian Government general government sector operating statement

			Estimates			
		2023-24	2024-25	2025-26	2026-27	2027-28
	Note	$m	$m	$m	$m	$m
Revenue						
Taxation revenue	3	656,039	658,962	679,469	721,170	762,990
Sales of goods and services	4	20,274	21,636	22,555	23,525	23,869
Interest income	5	11,131	10,276	9,998	10,573	11,338
Dividend and distribution income	5	5,798	6,815	7,188	7,552	8,029
Other	6	13,635	13,815	13,531	13,418	13,403
Total revenue		**706,877**	**711,505**	**732,740**	**776,239**	**819,628**
Expenses						
Gross operating expenses						
Wages and salaries(a)	7	27,326	29,440	29,282	29,256	29,659
Superannuation	7	9,042	8,301	8,560	8,989	9,315
Depreciation and amortisation	8	12,889	13,003	13,200	13,380	13,501
Supply of goods and services	9	194,974	211,694	223,794	230,947	243,589
Other operating expenses(a)	7	9,248	9,925	14,442	12,184	12,414
Total gross operating expenses		*253,478*	*272,364*	*289,279*	*294,756*	*308,477*
Superannuation interest expense	7	13,374	14,620	15,126	15,610	16,054
Interest expenses	10	27,667	33,414	34,300	39,085	41,190
Current transfers						
Current grants	11	203,194	208,915	216,098	223,666	231,953
Subsidy expenses		19,613	18,791	18,943	19,487	20,957
Personal benefits	12	152,866	161,051	171,210	179,664	191,598
Total current transfers		*375,674*	*388,757*	*406,251*	*422,817*	*444,508*
Capital transfers	11					
Mutually agreed write-downs		3,039	5,137	3,318	3,510	3,726
Other capital grants		17,838	20,226	19,017	17,988	15,798
Total capital transfers		*20,877*	*25,364*	*22,334*	*21,497*	*19,525*
Total expenses		**691,070**	**734,518**	**767,290**	**793,765**	**829,755**
Net operating balance		**15,807**	**-23,014**	**-34,550**	**-17,526**	**-10,127**
Other economic flows – included in operating result						
Net write-downs of assets		-10,994	-11,427	-11,335	-11,981	-12,823
Assets recognised for the first time		298	316	335	356	377
Actuarial revaluations		652	-20	-18	-23	-29
Net foreign exchange gains		188	5	0	0	0
Net swap interest received		-347	-24	-7	3	-1
Market valuation of debt		-10,639	-13,050	-11,690	-10,140	-9,304
Other gains/(losses)		9,262	9,093	9,357	10,319	11,148
Total other economic flows – included in operating result		**-11,578**	**-15,107**	**-13,359**	**-11,466**	**-10,631**
Operating result(b)		**4,228**	**-38,120**	**-47,908**	**-28,992**	**-20,758**

Table 10.1: Australian Government general government sector operating statement (continued)

	Note	Estimates 2023-24 $m	2024-25 $m	2025-26 $m	2026-27 $m	2027-28 $m
Non-owner movements in equity						
Revaluation of equity investments		-785	-392	0	0	0
Actuarial revaluations		-1,002	-228	-230	-231	-233
Other economic revaluations		736	2,228	165	188	175
Total other economic flows - included in equity		**-1,051**	**1,608**	**-65**	**-43**	**-58**
Comprehensive result – Total change in net worth		**3,177**	**-36,512**	**-47,974**	**-29,035**	**-20,816**
Net operating balance		**15,807**	**-23,014**	**-34,550**	**-17,526**	**-10,127**
Net acquisition of non-financial assets						
Purchases of non-financial assets		21,771	21,960	20,556	21,785	24,917
less Sales of non-financial assets		777	2,407	67	0	5
less Depreciation		12,889	13,003	13,200	13,380	13,501
plus Change in inventories		-351	-242	766	583	489
plus Other movements in non-financial assets		-1	-5	0	0	0
Total net acquisition of non-financial assets		**7,754**	**6,303**	**8,055**	**8,988**	**11,899**
Fiscal balance (Net lending/borrowing)(c)		**8,053**	**-29,316**	**-42,604**	**-26,514**	**-22,026**

a) Consistent with the ABS GFS classification, other employee related expenses are classified separately from wages and salaries under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.
b) Operating result under AAS.
c) The term fiscal balance is not used by the ABS.

Table 10.2: Australian Government general government sector balance sheet

			Estimates			
		2023-24	2024-25	2025-26	2026-27	2027-28
	Note	$m	$m	$m	$m	$m
Assets						
Financial assets						
Cash and deposits		89,311	61,997	57,532	54,634	49,732
Advances paid	13	67,539	73,193	83,592	94,634	105,091
Investments, loans and placements	14	242,528	249,588	257,386	267,513	278,151
Other receivables	13	79,105	84,638	91,128	97,971	105,736
Equity investments						
Investments in other public sector entities		44,934	51,451	55,807	57,352	57,842
Equity accounted investments		5,894	6,025	6,136	6,149	6,111
Investments – shares		84,931	91,336	98,980	106,828	114,856
Total financial assets		*614,242*	*618,227*	*650,560*	*685,082*	*717,520*
Non-financial assets	15					
Land		13,506	13,473	13,399	13,481	13,643
Buildings		50,673	52,246	53,585	55,466	57,806
Plant, equipment and infrastructure		110,044	114,335	118,812	124,311	132,680
Inventories		11,763	12,007	12,605	13,095	13,417
Intangibles		12,697	14,280	15,091	15,190	15,165
Investment properties		220	227	227	227	227
Biological assets		5	5	5	5	5
Heritage and cultural assets		12,664	12,687	12,685	12,683	12,684
Assets held for sale		102	94	89	89	89
Other non-financial assets		14	9	9	9	9
Total non-financial assets		*211,687*	*219,362*	*226,506*	*234,556*	*245,726*
Total assets		**825,929**	**837,590**	**877,066**	**919,637**	**963,247**
Liabilities						
Interest bearing liabilities						
Deposits held		415	415	415	415	415
Government securities		847,774	885,886	962,711	1,026,120	1,080,171
Loans	16	31,772	32,360	33,379	33,786	33,779
Lease liabilities		19,302	18,649	17,484	16,508	16,115
Total interest bearing liabilities		*899,263*	*937,310*	*1,013,988*	*1,076,829*	*1,130,480*

Table 10.2: Australian Government general government sector balance sheet (continued)

		Estimates				
		2023-24	2024-25	2025-26	2026-27	2027-28
	Note	$m	$m	$m	$m	$m
Provisions and payables						
Superannuation liability	17	294,654	304,384	314,814	323,741	332,739
Other employee liabilities	17	42,228	41,848	43,042	44,195	44,992
Suppliers payables	18	13,305	13,582	13,753	14,042	14,573
Personal benefits payables	18	3,991	4,096	4,598	4,570	4,406
Subsidies payables	18	550	535	528	519	519
Grants payables	18	3,658	4,178	3,761	3,457	3,633
Other payables	18	7,115	4,797	4,886	4,912	4,922
Provisions	18	69,787	71,994	70,804	69,513	69,940
Total provisions and payables		*435,287*	*445,413*	*456,185*	*464,950*	*475,725*
Total liabilities		**1,334,550**	**1,382,723**	**1,470,173**	**1,541,779**	**1,606,205**
Net worth(a)		**-508,621**	**-545,133**	**-593,107**	**-622,142**	**-642,958**
Net financial worth(b)		*-720,309*	*-764,495*	*-819,613*	*-856,698*	*-888,684*
Net financial liabilities(c)		*765,243*	*815,947*	*875,420*	*914,050*	*946,526*
Net debt(d)		*499,886*	*552,532*	*615,478*	*660,048*	*697,505*

a) Net worth equals total assets minus total liabilities.
b) Net financial worth equals total financial assets minus total liabilities.
c) Net financial liabilities equals total liabilities less financial assets other than investments in other public sector entities.
d) Net debt is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).

Table 10.3: Australian Government general government sector cash flow statement(a)

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Cash receipts from operating activities					
Taxes received	638,750	642,542	661,583	702,278	742,299
Receipts from sales of goods and services	19,938	21,396	22,549	23,506	23,888
Interest receipts	10,404	9,275	8,705	9,051	9,591
Dividends, distributions and income tax equivalents	5,918	6,789	7,160	7,522	8,001
Other receipts	14,298	18,231	19,118	17,611	17,880
Total operating receipts	**689,309**	**698,233**	**719,114**	**759,968**	**801,658**
Cash payments for operating activities					
Payments to employees(b)	-43,641	-46,840	-47,519	-48,535	-50,205
Payments for goods and services	-192,077	-210,763	-224,689	-230,996	-243,315
Grants and subsidies paid	-239,842	-251,111	-256,411	-263,351	-268,068
Interest paid	-22,685	-23,824	-27,502	-29,833	-35,585
Personal benefit payments	-152,828	-161,714	-171,442	-180,398	-192,456
Other payments(b)	-9,923	-10,389	-13,328	-11,062	-11,303
Total operating payments	**-660,997**	**-704,641**	**-740,890**	**-764,175**	**-800,933**
Net cash flows from operating activities	**28,312**	**-6,408**	**-21,777**	**-4,207**	**725**
Cash flows from investments in non-financial assets					
Sales of non-financial assets	2,999	213	240	41	153
Purchases of non-financial assets	-19,450	-19,501	-18,700	-19,956	-22,670
Net cash flows from investments in non-financial assets	**-16,451**	**-19,288**	**-18,460**	**-19,914**	**-22,516**
Net cash flows from investments in financial assets for policy purposes	**-2,879**	**-18,916**	**-20,932**	**-20,130**	**-17,676**
Net cash flows from investments in financial assets for liquidity purposes	**-16,684**	**-4,050**	**-4,644**	**-5,676**	**-5,958**
Cash receipts from financing activities					
Borrowing	168,884	528,678	809,085	919,481	806,142
Other financing	6,487	127	148	165	88
Total cash receipts from financing activities	**175,371**	**528,805**	**809,234**	**919,646**	**806,231**
Cash payments for financing activities					
Borrowing	-156,674	-502,500	-743,001	-868,160	-762,796
Other financing	-11,397	-4,957	-4,885	-4,457	-2,911
Total cash payments for financing activities	**-168,072**	**-507,456**	**-747,886**	**-872,617**	**-765,707**
Net cash flows from financing activities	**7,300**	**21,348**	**61,348**	**47,029**	**40,524**
Net increase/(decrease) in cash held	**-402**	**-27,314**	**-4,465**	**-2,899**	**-4,902**

Table 10.3: Australian Government general government sector cash flow statement (continued)[a]

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
GFS cash surplus(+)/deficit(-)(c)	**11,861**	**-25,696**	**-40,237**	**-24,121**	**-21,791**
plus Principal payments of lease liabilities(d)	-2,515	-2,590	-2,601	-2,591	-2,554
Equals underlying cash balance(e)	**9,346**	**-28,286**	**-42,838**	**-26,713**	**-24,345**
plus Net cash flows from investments in financial assets for policy purposes	-2,879	-18,916	-20,932	-20,130	-17,676
Equals headline cash balance	**6,467**	**-47,202**	**-63,770**	**-46,843**	**-42,022**

a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.
b) Consistent with the ABS GFS classification, other employee related payments are classified separately from wages and salaries under other payments.
c) GFS cash surplus/deficit equals net cash flows from operating activities and investments in non-financial assets.
d) Principal payments of lease liabilities, which are financing cash payments, are deducted in the calculation of the underlying cash balance to maintain consistency of measure following the implementation of AASB 16.
e) The term underlying cash balance is not used by the ABS.

Table 10.4: Australian Government public non-financial corporations sector operating statement

	Estimates	
	2023-24	2024-25
	$m	$m
Revenue		
Grants and subsidies	183	156
Sales of goods and services	21,221	22,566
Interest income	50	28
Other	96	81
Total revenue	**21,551**	**22,831**
Expenses		
Gross operating expenses		
Wages and salaries(a)	4,898	5,005
Superannuation	526	544
Depreciation and amortisation	4,532	4,425
Supply of goods and services	10,233	10,710
Other operating expenses(a)	773	705
Total gross operating expenses	*20,963*	*21,390*
Interest expenses	2,037	2,173
Other property expenses	249	250
Current transfers		
Tax expenses	213	199
Total current transfers	*213*	*199*
Total expenses	**23,461**	**24,011**
Net operating balance	**-1,910**	**-1,180**
Other economic flows	**-1,250**	**-584**
Comprehensive result – Total change in net worth excluding contribution from owners	**-3,161**	**-1,764**
Net acquisition of non-financial assets		
Purchases of non-financial assets	11,308	12,375
less Sales of non-financial assets	82	62
less Depreciation	4,532	4,425
plus Change in inventories	-24	2
plus Other movements in non-financial assets	0	1
Total net acquisition of non-financial assets	**6,670**	**7,892**
Fiscal balance (Net lending/borrowing)(b)	**-8,580**	**-9,072**

a) Consistent with the ABS GFS classification, other employee related expenses are classified separately from wages and salaries under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

b) The term fiscal balance is not used by the ABS.

Table 10.5: Australian Government public non-financial corporations sector balance sheet

	Estimates	
	2023-24	2024-25
	$m	$m
Assets		
Financial assets		
Cash and deposits	1,335	1,533
Investments, loans and placements	743	1,169
Other receivables	6,163	6,216
Equity investments	324	340
Total financial assets	*8,566*	*9,258*
Non-financial assets		
Land and other fixed assets	72,134	79,382
Other non-financial assets(a)	3,940	4,103
Total non-financial assets	*76,074*	*83,485*
Total assets	**84,640**	**92,743**
Liabilities		
Interest bearing liabilities		
Deposits held	7	14
Advances received and loans	34,563	37,463
Lease liabilities	13,547	13,877
Total interest bearing liabilities	*48,117*	*51,353*
Provisions and payables		
Superannuation liability	10	10
Other employee liabilities	1,919	1,953
Other payables	6,450	6,602
Other provisions(a)	1,223	1,156
Total provisions and payables	*9,601*	*9,721*
Total liabilities	**57,718**	**61,074**
Shares and other contributed capital	**26,921**	**31,669**
Net worth(b)	**26,921**	**31,669**
Net financial worth(c)	*-49,152*	*-51,817*
Net debt(d)	*46,038*	*48,651*

a) Excludes the impact of commercial taxation adjustments.

b) Under AASB 1049, net worth equals total assets minus total liabilities. Under the ABS GFS, net worth equals total assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

c) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. Under the ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

d) Net debt is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits and investments, loans and placements).

Table 10.6: Australian Government public non-financial corporations sector cash flow statement[(a)]

	Estimates	
	2023-24	2024-25
	$m	$m
Cash receipts from operating activities		
Receipts from sales of goods and services	22,509	24,350
Grants and subsidies received	76	82
GST input credit receipts	1,180	1,149
Other receipts	127	71
Total operating receipts	**23,892**	**25,652**
Cash payments for operating activities		
Payments to employees(b)	-5,431	-5,570
Payment for goods and services	-11,786	-12,325
Interest paid	-2,311	-2,457
GST payments to taxation authority	-981	-1,044
Distributions paid	-249	-248
Other payments(b)	-880	-876
Total operating payments	**-21,637**	**-22,521**
Net cash flows from operating activities	**2,255**	**3,131**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	64	60
Purchases of non-financial assets	-9,469	-11,849
Net cash flows from investments in non-financial assets	**-9,405**	**-11,789**
Net cash flows from investments in financial assets for policy purposes	**-8**	**-3**
Net cash flows from investments in financial assets for liquidity purposes	**71**	**-194**
Net cash flows from financing activities		
Borrowing (net)	3,308	2,997
Other financing (net)	3,011	6,057
Net cash flows from financing activities	**6,319**	**9,054**
Net increase/(decrease) in cash held	**-767**	**198**
Cash at the beginning of the year	**2,103**	**1,335**
Cash at the end of the year	**1,335**	**1,533**
GFS cash surplus(+)/deficit(-)(c)	**-7,150**	**-8,658**
plus Principal payments of lease liabilities(d)	-555	-378
Adjusted GFS cash surplus(+)/deficit(-)(d)	**-7,706**	**-9,036**

a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.
b) Consistent with the ABS GFS classification, other employee related payments are classified separately from wages and salaries under other payments.
c) GFS cash surplus/deficit equals net cash flows from operating activities and investments in non-financial assets.
d) Principal payments of lease liabilities, which are financing cash payments, are deducted in the calculation of the GFS cash surplus/deficit to maintain consistency of measure following the implementation of AASB 16.

Table 10.7: Australian Government total non-financial public sector operating statement

	Estimates	
	2023-24	2024-25
	$m	$m
Revenue		
Taxation revenue	655,293	657,982
Sales of goods and services	40,429	42,895
Interest income	10,947	10,287
Dividend and distribution income	5,549	6,572
Other	13,734	13,896
Total revenue	**725,953**	**731,630**
Expenses		
Gross operating expenses		
Wages and salaries(a)	32,224	34,445
Superannuation	9,568	8,845
Depreciation and amortisation	17,421	17,428
Supply of goods and services	204,123	221,079
Other operating expenses(a)	10,021	10,637
Total gross operating expenses	*273,357*	*292,434*
Superannuation interest expense	13,374	14,620
Interest expenses	29,470	35,569
Current transfers		
Current grants	203,194	208,915
Subsidy expenses	18,822	17,966
Personal benefits	152,866	161,051
Total current transfers	*374,883*	*387,932*
Capital transfers	20,742	25,258
Total expenses	**711,826**	**755,813**
Net operating balance	**14,126**	**-24,183**
Other economic flows	**-12,716**	**-13,772**
Comprehensive result – Total change in net worth	**1,410**	**-37,955**
Net acquisition of non-financial assets		
Purchases of non-financial assets	33,087	34,334
less Sales of non-financial assets	859	2,469
less Depreciation	17,421	17,428
plus Change in inventories	-375	-240
plus Other movements in non-financial assets	-1	-4
Total net acquisition of non-financial assets	**14,431**	**14,193**
Fiscal balance (Net lending/borrowing)(b)	**-305**	**-38,376**

a) Consistent with the ABS GFS classification, other employee related expenses are classified separately from wages and salaries under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

b) The term fiscal balance is not used by the ABS.

Table 10.8: Australian Government total non-financial public sector balance sheet

	Estimates	
	2023-24	2024-25
	$m	$m
Assets		
Financial assets		
Cash and deposits	90,646	63,530
Advances paid	67,240	72,664
Investments, loans and placements	243,235	250,717
Other receivables	84,198	89,475
Equity investments	93,415	100,281
Total financial assets	*578,734*	*576,667*
Non-financial assets		
Land and other fixed assets	270,781	284,126
Other non-financial assets	17,028	18,769
Total non-financial assets	*287,810*	*302,895*
Total assets	**866,544**	**879,562**
Liabilities		
Interest bearing liabilities		
Deposits held	421	428
Government securities	847,774	885,886
Advances received and loans	66,000	69,254
Lease liabilities	32,849	32,526
Total interest bearing liabilities	*947,044*	*988,093*
Provisions and payables		
Superannuation liability	294,664	304,393
Other employee liabilities	44,146	43,802
Other payables	34,919	33,357
Other provisions	69,934	72,035
Total provisions and payables	*443,663*	*453,587*
Total liabilities	**1,390,707**	**1,441,680**
Net worth(a)	**-524,163**	**-562,118**
Net financial worth(b)	*-811,973*	*-865,013*
Net debt(c)	*545,924*	*601,183*

a) Under AASB 1049, net worth equals total assets minus total liabilities. Under the ABS GFS, net worth equals total assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

b) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. Under the ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

c) Net debt is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).

Table 10.9: Australian Government total non-financial public sector cash flow statement[(a)]

	Estimates	
	2023-24	2024-25
	$m	$m
Cash receipts from operating activities		
Taxes received	638,801	642,363
Receipts from sales of goods and services	39,381	42,294
Interest receipts	10,236	9,285
Dividends, distributions and income tax equivalents	5,670	6,548
Other receipts	14,256	18,181
Total operating receipts	**708,343**	**718,672**
Cash payments for operating activities		
Payments to employees(b)	-49,072	-52,410
Payments for goods and services	-200,587	-219,558
Grants and subsidies paid	-239,706	-250,951
Interest paid	-24,776	-26,263
Personal benefit payments	-152,828	-161,714
Other payments(b)	-10,819	-11,073
Total operating payments	**-677,788**	**-721,969**
Net cash flows from operating activities	**30,555**	**-3,297**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	3,063	273
Purchases of non-financial assets	-28,907	-31,331
Net cash flows from investments in non-financial assets	**-25,844**	**-31,058**
Net cash flows from investments in financial assets for policy purposes	**-4,870**	**-12,191**
Net cash flows from investments in financial assets for liquidity purposes	**-16,613**	**-4,244**
Net cash flows from financing activities		
Borrowing (net)	21,038	28,949
Other financing (net)	-5,437	-5,274
Net cash flows from financing activities	**15,602**	**23,675**
Net increase/(decrease) in cash held	**-1,170**	**-27,115**
Cash at the beginning of the year	**91,816**	**90,646**
Cash at the end of the year	**90,646**	**63,530**

Table 10.9: Australian Government total non-financial public sector cash flow statement (continued)[(a)]

	Estimates	
	2023–24	2024–25
	$m	$m
GFS cash surplus(+)/deficit(-)(c)	**4,711**	**-34,356**
plus Principal payments of lease liabilities(d)	-3,070	-2,968
Adjusted GFS cash surplus(+)/deficit(-)(d)	**1,641**	**-37,323**

a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.

b) Consistent with the ABS GFS classification, other employee related payments are classified separately from wages and salaries under other payments.

c) GFS cash surplus/deficit equals net cash flows from operating activities and investments in non-financial assets.

d) Principal payments of lease liabilities, which are financing cash payments, are deducted in the calculation of the GFS cash surplus/deficit to maintain consistency of measure following the implementation of AASB 16.

Table 10.10: Australian Government public financial corporations sector operating statement

	Estimates	
	2023–24	2024–25
	$m	$m
Revenue		
Grants and subsidies	233	252
Sales of goods and services	1,580	1,375
Interest income	11,116	9,974
Other	5	5
Total revenue	**12,934**	**11,605**
Expenses		
Gross operating expenses		
Wages and salaries(a)	320	360
Superannuation	51	41
Depreciation and amortisation	61	61
Supply of goods and services	995	1,155
Other operating expenses(a)	76	84
Total gross operating expenses	*1,503*	*1,701*
Interest expenses	18,324	12,101
Other property expenses	9	7
Current transfers		
Tax expenses	9	9
Total current transfers	*9*	*9*
Total expenses	**19,845**	**13,818**
Net operating balance	**-6,911**	**-2,213**
Other economic flows	**9,952**	**4,615**
Comprehensive result – Total change in net worth excluding contribution from owners	**3,042**	**2,402**
Net acquisition of non-financial assets		
Purchases of non-financial assets	29	10
less Sales of non-financial assets	0	0
less Depreciation	61	61
plus Change in inventories	-56	0
plus Other movements in non-financial assets	0	0
Total net acquisition of non-financial assets	**-88**	**-51**
Fiscal balance (Net lending/borrowing)(b)	**-6,823**	**-2,162**

a) Consistent with the ABS GFS classification, other employee related expenses are classified separately from wages and salaries under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

b) The term fiscal balance is not used by the ABS.

Table 10.11: Australian Government public financial corporations sector balance sheet[(a)]

	Estimates	
	2023–24	2024–25
	$m	$m
Assets		
Financial assets		
Cash and deposits	1,203	1,248
Investments, loans and placements	533,029	539,853
Other receivables	371	523
Equity investments	1,466	1,600
Total financial assets	*536,068*	*543,225*
Non-financial assets		
Land and other fixed assets	906	908
Other non-financial assets(b)	66	66
Total non-financial assets	*973*	*973*
Total assets	**537,041**	**544,198**
Liabilities		
Interest bearing liabilities		
Deposits held	525,312	525,312
Borrowing	11,063	15,361
Total interest bearing liabilities	*536,375*	*540,673*
Provisions and payables		
Superannuation liability	0	0
Other employee liabilities	194	195
Other payables	10,088	10,069
Other provisions(b)	2,586	2,888
Total provisions and payables	*12,868*	*13,153*
Total liabilities	**549,243**	**553,825**
Shares and other contributed capital	**-12,202**	**-9,627**
Net worth(c)	**-12,202**	**-9,627**
Net financial worth(d)	*-13,175*	*-10,600*
Net debt(e)	*2,143*	*-429*

a) Assumes no valuation or currency movement.
b) Excludes the impact of commercial taxation adjustments.
c) Under AASB 1049, net worth equals total assets minus total liabilities. Under the ABS GFS, net worth equals total assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.
d) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. Under the ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.
e) Net debt is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits and investments, loans and placements).

Table 10.12: Australian Government public financial corporations sector cash flow statement[(a)]

	Estimates	
	2023–24	2024–25
	$m	$m
Cash receipts from operating activities		
Receipts from sales of goods and services	1,591	1,153
Grants and subsidies received	233	252
GST input credit receipts	3	2
Interest receipts	10,684	9,941
Other receipts	265	17
Total operating receipts	**12,776**	**11,366**
Cash payments for operating activities		
Payments to employees(b)	-367	-403
Payment for goods and services	-1,133	-1,368
Interest paid	-18,452	-11,959
GST payments to taxation authority	-3	0
Distributions paid	-19	-17
Other payments(b)	-87	-84
Total operating payments	**-20,062**	**-13,831**
Net cash flows from operating activities	**-7,286**	**-2,465**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	0	0
Purchases of non-financial assets	-6	-10
Net cash flows from investments in non-financial assets	**-6**	**-10**
Net cash flows from investments in financial assets for policy purposes	**-748**	**-3,671**
Net cash flows from investments in financial assets for liquidity purposes(c)	**87,655**	**1,275**
Net cash flows from financing activities		
Borrowing and deposits received (net)(c)	-73,217	4,793
Other financing (net)	-6,558	124
Net cash flows from financing activities	**-79,775**	**4,917**
Net increase/(decrease) in cash held	**-159**	**45**
Cash at the beginning of the year	**1,362**	**1,203**
Cash at the end of the year	**1,203**	**1,248**
GFS cash surplus(+)/deficit(-)(d)	**-7,291**	**-2,475**
plus Principal payments of lease liabilities(e)	-18	5
Adjusted GFS cash surplus(+)/deficit(-)(e)	**-7,309**	**-2,470**

a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.
b) Consistent with the ABS GFS classification, other employee related payments are classified separately from wages and salaries under other payments.
c) Assumes no cash flows associated with valuation or currency movements.
d) GFS cash surplus/deficit equals net cash flows from operating activities and investments in non-financial assets.
e) Principal payments of lease liabilities, which are financing cash payments, are deducted in the calculation of the GFS cash surplus/deficit to maintain consistency of measure following the implementation of AASB 16.

Notes to the general government sector financial statements

Note 1: External reporting standards and accounting policies

The *Charter of Budget Honesty Act 1998* (the Charter) requires that the Budget be based on external reporting standards and that departures from applicable external reporting standards be identified.

The external standards used for budget reporting purposes are:

- the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) publication, *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2015* (cat. no. 5514.0), which is based on the International Monetary Fund (IMF) accrual GFS framework

- the Australian Accounting Standards (AAS), issued by the Australian Accounting Standards Board (AASB), which includes International Financial Reporting Standards as adopted in Australia for use by the not-for-profit sector and specific standards such as AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049).

The financial statements have been prepared on an accrual basis that complies with both the ABS GFS and AAS, except for departures disclosed at Note 2. A more detailed description of the AAS and the ABS GFS frameworks, in addition to definitions of key terms used in these frameworks, can be found in Appendix A. Detailed accounting policies, as well as a set of notes and other disclosures as required by AAS, are disclosed in the Australian Government Consolidated Financial Statements.

Fiscal reporting focuses on the general government sector (GGS). The GGS provides public services that are mainly non-market in nature and for the collective consumption of the community, or involve the transfer or redistribution of income. These services are largely financed through taxes and other compulsory levies. This sector comprises all government departments, offices and some other bodies. In preparing financial statements for the GGS, all material transactions and balances between entities within the GGS have been eliminated.

The Government's key fiscal aggregates are based on the ABS GFS concepts and definitions, including the ABS GFS cash surplus/deficit and net financial worth. AASB 1049 requires the disclosure of other ABS GFS fiscal aggregates, including the net operating balance, net lending/borrowing (fiscal balance) and net worth. In addition to these ABS GFS aggregates, the Uniform Presentation Framework (UPF) requires disclosure of net debt, net financial worth and net financial liabilities.

AASB 1049 and the UPF also provide a basis for reporting the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors and the total non-financial public sector (NFPS).

AASB 1049 requires disaggregated information, by ABS GFS function, for expenses and total assets to be disclosed where they are reliably attributable. The ABS GFS does not require total assets to be attributed to functions. In accordance with the ABS GFS, disaggregated information for expenses and net acquisition of non-financial assets by function is disclosed in *Statement 6: Expenses and Net Capital Investment*. In accordance with the UPF, purchases of non-financial assets by function are also disclosed in *Statement 6*.

AASB 1055 *Budgetary Reporting* requires major variances between original budget estimates and outcomes to be explained in the financial statements. Explanations of variances in fiscal balance, revenue, expenses, net capital investment, cash flows, net debt, net financial worth and net worth since the 2023–24 Budget are disclosed in the *Statement 3: Fiscal Strategy and Outlook*, with decisions taken since the Mid-Year Economic and Fiscal Outlook 2023–24 (MYEFO) disclosed in Budget Paper No. 2 *Budget Measures 2024–25*. All policy decisions taken between the 2023–24 Budget and the 2023–24 MYEFO are disclosed in Appendix A of MYEFO.

Details of the Australian Government's GGS contingent liabilities are disclosed in *Statement 9: Statement of Risks.*

Note 2: Departures from external reporting standards

The Charter requires that departures from applicable external reporting standards be identified. The major differences between AAS and the ABS GFS treatments of transactions are outlined in Table 10.13.

AASB 1049 requires AAS measurement of items to be disclosed on the face of the financial statements with reconciliation to the ABS GFS measurement of key fiscal aggregates, where different, in notes to the financial statements. Only one measure of each aggregate has been included on the face statements to avoid confusion.

Further information on the differences between the two systems is provided in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2015* (cat. no. 5514.0).

Table 10.13: Major differences between AAS and ABS GFS

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Circulating coins – seigniorage	The profit between the cost and sale of circulating coins (seigniorage) is treated as revenue.	Circulating coins is treated as a liability, and the cost of producing the coins is treated as an expense.	AAS
Valuation of loans	Changes in the valuation of loans are treated as a revenue or an expense. In some circumstances recognition as a revenue or an expense is delayed until the loan ends or is transferred.	Changes in the valuation of loans (excluding mutually agreed write-downs) are treated as an 'other economic flow'.	ABS GFS
Timing recognition of Boosting Cash Flow for Employers	Expense recognition is based on underlying economic activity that gives rise to the Cash Flow Boost payment.	Recognised when the businesses receive payments after submitting their activity statements and having met all requirements.	AAS
Leases	AASB 16 introduced a single lease accounting framework for lessees, which replaced the distinction between operating and finance leases. Right of use assets and lease liabilities are recognised on the balance sheets for leases that were previously accounted for as operating expense.	The distinction between operating leases and finance leases is continued for lessees.	AAS
Concessional loans	Concessional elements are treated as an expense on initial recognition and unwound over the loan term.	Concessional elements are treated as an 'other economic flow'.	AAS
Investment in other public sector entities	Valued at fair value in the balance sheet as long as it can be reliably measured, otherwise net assets is permissible.	Unlisted entities are valued based on their net assets in the balance sheet.	AAS
Provision for restoration, decommissioning and make-good	Capitalised when the asset is acquired.	Capitalised when make-good activity takes place.	AAS
Renewable Energy Certificates (RECs)	The issuance and registration of RECs is considered to be an administrative function and does not result in the recognition of assets or liabilities and, consequently, no revenue or expenses are recognised.	The issuance and registration of RECs is considered to be government financial transactions resulting in the recognition of assets, liabilities, revenue and expenses.	AAS
Dividends paid by public corporations	Treated as an equity distribution. Equity distributions are treated as a distribution of profits, as opposed to an expense.	Dividends are treated as an expense.	ABS GFS

Table 10.13: Major differences between AAS and ABS GFS (continued)

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Dividends paid by the Reserve Bank of Australia	Dividends are recognised in the year profit was earned.	Dividends are recognised when the Treasurer makes a determination.	AAS
National Disability Insurance Scheme (NDIS) revenue	Funding contributions by the state and territory governments to NDIS are treated as sales of goods and services revenue. In-kind disability services provided by the state and territory governments are treated as other revenue.	Funding contributions by the state and territory governments to NDIS are treated as grants revenue. In-kind disability services provided by the state and territory governments are treated as sales of goods and services revenue.	AAS
Commercial tax effect accounting assets and liabilities	Corporations in the PNFC and PFC sectors record tax expenses on a commercial basis.	Deferred tax assets and liabilities are reversed so that corporations record tax expenses on a consistent basis to the Australian Taxation Office.	ABS GFS
Timing recognition of vaccine expense	Recognised when vaccines are delivered to the states and territories.	Recognised when the vaccine doses are administered. Vaccine wastage after distributions are recognised as an 'other economic flow'.	AAS
Regional Broadband Scheme	The revenue from the levy on internet service providers (ISPs) and the associated subsidy expense to NBN Co for the provision of regional broadband services are recorded separately on a gross basis.	The revenue from the levy on ISPs and the associated subsidy expense to NBN Co are recorded on a net basis.	AAS
Fiscal aggregates differences			
Net worth of PNFC and PFC sectors	Calculated as assets less liabilities.	Calculated as assets less liabilities less shares and other contributed capital.	AAS
Net financial worth of PNFC and PFC sectors	Calculated as financial assets less total liabilities.	Calculated as financial assets less total liabilities less shares and contributed capital.	AAS
Classification differences			
Prepayments	Treated as a non-financial asset.	Treated as a financial asset.	ABS GFS

Table 10.13: Major differences between AAS and ABS GFS (continued)

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Spectrum sales	Recognise non-financial asset sale for fiscal balance when licences take effect, which may be after the auction of licences, as this is regarded as the point at which control is transferred. Recognise cash at the time of receipt.	Recognise non-financial asset sale for fiscal balance at time of auction as this is regarded as the point at which control is transferred. Recognise cash at the time of receipt.	AAS
Classification of Australian Government funding of non-government schools	Direct grants to states and territories made in accordance with bilateral agreements with the Commonwealth and consistent with section 96 of the Constitution.	Personal benefit payments – indirect included in goods and services expenses.	AAS

Note 3: Taxation revenue by type

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Individuals and other withholding taxes					
Gross income tax withholding	299,400	293,700	308,500	327,100	349,900
Gross other individuals	81,500	82,500	85,900	89,900	98,200
less: Refunds	37,500	40,600	41,700	42,800	44,300
Total individuals and other withholding tax	343,400	335,600	352,700	374,200	403,800
Fringe benefits tax	4,280	4,130	4,040	4,090	4,300
Company tax	144,900	141,200	136,000	146,400	153,000
Superannuation fund taxes	11,780	19,830	21,380	24,230	23,080
Petroleum resource rent tax	1,430	2,590	2,080	1,730	1,840
Income taxation revenue	**505,790**	**503,350**	**516,200**	**550,650**	**586,020**
Goods and services tax	90,180	92,070	97,290	103,050	109,000
Wine equalisation tax	1,090	1,150	1,220	1,280	1,350
Luxury car tax	1,290	1,110	1,200	1,270	1,330
Excise and Custom duty					
Petrol	6,950	7,150	7,550	7,800	8,000
Diesel	16,210	17,040	17,750	18,620	19,370
Other fuel products	2,120	2,190	2,230	2,280	2,340
Tobacco	10,500	11,550	11,500	11,100	10,700
Beer	2,650	2,660	2,870	3,020	3,190
Spirits	3,370	3,590	3,770	3,970	4,170
Other alcoholic beverages(a)	1,680	1,750	1,810	1,910	2,010
Other customs duty					
Textiles, clothing and footwear	160	170	170	190	150
Passenger motor vehicles	380	380	370	330	110
Other imports	1,490	1,530	1,590	1,650	900
less: Refunds and drawbacks	850	730	730	730	730
Total excise and customs duty	44,660	47,280	48,880	50,140	50,210
Major bank levy	1,660	1,740	1,800	1,880	1,980
Agricultural levies	618	627	645	641	645
Visa application charges	3,290	3,882	4,096	4,315	4,484
Other taxes	7,461	7,753	8,139	7,945	7,970
Mirror taxes	838	878	920	970	1,021
less: Transfers to states in relation to mirror tax revenue	838	878	920	970	1,021
Mirror tax revenue	0	0	0	0	0
Indirect taxation revenue	**150,249**	**155,612**	**163,269**	**170,520**	**176,970**
Taxation revenue	**656,039**	**658,962**	**679,469**	**721,170**	**762,990**
Memorandum:					
Total excise	*30,020*	*31,250*	*32,670*	*34,110*	*35,420*
Total customs duty	*14,640*	*16,030*	*16,210*	*16,030*	*14,790*
Capital gains tax(b)	*26,400*	*23,600*	*23,800*	*24,800*	*26,100*

a) 'Other alcoholic beverages' are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

b) 'Capital gains tax' is part of gross other individuals, company tax and superannuation fund taxes.

Note 3(a): Taxation revenue by source

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Taxes on income, profits and capital gains					
Income and capital gains levied on individuals	347,680	339,730	356,740	378,290	408,100
Income and capital gains levied on enterprises	158,110	163,620	159,460	172,360	177,920
Total taxes on income, profits and capital gains	**505,790**	**503,350**	**516,200**	**550,650**	**586,020**
Taxes on employers' payroll and labour force	1,943	2,087	2,252	2,106	2,179
Taxes on the provision of goods and services					
Sales/goods and services tax	92,560	94,330	99,710	105,600	111,680
Excises and levies	30,638	31,877	33,315	34,751	36,065
Taxes on international trade	14,640	16,030	16,210	16,030	14,790
Total taxes on the provision of goods and services	**137,838**	**142,237**	**149,235**	**156,381**	**162,535**
Taxes on the use of goods and performance of activities	10,468	11,288	11,782	12,033	12,255
Total taxation revenue	**656,039**	**658,962**	**679,469**	**721,170**	**762,990**

Note 4: Sales of goods and services revenue

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Sales of goods	1,487	1,508	1,568	1,653	1,687
Rendering of services	15,596	16,818	17,751	18,367	18,877
Lease rental	397	368	443	458	492
Fees from regulatory services	2,793	2,942	2,793	3,047	2,812
Total sales of goods and services revenue	**20,274**	**21,636**	**22,555**	**23,525**	**23,869**

Note 5: Interest and dividend and distribution revenue

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Interest from other governments					
State and territory debt	15	11	10	8	4
Housing agreements	67	62	57	53	48
Total interest from other governments	**82**	**73**	**67**	**60**	**52**
Interest from other sources					
Advances	821	807	1,177	1,620	1,968
Deposits	3,654	2,974	2,141	2,079	2,168
Indexation of HELP receivable and other student loans	2,139	1,335	1,273	1,226	1,230
Other	4,435	5,088	5,339	5,588	5,919
Total interest from other sources	**11,049**	**10,203**	**9,930**	**10,513**	**11,286**
Total interest	**11,131**	**10,276**	**9,998**	**10,573**	**11,338**
Dividends and distributions					
Dividends from other public sector entities	266	258	255	243	273
Other dividends and distributions	5,532	6,557	6,933	7,309	7,755
Total dividends and distributions	**5,798**	**6,815**	**7,188**	**7,552**	**8,029**
Total interest and dividend and distribution revenue	**16,929**	**17,091**	**17,185**	**18,125**	**19,366**

Note 6: Other sources of non-taxation revenue

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Industry contributions	84	90	110	115	120
Royalties	1,056	958	756	596	568
Seigniorage	62	52	47	44	44
Other	12,433	12,715	12,617	12,663	12,671
Total other sources of non-taxation revenue	**13,635**	**13,815**	**13,531**	**13,418**	**13,403**

Note 7: Employee and superannuation expense

		Estimates			
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Wages and salaries expenses	**27,326**	**29,440**	**29,282**	**29,256**	**29,659**
Other operating expenses					
Leave and other entitlements	3,362	3,580	3,583	3,643	3,738
Separations and redundancies	58	105	85	87	87
Workers compensation premiums and claims	2,765	3,238	7,682	5,136	5,261
Other	3,063	3,003	3,091	3,318	3,328
Total other operating expenses	**9,248**	**9,925**	**14,442**	**12,184**	**12,414**
Superannuation expenses					
Superannuation	9,042	8,301	8,560	8,989	9,315
Superannuation interest cost	13,374	14,620	15,126	15,610	16,054
Total superannuation expenses	**22,416**	**22,921**	**23,687**	**24,599**	**25,369**
Total employee and superannuation expense	**58,989**	**62,286**	**67,411**	**66,039**	**67,442**

Note 8: Depreciation and amortisation expense

		Estimates			
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Depreciation					
Specialist military equipment	5,020	4,887	5,002	5,119	5,238
Buildings	4,011	4,021	4,050	4,056	4,070
Other infrastructure, plant and equipment	2,622	2,798	2,872	2,952	2,951
Heritage and cultural assets	65	66	67	67	67
Other	5	5	5	5	4
Total depreciation(a)	**11,725**	**11,777**	**11,996**	**12,198**	**12,331**
Total amortisation	**1,165**	**1,227**	**1,205**	**1,182**	**1,170**
Total depreciation and amortisation expense	**12,889**	**13,003**	**13,200**	**13,380**	**13,501**
Memorandum:					
Depreciation relating to right of use assets					
Specialist military equipment	*31*	*31*	*31*	*31*	*31*
Buildings	*2,354*	*2,347*	*2,244*	*2,213*	*2,166*
Other infrastructure, plant and equipment	*279*	*291*	*291*	*288*	*281*
Other	*5*	*5*	*5*	*5*	*4*
Total depreciation of right of use assets	***2,670***	***2,675***	***2,571***	***2,536***	***2,483***

a) Includes depreciation of right of use (leased) assets, resulting from implementation of AASB 16.

Note 9: Supply of goods and services expense

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Supply of goods and services	50,641	56,804	57,637	56,145	58,674
Lease expenses	196	229	191	212	316
Personal benefits – indirect	135,652	146,289	157,575	165,933	174,536
Health care payments	5,506	5,492	5,585	5,689	5,826
Other	2,978	2,880	2,806	2,968	4,236
Total supply of goods and services expense	**194,974**	**211,694**	**223,794**	**230,947**	**243,589**

Note 10: Interest expense

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Interest on debt					
Government securities(a)	22,533	24,083	28,259	32,422	35,733
Loans	146	165	202	262	249
Other	1,133	873	847	850	866
Total interest on debt	**23,813**	**25,120**	**29,309**	**33,533**	**36,849**
Interest on lease liabilities	**422**	**419**	**412**	**403**	**417**
Other financing costs	**3,433**	**7,875**	**4,579**	**5,149**	**3,925**
Total interest expense	**27,667**	**33,414**	**34,300**	**39,085**	**41,190**

a) Public debt interest estimates are calculated using the contract interest rates incurred on existing Australian Government Securities (AGS), previously referred to as Commonwealth Government Securities, when issued and on technical assumptions, based on prevailing market interest rates across the yield curve, for yields on future AGS issuance.

Note 11: Current and capital grants expense

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Current grants expense					
State and territory governments	159,102	167,269	172,099	180,040	187,753
Private sector	6,193	6,650	5,669	5,172	4,598
Overseas	4,342	5,139	4,479	4,768	4,973
Non-profit organisations	14,194	14,382	13,093	12,510	12,989
Multi-jurisdictional sector	12,778	13,840	14,476	14,795	15,334
Other	6,586	1,634	6,282	6,382	6,307
Total current grants expense	**203,194**	**208,915**	**216,098**	**223,666**	**231,953**
Capital grants expense					
Mutually agreed write-downs	3,039	5,137	3,318	3,510	3,726
Other capital grants					
State and territory governments	15,598	17,755	16,789	15,828	13,655
Local governments	1,372	907	1,007	900	947
Non-profit organisations	647	1,252	902	820	552
Private sector	50	78	66	58	116
Multi-jurisdictional sector	0	4	0	0	0
Overseas	3	5	0	0	0
Other	168	226	251	381	529
Total capital grants expense	**20,877**	**25,364**	**22,334**	**21,497**	**19,525**
Total grants expense	**224,072**	**234,278**	**238,433**	**245,164**	**251,478**

Note 12: Personal benefits expense

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Social welfare – assistance to the aged	59,160	61,633	64,404	67,091	69,953
Assistance to veterans and dependants	4,498	4,383	4,271	4,156	4,057
Assistance to people with disabilities	32,306	33,673	35,032	36,295	38,016
Assistance to families with children	29,369	31,231	32,944	34,168	34,702
Assistance to the unemployed	14,737	16,100	16,562	16,760	16,297
Student assistance	2,729	2,909	3,038	3,165	3,310
Other welfare programs	833	938	966	962	947
Financial and fiscal affairs	1,118	1,200	1,290	1,109	1,121
Vocational and industry training	213	381	397	251	233
Other	7,906	8,604	12,306	15,706	22,964
Total personal benefits expense	**152,866**	**161,051**	**171,210**	**179,664**	**191,598**

Note 13: Advances paid and other receivables

			Estimates		
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Advances paid					
Loans to state and territory governments	1,544	1,428	1,300	1,121	951
Student loans	48,623	47,329	48,661	50,440	52,549
Other	18,018	25,705	35,031	44,555	53,149
less Impairment allowance	646	1,268	1,400	1,482	1,558
Total advances paid	**67,539**	**73,193**	**83,592**	**94,634**	**105,091**
Other receivables					
Goods and services receivable	1,518	1,547	1,564	1,587	1,578
Recoveries of benefit payments	6,379	6,566	6,745	6,874	6,949
Taxes receivable	44,026	48,933	54,024	59,548	65,671
Prepayments	6,278	6,468	6,788	7,028	7,483
Other	25,123	25,442	26,421	27,439	28,644
less Impairment allowance	4,219	4,318	4,414	4,505	4,590
Total other receivables	**79,105**	**84,638**	**91,128**	**97,971**	**105,736**

Note 14: Investments, loans and placements

			Estimates		
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Investments – deposits	6,318	5,749	5,299	5,034	5,001
IMF quota and SDR holdings	23,638	23,643	23,643	23,728	23,814
Structured finance securities	416	775	869	969	1,068
Collective investment vehicles	120,469	126,832	133,568	141,756	150,503
Other interest bearing securities	62,414	63,367	64,398	65,535	66,810
Other	29,272	29,223	29,610	30,491	30,955
Total investments, loans and placements	**242,528**	**249,588**	**257,386**	**267,513**	**278,151**

Note 15: Non-financial assets

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Land and buildings					
Land	13,506	13,473	13,399	13,481	13,643
Buildings	50,673	52,246	53,585	55,466	57,806
Total land and buildings	**64,178**	**65,719**	**66,983**	**68,947**	**71,449**
Plant, equipment and infrastructure					
Specialist military equipment	89,424	92,193	95,262	99,277	106,977
Other plant, equipment and infrastructure	20,620	22,142	23,550	25,034	25,703
Total plant, equipment and infrastructure	**110,044**	**114,335**	**118,812**	**124,311**	**132,680**
Inventories					
Inventories held for sale	409	385	389	371	361
Inventories not held for sale	11,354	11,622	12,216	12,724	13,056
Total inventories	**11,763**	**12,007**	**12,605**	**13,095**	**13,417**
Intangibles					
Computer software	6,721	7,825	8,324	8,422	8,403
Other	5,977	6,455	6,767	6,768	6,762
Total intangibles	**12,697**	**14,280**	**15,091**	**15,190**	**15,165**
Total investment properties	**220**	**227**	**227**	**227**	**227**
Total biological assets	**5**	**5**	**5**	**5**	**5**
Total heritage and cultural assets	**12,664**	**12,687**	**12,685**	**12,683**	**12,684**
Total assets held for sale	**102**	**94**	**89**	**89**	**89**
Total other non-financial assets	**14**	**9**	**9**	**9**	**9**
Total non-financial assets(a)	**211,687**	**219,362**	**226,506**	**234,556**	**245,726**
Memorandum:					
Total relating to right of use assets					
Land	*150*	*146*	*141*	*137*	*134*
Buildings	*15,789*	*15,189*	*14,171*	*13,429*	*12,738*
Specialist military equipment	*279*	*281*	*282*	*284*	*286*
Other plant, equipment and infrastructure	*1,236*	*1,086*	*964*	*790*	*1,154*
Total right of use assets	***17,454***	***16,702***	***15,559***	***14,641***	***14,312***

a) Includes right of use (leased) assets, resulting from implementation of AASB 16.

Note 16: Loans

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Promissory notes	9,444	9,356	9,356	9,356	9,356
Special drawing rights	19,047	19,051	19,051	19,051	19,051
Other	3,282	3,953	4,972	5,380	5,372
Total loans	**31,772**	**32,360**	**33,379**	**33,786**	**33,779**

Note 17: Employee and superannuation liabilities

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Total superannuation liability(a)	**294,654**	**304,384**	**314,814**	**323,741**	**332,739**
Other employee liabilities					
Leave and other entitlements	9,900	10,193	10,435	10,672	10,894
Accrued salaries and wages	845	922	990	1,005	669
Workers compensation claims	1,984	1,998	2,010	2,026	2,048
Military compensation	28,873	28,094	28,950	29,823	30,695
Other	625	642	657	670	686
Total other employee liabilities	**42,228**	**41,848**	**43,042**	**44,195**	**44,992**
Total employee and superannuation liabilities	**336,882**	**346,232**	**357,856**	**367,936**	**377,732**

a) For budget reporting purposes, a discount rate of 5.0 per cent determined by actuaries in preparing the 2020 Long Term Cost Reports is used to value the superannuation liability. This reflects the average annual rate estimated to apply over the term of the liability and it reduces the volatility in reported liabilities that would occur from year to year if the spot rates on long-term government bonds were used. Consistent with AAS, the superannuation liability for the 2022–23 Final Budget Outcome (FBO) was calculated using the spot rates on long-term government bonds as at 30 June 2023 that best matched each individual scheme's liability duration. These rates were between 4.0 and 4.4 per cent per annum.

Note 18: Provisions and payables

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Suppliers payables					
Trade creditors	8,424	8,567	8,882	9,153	9,577
Lease rental payable	1	1	1	1	1
Personal benefits payables – indirect	1,948	2,056	1,910	1,918	2,011
Other creditors	2,933	2,958	2,961	2,971	2,984
Total suppliers payables	**13,305**	**13,582**	**13,753**	**14,042**	**14,573**
Total personal benefits payables – direct	**3,991**	**4,096**	**4,598**	**4,570**	**4,406**
Total subsidies payable	**550**	**535**	**528**	**519**	**519**
Grants payables					
State and territory governments	325	192	183	174	179
Non-profit organisations	556	554	555	554	557
Private sector	253	247	247	247	247
Overseas	1,521	2,177	1,767	1,477	1,645
Local governments	0	0	0	0	0
Other	1,003	1,007	1,009	1,005	1,006
Total grants payables	**3,658**	**4,178**	**3,761**	**3,457**	**3,633**
Total other payables	**7,115**	**4,797**	**4,886**	**4,912**	**4,922**
Provisions					
Provisions for tax refunds	2,214	2,204	2,194	2,184	2,174
Grants provisions	14,134	10,166	7,342	4,308	3,855
Personal benefits provisions – direct	6,704	6,787	6,875	6,941	6,974
Personal benefits provisions – indirect	4,257	4,827	5,419	6,065	6,759
Provisions for subsidies	7,621	7,855	8,088	8,412	8,740
Other	34,856	40,154	40,886	41,604	41,437
Total provisions	**69,787**	**71,994**	**70,804**	**69,513**	**69,940**

Note 19: Reconciliation of cash

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Net operating balance (revenues *less* expenses)	**15,807**	**-23,014**	**-34,550**	**-17,526**	**-10,127**
less **Revenues not providing cash**					
Other	3,004	2,884	3,180	3,286	3,478
Total revenues not providing cash	**3,004**	**2,884**	**3,180**	**3,286**	**3,478**
plus **Expenses not requiring cash**					
Increase/(decrease) in employee entitlements	9,100	9,103	11,376	9,826	9,567
Depreciation/amortisation expense	12,889	13,003	13,200	13,380	13,501
Mutually agreed write-downs	3,039	5,137	3,318	3,510	3,726
Other	4,057	8,112	5,400	7,839	4,238
Total expenses not requiring cash	**29,085**	**35,355**	**33,294**	**34,555**	**31,032**
plus **Cash provided/(used) by working capital items**					
Decrease/(increase) in inventories	-563	-717	-1,098	-1,017	-878
Decrease/(increase) in receivables	-13,654	-14,538	-15,130	-16,190	-17,537
Decrease/(increase) in other financial assets	-587	373	-707	-585	-858
Decrease/(increase) in other non-financial assets	596	969	2	184	-78
Increase/(decrease) in benefits, subsidies and grants payable	2,017	-2,591	-1,786	-2,159	515
Increase/(decrease) in suppliers' liabilities	146	-425	8	145	119
Increase/(decrease) in other provisions and payables	-1,532	1,064	1,371	1,672	2,017
Net cash provided/(used) by working capital	**-13,577**	**-15,865**	**-17,340**	**-17,950**	**-16,700**
equals (Net cash from/(to) operating activities)	28,312	-6,408	-21,777	-4,207	725
plus (Net cash from/(to) investing activities)	-36,014	-42,253	-44,036	-45,720	-46,151
Net cash from operating activities and investment	**-7,702**	**-48,662**	**-65,813**	**-49,927**	**-45,425**
plus (Net cash from/(to) financing activities)	7,300	21,348	61,348	47,029	40,524
***equals* Net increase/(decrease) in cash**	**-402**	**-27,314**	**-4,465**	**-2,899**	**-4,902**
Cash at the beginning of the year	**89,713**	**89,311**	**61,997**	**57,532**	**54,634**
Net increase/(decrease) in cash	-402	-27,314	-4,465	-2,899	-4,902
Cash at the end of the year	**89,311**	**61,997**	**57,532**	**54,634**	**49,732**

Appendix A: Financial reporting standards and budget concepts

The Budget primarily focuses on the financial performance and position of the general government sector (GGS). The GGS provides public services that are mainly non-market in nature and for the collective consumption of the community, or involve the transfer or redistribution of income. These services are largely financed through taxes and other compulsory levies. AASB 1049 recognises the GGS as a reporting entity.

AASB 1049 Conceptual framework

AASB 1049 seeks to 'harmonise' the ABS GFS and AAS.

The reporting framework for AASB 1049 requires the preparation of accrual-based general purpose financial reports, showing government assets, liabilities, revenue, expenses and cash flows. GGS reporting under AASB 1049 aims to provide users with information about the stewardship of each government in relation to its GGS and accountability for the resources entrusted to it; information about the financial position, performance and cash flows of each government's GGS; and information that facilitates assessments of the macroeconomic impact. AASB 1049 also provides a basis for whole-of-government reporting, including for the PNFC and PFC sectors.

AASB 1049 has adopted the AAS conceptual framework and principles for the recognition of assets, liabilities, revenues and expenses and their presentation, measurement and disclosure. In addition, AASB 1049 has broadly adopted the ABS GFS conceptual framework for presenting government financial statements. In particular, AASB 1049 requires the GGS to prepare a separate set of financial statements, overriding AASB 10 *Consolidated Financial Statements.* AASB 1049 also follows the ABS GFS by requiring changes in net worth to be split into either transactions or 'other economic flows' and for this to be presented in a single operating statement. AASB 1049 is therefore broadly consistent with international statistical standards and the International Monetary Fund's (IMF) *Government Finance Statistics Manual 2014*.[41]

41 Additional information on the Australian accrual GFS framework is available in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2015* (cat. no. 5514.0).

All financial data presented in the financial statements are recorded as either stocks (assets and liabilities) or flows (classified as either transactions or 'other economic flows'). Transactions result from a mutually agreed interaction between economic entities. Despite their compulsory nature, taxes are transactions deemed to occur by mutual agreement between the government and the taxpayer. Transactions that increase or decrease net worth (assets less liabilities) are reported as revenues and expenses respectively in the operating statement.[42]

A change to the value or volume of an asset or liability that does not result from a transaction is an 'other economic flow'. This can include changes in values from market prices, most actuarial valuations and exchange rates, and changes in volumes from discoveries, depletion and destruction. All 'other economic flows' are reported in the operating statement.

Consistent with the ABS GFS framework, and in general AAS, the financial statements record flows in the period in which they occur. As a result, prior period outcomes may be revised for classification changes relating to information that could reasonably have been expected to be known in the past, is material in at least one of the affected periods and can be reliably assigned to the relevant period(s).

Operating statement

The operating statement presents details of transactions in revenues, expenses, the net acquisition of non-financial assets (net capital investment) and other economic flows for an accounting period.

Revenues arise from transactions that increase net worth and expenses arise from transactions that decrease net worth. Revenues less expenses gives the net operating balance. The net operating balance is similar to the National Accounts concept of government saving plus capital transfers.

The net acquisition of non-financial assets (net capital investment) equals gross fixed capital formation, less depreciation, plus changes (investment) in inventories, plus other transactions in non-financial assets.

'Other economic flows' are presented in the operating statement and outline changes in net worth that are driven by economic flows other than revenues and expenses. Revenues, expenses and 'other economic flows' sum to the total change in net worth during a period. The majority of 'other economic flows' for the Australian Government GGS arise from price movements in its assets and liabilities.

42 Not all transactions impact net worth. For example, transactions in financial assets and liabilities do not impact net worth as they represent the swapping of assets and liabilities on the balance sheet.

Net operating balance

The net operating balance is the excess of revenue from transactions over expenses from transactions. The net operating balance excludes expenditure on the acquisition of capital assets but includes non-cash costs such as accruing superannuation entitlements and the consumption of capital (depreciation). By including all accruing costs, including depreciation, the net operating balance encompasses the full current cost of providing government services. This makes it a measure of the sustainability of the government's fiscal position over time and provides an indication of the sustainability of the existing level of government services.

Fiscal balance

The fiscal balance (or net lending/borrowing) is the net operating balance less net capital investment. The fiscal balance includes the impact of net expenditure (effectively purchases less sales) on non-financial assets rather than consumption (depreciation) of non-financial assets.[43]

The fiscal balance measures the Australian Government's investment-saving balance. It measures in accrual terms the gap between government savings plus net capital transfers and investment in non-financial assets. As such, it approximates the contribution of the Australian Government GGS to the balance on the current account in the balance of payments.

Balance sheet

The balance sheet shows stocks of assets, liabilities and net worth. In accordance with the UPF, net debt, net financial worth and net financial liabilities are also reported in the balance sheet.

Net worth

The net worth of the GGS, PNFC and PFC sectors is defined as assets less liabilities. This differs from the ABS GFS definition for the PNFC and PFC sectors where net worth is defined as assets less liabilities less shares and other contributed capital. Net worth is an economic measure of wealth, reflecting the Australian Government's contribution to the wealth of Australia.

43 The net operating balance includes consumption of non-financial assets because depreciation is an expense. Depreciation is deducted in the calculation of net capital investment as the full investment in non-financial assets is included in the calculation of fiscal balance.

Net financial worth

Net financial worth measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets minus liabilities. This differs from the ABS GFS definition of net financial worth for the PNFC and PFC sectors, defined as financial assets, less liabilities, less shares and other contributed capital. Net financial worth is a broader measure than net debt, in that it incorporates provisions made (such as superannuation) as well as equity holdings. Net financial worth includes all classes of financial assets and all liabilities, only some of which are included in net debt.
As non-financial assets are excluded from net financial worth, this is a narrower measure than net worth. However, it avoids the concerns inherent with the net worth measure relating to the valuation of non-financial assets and their availability to offset liabilities.

Net financial liabilities

Net financial liabilities comprises total liabilities less financial assets but excludes equity investments in the other sectors of the jurisdiction. Net financial liabilities is a more accurate indicator than net debt of a jurisdiction's fiscal position as it includes substantial non-debt liabilities such as accrued superannuation and long service leave entitlements. Excluding the net worth of other sectors of government results in a purer measure of financial worth than net financial worth as, in general, the net worth of other sectors of government, in particular the PNFC sector, is backed by physical assets.

Net debt

Net debt is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements). Financial assets include the Future Fund's investments in interest bearing securities and collective investment vehicles (CIVs). CIVs enable investors to pool their money and invest the pooled funds, rather than buying securities directly. Net debt does not include superannuation related liabilities. Net debt is a common measure of the strength of a government's financial position. High levels of net debt impose a call on future revenue flows to service that debt.

The 2015 ABS GFS Manual presents debt in a matrix format, with no single net debt aggregate identified. The Australian Government continues to report net debt in accordance with the UPF as described above.

Cash flow statement

The cash flow statement identifies how cash is generated and applied in a single accounting period. The cash flow statement reflects a cash basis of recording (rather than an accrual basis) where information is derived indirectly from underlying accrual transactions and movements in balances. This, in effect, means that transactions are captured when cash is received or when cash payments are made. Cash transactions are specifically identified because cash management is considered an integral function of accrual budgeting.

Underlying cash balance

The underlying cash balance is the cash counterpart of the fiscal balance, reflecting the Australian Government's cash investment-saving balance.

For the GGS, the underlying cash balance is calculated as shown below:

Net cash flows from operating activities

plus

Net cash flows from investments in non-financial assets

equals

ABS GFS cash surplus/deficit

plus

Principal payments of lease liabilities

equals

Underlying cash balance

Under the *Future Fund Act 2006*, earnings are required to be reinvested to meet the Government's future public sector superannuation liabilities. The Government excluded net Future Fund cash earnings from the calculation of the underlying cash balance between 2005–06 and 2019–20. From 2020–21 onwards, net Future Fund cash earnings have been included in the calculation of the underlying cash balance because the Future Fund became available to meet the Government's superannuation liabilities from this year.

In contrast, net Future Fund earnings have been included in the net operating balance and fiscal balance for all years because superannuation expenses relating to future cash payments are recorded in the net operating balance and fiscal balance.

Net Future Fund earnings are separately identified in the historical tables in *Statement 11: Historical Australian Government Data.*

Headline cash balance

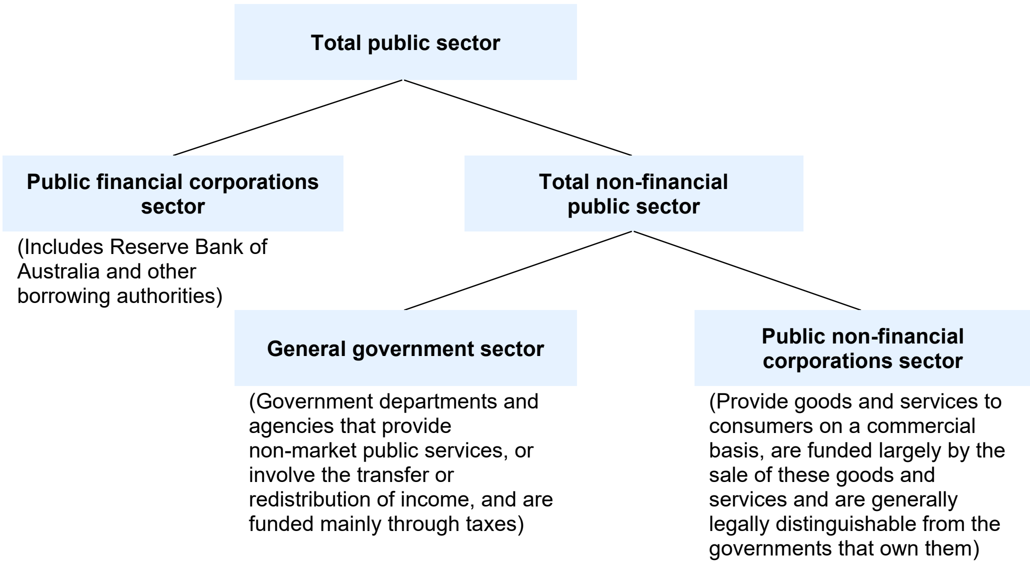
The headline cash balance is calculated by adding net cash flows from investments in financial assets for policy purposes to the underlying cash balance.

Net cash flows from investments in financial assets for policy purposes include equity transactions and advances paid. Equity transactions include equity injections into controlled businesses and privatisations of government businesses. Advances paid include net loans to the states and net loans to students.

Sectoral classifications

To assist in analysing the public sector, data are presented by institutional sector as shown in Figure A10.1. The ABS GFS defines the GGS, PNFC and PFC sectors. AASB 1049 has also adopted this sectoral reporting.

Figure A10.1: Institutional structure of the public sector



All entities are classified as GGS entities except for the following list of portfolio entities that are classified as PFC or PNFC (Table A10.1).

A table which provides a full list of public sector principal entities under the current portfolio structure is available on the Department of Finance website at https://www.finance.gov.au/government/managing-commonwealth-resources/structure-australian-government-public-sector/pgpa-act-flipchart-and-list.

Table A10.1: Entities outside of the general government sector – 2023–24

Public financial corporations
Employment and Workplace Relations Portfolio
• Coal Mining Industry (Long Service Leave Funding) Corporation
Foreign Affairs and Trade Portfolio
• Export Finance and Insurance Corporation (Export Finance Australia)
Industry, Science and Resources Portfolio
• CSIRO Coinvestment Fund Pty Ltd
• CSIRO FollowOn Services Pty Ltd
• CSIRO FollowOn Services 2 Pty Ltd
• CSIRO General Partner Pty Ltd
• CSIRO General Partner 2 Pty Ltd
• CSIROGP Fund 2 Pty Ltd
• MS GP Fund 3 Pty Ltd
• MS NGS Pty Ltd
• MS Opportunity Fund Pty Ltd
• MS Parallel Fund Pty Ltd
Treasury Portfolio
• Australian Reinsurance Pool Corporation
• Housing Australia*
• Reserve Bank of Australia

Table A10.1: Entities outside of the general government sector – 2023–24 (continued)

Public non-financial corporations
Climate Change, Energy, the Environment and Water Portfolio
• Snowy Hydro Limited
Finance Portfolio†
• ASC Pty Ltd
• Australian Naval Infrastructure Pty Ltd
Industry, Science and Resources Portfolio
• ANSTO Nuclear Medicine Pty Ltd‡
Infrastructure, Transport, Regional Development, Communications and the Arts Portfolio
• Airservices Australia
• Australian Postal Corporation (Australia Post)
• Australian Rail Track Corporation Limited
• National Intermodal Corporation Limited
• NBN Co Limited
• WSA Co Ltd
Prime Minister and Cabinet Portfolio
• Voyages Indigenous Tourism Australia Pty Ltd
Social Services Portfolio
• Australian Hearing Services (Hearing Australia)

* In October 2023, the National Housing Finance and Investment Corporation was renamed Housing Australia. Housing Australia, a corporate Commonwealth entity, operates an affordable housing bond aggregator to encourage greater private and institutional investment and provide cheaper and longer term finance to registered providers of affordable housing. The Housing Australia Bond Aggregator is a PFC. Housing Australia also administers the National Housing Infrastructure Facility (the Facility). The Facility is included in the GGS.

† On 28 July 2023, the Australian Government acquired a non-controlling (minority) ownership interest in CEA Technologies Pty Limited (CEA). The Australian Government's ownership interest in CEA will increase in 2024-25, and CEA will become majority owned Commonwealth company from 2024-25.

‡ ANSTO Nuclear Medicine Pty Ltd is scheduled to cease before 30 June 2024.

Appendix B: Assets and Liabilities

Overview

This appendix provides an overview and commentary on Statement 10: *Australian Government Budget Financial Statements* including estimates of the Australian Government's budgeted assets and liabilities at 30 June for the current year, budget year and three forward years.

Changes in the balance sheet reflect movements in the budgeted operating result and balance sheet transactions.

A more detailed explanation of major assets and liabilities held by Commonwealth entities, which form part of the Australian Government's balance sheet, can be found in the *Commonwealth Balance Sheet User Guide,* published on the Finance website.

Further information on the Government's fiscal strategy in relation to the balance sheet can be found in Statement 3: *Fiscal Strategy and Outlook.*

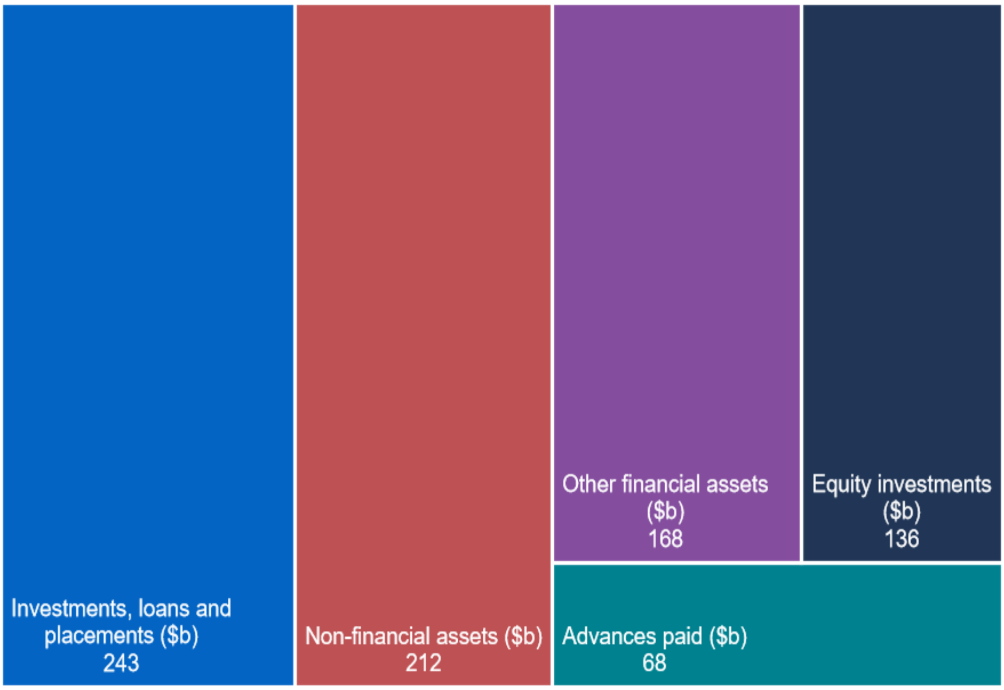
The Australian Government's assets and liabilities

Assets

The Government's total assets were $790.3 billion at 30 June 2023, and are estimated to be $825.9 billion at 30 June 2024 and $963.2 billion at 30 June 2028.

The composition of Australian Government GGS assets at 30 June 2024 is presented below in Chart 10B.1.

Chart 10B.1: Australian Government GGS asset composition



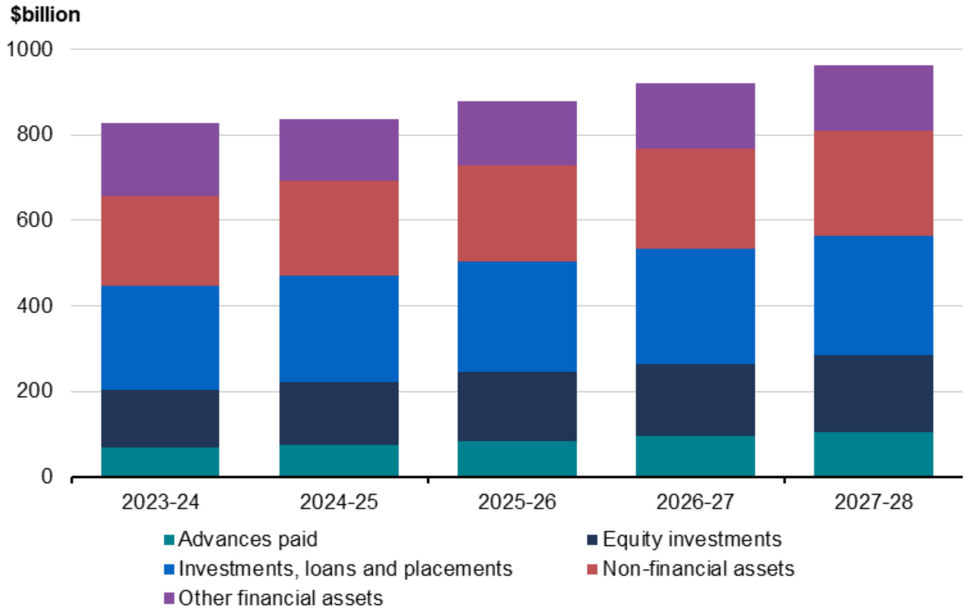
Note: Other financial assets includes cash and deposits and other receivables.

Australian Government assets over the forward estimates

The Government's total assets are expected to grow over the forward estimates due to increased advances paid, investments and acquisitions of non-financial assets.

The budgeted composition of assets on the Australian Government's balance sheet is provided in Chart 10B.2 below.

Chart 10B.2: Australian Government assets over the forward estimates

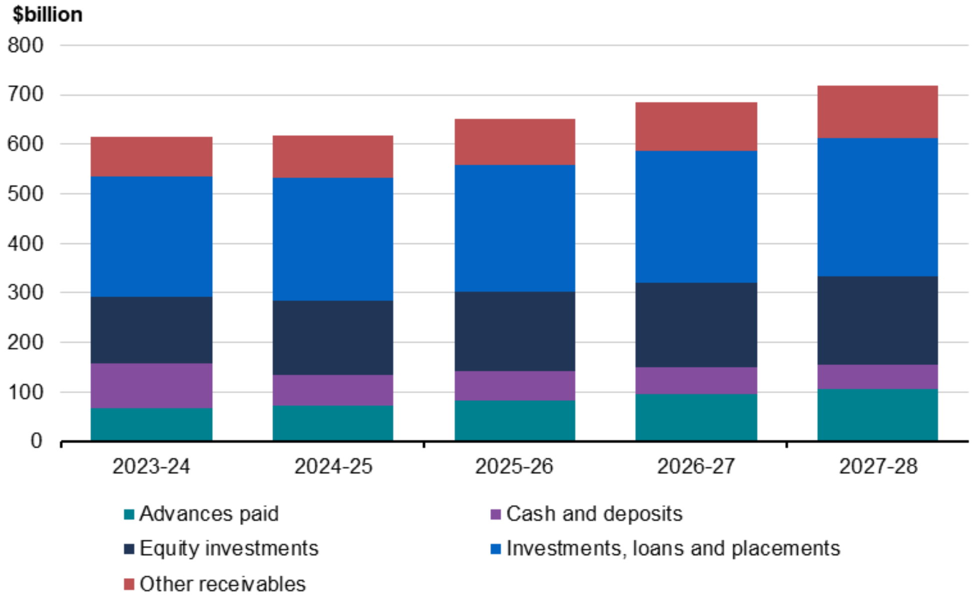


Note: Other financial assets includes cash and deposits and other receivables.

Financial assets

The Government's financial assets are estimated to be $614.2 billion at 30 June 2024, increasing to $717.5 billion by 30 June 2028.

Chart 10B.3: Financial assets over the forward estimates



Advances paid

Advances paid is comprised of the Higher Education Loan Program and other student loan schemes and loans to state and territory governments. The value of advances paid is estimated to grow over the forward estimates predominantly due to expected growth in student loans.

Further details on loans made by the Government are provided in Statement 9: *Statement of Risks*.

Investments, loans and placements

Investments, loans and placements is predominantly comprised of investments held in relation to the Australian Government Investment Funds, which includes the Future Fund, as well as by other entities, such as the Australian Office of Financial Management, the Treasury and specialist investment vehicles.

Specialist investment vehicles include for example the National Reconstruction Fund Corporation, Clean Energy Finance Corporation, Northern Australia Infrastructure Facility and the Regional Investment Corporation, which provide loans, guarantees and equity injections for projects that deliver public value.

The value of total Australian Government investments, loans and placements is expected to increase steadily over the forward estimates due to forecast investment returns and the investment activities of the Australian Government Investment Funds and specialist investment vehicles.

A breakdown of investments, loans and placements is provided in Note 14 to Statement 10: *Australian Government Budget Financial Statements* and further information on the Australian Government Investment Funds is provided below. Further details on loans made by the Government is provided in Statement 9: *Statement of Risks.*

Australian Government Investment Funds

The Australian Government Investment Funds are the: Future Fund, DisabilityCare Australia Fund, Medical Research Future Fund, Aboriginal and Torres Strait Islander Land and Sea Future Fund, Future Drought Fund, Disaster Ready Fund and the Housing Australia Future Fund. Investments held in relation to the Australian Government Investment Funds are predominantly collective investment vehicles, other interest bearing securities and equity investments.

The budgeted value of Australian Government Investment Funds is provided in Table 10B.1.

Table 10B.1: Australian Government Investment Funds balances

	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Future Fund	223,602	239,192	255,866	273,702	292,784
DisabilityCare Australia Fund	17,726	14,452	11,041	7,487	3,787
Medical Research Future Fund	22,664	23,291	23,856	24,451	25,130
Aboriginal and Torres Strait Islander Land and Sea Future Fund	2,220	2,267	2,319	2,360	2,406
Future Drought Fund	4,813	4,957	5,119	5,264	5,424
Disaster Ready Fund	4,549	4,782	5,038	5,282	5,546
Housing Australia Future Fund(a)	10,291	10,303	10,338	10,323	10,323
Total investment funds	**285,865**	**299,244**	**313,577**	**328,869**	**345,400**

a) The Housing Australia Future Fund was established on 1 November 2023.

Future Fund

The Future Fund was established in 2006 to accumulate financial assets and invest them on behalf of the Australian Government to address the Government's unfunded superannuation liability.

The Investment Mandate for the Future Fund sets a benchmark rate of return of at least CPI plus 4.0 to 5.0 per cent per annum over the long-term. The Investment Mandate gives guidance to the Future Fund Board of Guardians (the Future Fund Board) in relation to its investment strategy. The Board is independently responsible for the investment decisions of the Future Fund. The Investment Mandate also requires the Board to take an acceptable, but not excessive, level of risk for the Future Fund, measured in terms such as the probability of losses in a particular year.

Between establishment and 31 March 2024, the average return has been 7.8 per cent per annum against the benchmark return of 7.0 per cent. For the 12-month period ending 31 March 2024, the Future Fund return was 10.1 per cent against a benchmark return of 7.6 per cent. The Future Fund was valued at $223.4 billion as at 31 March 2024.

The Future Fund Board continues to maintain clear objectives and manage the portfolio in line with its mandate and strategy. Table 10B.2 shows changes in the asset allocation of the Future Fund since 31 March 2023.

Table 10B.2: Asset allocation of the Future Fund

Asset class	31-Mar-24 $m	31-Mar-24 % of Fund	31-Mar-23 $m	31-Mar-23 % of Fund
Australian equities	22,523	10.1	17,913	8.8
Global equities				
Developed markets	45,409	20.3	34,536	17.0
Emerging markets	15,159	6.8	11,955	5.9
Private equity	33,490	15.0	33,320	16.4
Property	12,744	5.7	13,118	6.5
Infrastructure & Timberland	21,280	9.5	19,166	9.4
Debt securities	24,675	11.0	16,706	8.2
Alternative assets	32,799	14.7	34,616	17.1
Cash	15,272	6.8	21,488	10.6
Total Future Fund assets	**223,350**	**100**	**202,818**	**100**

Note: Figures may not sum due to rounding.

DisabilityCare Australia Fund

The DisabilityCare Australia Fund (DCAF) was established on 1 July 2014 to assist the Commonwealth and the state and territory governments with spending directly related to the National Disability Insurance Scheme.

The DCAF is funded by revenue raised from the 0.5 per cent increase in the Medicare levy to 2.0 per cent, set in 2014–15. As at 31 March 2024, the DCAF had received credits totalling $39.0 billion. Since inception to 31 March 2024, $24.4 billion has been paid from the DCAF.

The investments of the DCAF are managed by the Future Fund Board. The Investment Mandate for the DCAF provides guidance to the Future Fund Board in relation to its investment strategy for the DCAF. The DCAF Investment Mandate sets a benchmark return of the Australian 3-month bank bill swap rate plus 0.3 per cent per annum calculated on a rolling 12-month basis (net of fees). In achieving its objectives, the Board must invest in such a way as to minimise the probability of capital losses over a 12-month horizon.

For the 12-month period ending 31 March 2024, the DCAF return was 5.1 per cent against the benchmark return of 4.5 per cent. The DCAF was valued at $16.8 billion as at 31 March 2024.

Medical Research Future Fund

The Medical Research Future Fund (MRFF) was established on 26 August 2015 to provide additional funding for medical research and medical innovation.

The investments of the MRFF are managed by the Future Fund Board. The Investment Mandate for the MRFF provides broad direction to the Future Fund Board in relation to its investment strategy. The MRFF Investment Mandate sets a benchmark return of the Reserve Bank of Australia's Cash Rate target plus 1.5 to 2.0 per cent per annum, net of costs, over a rolling 10-year term.

Since inception to 31 March 2024, MRFF investments have returned 4.5 per cent per annum against a benchmark return of 3.0 per cent. For the 12-month period ending 31 March 2024, the MRFF's return was 8.4 per cent against the benchmark return of 5.7 per cent. The MRFF was valued at $23.0 billion as at 31 March 2024.

Aboriginal and Torres Strait Islander Land and Sea Future Fund

The Aboriginal and Torres Strait Islander Land and Sea Future Fund (ATSILSFF) was established on 1 February 2019 to support payments to the Indigenous Land and Sea Corporation.

The ATSILSFF was seeded with the capital of the former Aboriginal and Torres Strait Islander Land Account (Land Account) – approximately $2.0 billion. The Land Account was abolished on the establishment of the ATSILSFF.

The investments of the ATSILSFF are managed by the Future Fund Board. The Investment Mandate for the ATSILSFF provides broad direction to the Future Fund Board in relation to its investment strategy. The ATSILSFF Investment Mandate sets a long-term benchmark return of CPI plus 2.0 to 3.0 per cent per annum, net of costs.

Since inception to 31 March 2024, ATSILSFF investments have returned 5.3 per cent per annum against a benchmark return of 5.8 per cent. For the 12-month period ending 31 March 2024, the ATSILSFF returned 9.4 per cent against a benchmark return of 5.6 per cent. The ATSILSFF was valued at $2.2 billion as at 31 March 2024.

Future Drought Fund

The Future Drought Fund (FDF) was established on 1 September 2019 to fund initiatives that enhance future drought resilience, preparedness and response across Australia.

The FDF provides disbursements of $100.0 million per annum, with the first disbursement made in July 2020.

The investments of the FDF are managed by the Future Fund Board. The Investment Mandate for the FDF provides broad direction to the Future Fund Board in relation to its investment strategy. The FDF Investment Mandate sets a long-term benchmark return of CPI plus 2.0 to 3.0 per cent per annum, net of costs.

Since inception to 31 March 2024, FDF investments have returned 7.3 per cent per annum against a benchmark return of 6.0 per cent. For the 12-month period ending 31 March 2024, the FDF returned 9.5 per cent against the benchmark return of 5.6 per cent. The FDF was valued at $4.8 billion as at 31 March 2024.

Disaster Ready Fund

The Disaster Ready Fund (DRF) was initially established as the Emergency Response Fund (ERF) on 12 December 2019 and provided up to $150 million per year for emergency response and recovery, and up to $50 million per year for natural disaster resilience and risk reduction.

On 1 March 2023, legislative changes took effect that renamed the ERF as the DRF and allowed up to $200 million per annum to be drawn from the DRF to fund natural disaster resilience and risk reduction from 2023–24 onwards.

The investments of the DRF are managed by the Future Fund Board. The Investment Mandate for the DRF provides broad direction to the Future Fund Board in relation to its investment strategy. The DRF Investment Mandate sets a long-term benchmark return of CPI plus 2.0 to 3.0 per cent per annum, net of costs.

Since inception to 31 March 2024, DRF investments have returned 7.3 per cent per annum against a benchmark return of 6.0 per cent. For the 12-month period ending 31 March 2024, the DRF returned 9.5 per cent against the benchmark return of 5.6 per cent. The DRF was valued at $4.6 billion as at 31 March 2024.

Housing Australia Future Fund

The Housing Australia Future Fund (HAFF) was established on 1 November 2023 and credited with $10.0 billion. The HAFF is an investment vehicle dedicated to supporting and increasing social and affordable housing, as well as supporting other acute housing needs such as Indigenous communities and housing services for women, children and veterans.

The investments of the HAFF are managed by the Future Fund Board. The Investment Mandate for the HAFF provides broad direction to the Future Fund Board in relation to its investment strategy. The HAFF Investment Mandate sets a long-term benchmark return of CPI plus 2.0 to 3.0 per cent per annum, net of costs.

Since inception to 31 March 2024, HAFF investments have returned 1.9 per cent. The HAFF was valued at $10.3 billion as at 31 March 2024.

Equity investments

Equity investments is comprised of three components:

- investments in those Government Business Enterprises that are public non-financial corporations including NBN Co, Snowy Hydro Limited and the Australian Rail Track Corporation.
- investments in other public sector entities outside the GGS, including certain components of specialist investment vehicles such as Export Finance Australia and Housing Australia, and investments held by specialist investment vehicles inside the GGS, such as the Clean Energy Finance Corporation and the National Reconstruction Fund Corporation.
- investments held in relation to the Australian Government Investment Funds, such as shares, which are expected to increase steadily over the forward estimates due to additional contributions from Government and expected investment returns over time.

Government Business Enterprises

Government Business Enterprises (GBEs) represent a significant proportion of equity investments held by the Australian Government.

These are commercially-focused government owned businesses that are established to fulfil an Australian Government purpose. They make a substantial contribution to the Australian economy by supporting productivity, job creation and Government policy objectives.

Further information on the financial performance of individual GBEs is included in the annual report for each entity, including details of equity contributed by the Australian Government. GBE valuations are updated annually in accordance with Australian Accounting Standards and reported by the relevant portfolio department in its annual report.

Specialist investment vehicles

Specialist investment vehicles make investments in projects, businesses and joint ventures to directly address Australian Government policy objectives. These investments include for example concessional loans, debt issuances and equity investments. Specialist investment vehicles include the National Reconstruction Fund Corporation, Clean Energy Finance Corporation, Regional Investment Corporation, Export Finance Australia, Housing Australia, the Australian Renewable Energy Agency, the Northern Australian Infrastructure Facility and the Australian Infrastructure Financing Facility for the Pacific supported by Export Finance Australia.

Clean Energy Finance Corporation

The Clean Energy Finance Corporation (CEFC) was established as a Commonwealth Authority in August 2012 through the *Clean Energy Finance Corporation Act 2012* (CEFC Act).

Under the CEFC Act, the CEFC has been provided $10.0 billion to invest in renewable energy, low emissions technology and energy efficiency projects.

The Government has also provided CEFC with an additional $20.5 billion to support the Government's policy priorities. This comprises $19 billion for rewiring the nation, to expand and modernise Australia's electricity grids and $500.0 million, (to combine with $500.0 million from the private sector), to establish a $1.0 billion Powering Australia Technology Fund. It also includes $1.0 billion to support household energy efficiency upgrades.

The CEFC continues to invest funds and manage its investments. Investment decisions are made by an independent board consistent with the CEFC Act and the CEFC's investment mandate.

National Reconstruction Fund Corporation

The National Reconstruction Fund Corporation (NRFC) was established as a corporate Commonwealth entity by the *National Reconstruction Fund Corporation Act 2023* (NRFC Act) to support, diversify and transform Australian industry and the economy.

The NRFC will make $15.0 billion of targeted co-investments through independently assessed projects in priority sectors including resources, transport, medical science, renewables and low emission technology, defence capability, enabling capabilities and agriculture, forestry and fisheries.

Export Finance Australia

At the Australian Government's direction, Export Finance Australia (EFA) can make export-focussed investments that are in the national interest. As part of the *Future Made in Australia* policy, the Government will expand EFA's mandate on the National Interest Account to support key domestic-focussed projects that align with a National Interest Framework and are in scope sectors.

Non-financial assets

The Government's non-financial assets are estimated to be $211.7 billion at 30 June 2024, increasing to $245.7 billion by 30 June 2028.

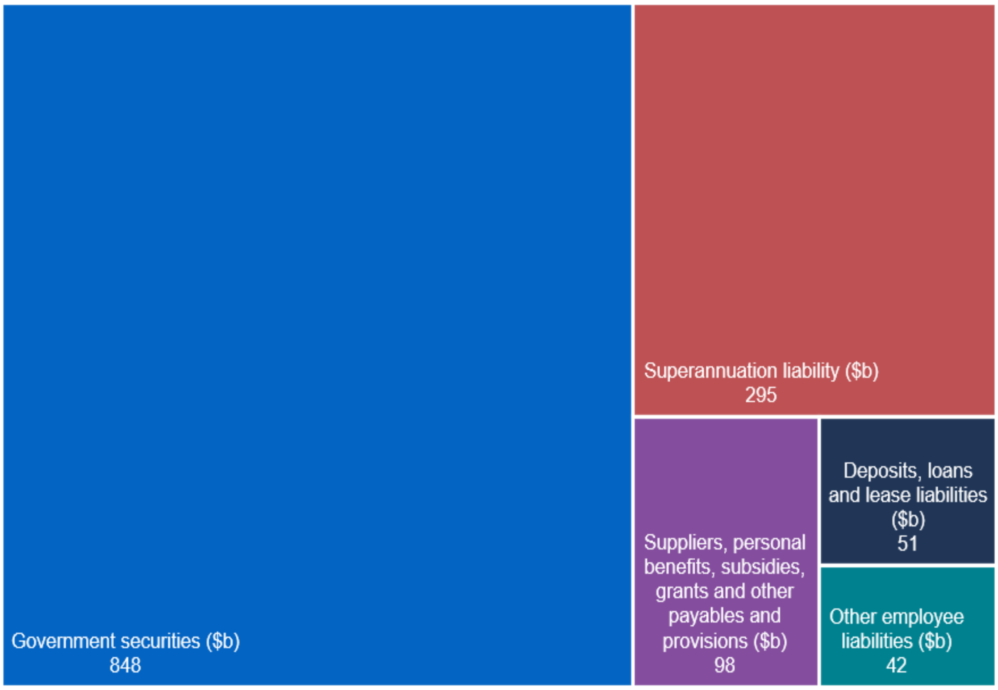
Non-financial assets comprise assets such as land, buildings and property, plant and equipment and right-of-use lease assets. Non-financial assets are expected to grow consistently over the forward estimates predominantly due to increased investments in Specialised Military Equipment.

Liabilities

The Government's total liabilities were $1.3 trillion at 30 June 2023, and are expected to increase to around $1.6 trillion by 30 June 2028.

The composition of Australian Government GGS liabilities at 30 June 2024 is presented below in Chart 10B.4.

Chart 10B.4: Australian government liabilities composition



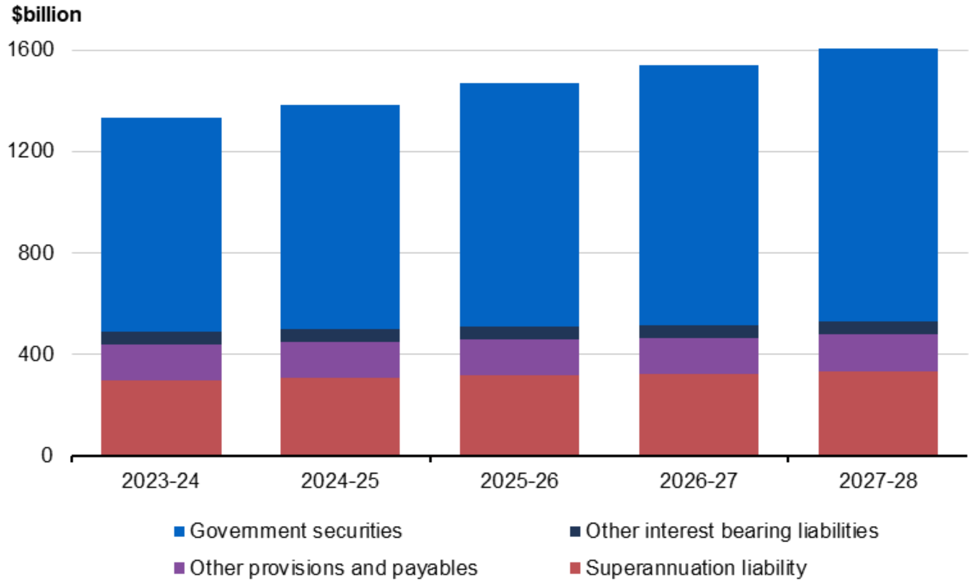
The Government's major liabilities are Australian Government securities on issue (see Statement 7: *Debt Statement* for further information) and public sector employee superannuation liabilities.

Further information on the Government's borrowings is provided in Statement 7: *Debt Statement*.

Australian Government liabilities over the forward estimates

The budgeted composition of liabilities on the Australian Government's balance sheet is provided in Chart 10B.5 below.

Chart 10B.5: Composition of Australian Government liabilities over the forward estimates



Note: Other interest bearing liabilities includes deposits held, loans and lease liabilities. Other provisions and payables includes other employee liabilities, suppliers payable, personal benefits payable, subsidies payable, grants payable, other payables and provisions.

Total liabilities are expected to grow consistently over the forward estimates, which is predominantly due to growth in government securities on issue and superannuation liabilities.

Government securities

Government securities on the Australian Government's balance sheet reflect the market value of the Australian Government securities on issue, consistent with external reporting standards. Further detail on the face value of Australian Government securities can be found in Statement 7: *Debt Statement.*

Public sector employee superannuation liabilities

Public sector employee superannuation entitlements relating to past and present civilian employees and military personnel are a financial liability on the Government's balance sheet. Total superannuation liabilities are projected to be $294.7 billion at 30 June 2024, $332.7 billion at 30 June 2028 and approximately $506.2 billion at 30 June 2060.

These liabilities represent the present value of future unfunded superannuation benefits relating to past and present employees and are based on an actuarially determined discount rate. The long-term nature of the unfunded superannuation liabilities requires the use of a discount rate that best matches the duration of the liabilities. The use of a long-term discount rate for budget purposes avoids the volatility that would occur by using current market yields on Government bonds. The value recorded on the balance sheet is highly sensitive to the discount rate used.

In preparing the latest Long Term Cost Reports for the civilian and military schemes, the scheme actuaries determined that a discount rate of 5.0 per cent should be applied.

The Australian Government has never fully funded its defined benefit scheme superannuation liabilities. However, the Future Fund was established in 2006 to help finance the Government's unfunded superannuation liabilities.

For civilian employees, the major defined benefit schemes are the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. These schemes were closed to new members in 1990 and 2005 respectively. The Public Sector Superannuation Accumulation Plan was introduced on 1 July 2005 and provides fully funded accumulation benefits for new civilian employees from that date.

For military personnel, the defined benefit schemes are the Defence Force Retirement and Death Benefits Scheme, the Defence Forces Retirement Benefits Scheme and the Military Superannuation and Benefits Scheme (MSBS). Following the closure of the MSBS on 30 June 2016, all defined benefit military schemes are now closed to new members. A new military superannuation accumulation scheme, Australian Defence Force (ADF) Super, commenced on 1 July 2016. ADF Super is accompanied by a statutory death and disability arrangement ADF cover.

While there have not been any new members to the public service and military defined benefit schemes since closure in 2005 and 2016 respectively, the Government's unfunded superannuation liabilities are expected to grow as current members continue to accrue benefits prior to retirement. Consistent with the 2020 Long-Term Cost Reports, the unfunded liability for public service defined benefit schemes is projected to peak in the mid 2030's, whilst the unfunded liability for military defined benefit schemes is projected to continue to increase over time to 2060. The present value of the superannuation liability is also sensitive to changes in the discount rate.

As the superannuation liabilities are included in the Government's net worth and net financial worth aggregates, revaluations of the liabilities have an impact on these aggregates.

The value of superannuation liabilities by scheme is provided in Table 10B.3 below.

Table 10B.3: Superannuation liabilities by scheme

		Estimates			
	2023-24	2024-25	2025-26	2026-27	2027-28
	$m	$m	$m	$m	$m
Civilian superannuation schemes					
Commonwealth Superannuation Scheme	62,612	61,099	59,489	57,787	55,999
Public Sector Superannuation Scheme	96,691	102,271	108,537	113,238	117,994
Parliamentary Contributory Superannuation Scheme	819	812	801	790	777
Governors--General Scheme	14	23	23	22	22
Judges' Pensions Scheme	1,244	1,286	1,329	1,374	1,421
Division 2 Judges of the Federal Circuit and Family Court of Australia Death and Disability Scheme	1	2	2	3	4
Total civilian schemes	161,380	165,492	170,181	173,214	176,218
Military superannuation schemes					
Military Superannuation and Benefits Scheme	96,437	100,934	105,251	109,403	113,379
Defence Force Retirement and Death Benefits Scheme	31,392	31,021	30,593	30,112	29,591
Defence Forces Retirement Benefits Scheme	229	212	196	181	167
Australian Defence Force Cover	4,982	6,483	8,340	10,576	13,194
Total military schemes	133,040	138,650	144,380	150,272	156,330
Other schemes	234	242	253	255	191
Total	**294,654**	**304,384**	**314,814**	**323,741**	**332,739**

Other provisions and payables

Other provisions and payables includes all other Government liabilities including lease liabilities, provisions for other employee entitlements such as leave, unpaid grants, subsidies, personal benefits, and payments to suppliers.

Statement 11
Historical Australian Government Data

This statement reports historical data for the Australian Government fiscal aggregates across the general government, public non-financial corporations and non-financial public sectors.

Statement contents

Statement 11: Historical Australian Government Data

Statement 11 reports historical data for the Australian Government fiscal aggregates across the general government, public non-financial corporations and non-financial public sectors.

Data sources

Data are sourced from Australian Government *Final Budget Outcomes*, the Australian Bureau of Statistics (ABS), the Australian Office of Financial Management and Australian Government *Consolidated Financial Statements*.

- Accrual data from 1996–97 onwards and cash data, net debt data, net financial worth data and net worth data from 1999–2000 onwards are sourced from Australian Government *Final Budget Outcomes*. Back-casting adjustments for accounting classification changes and other revisions have been made from 1998–99 onwards where applicable.

- Cash data prior to 1999–2000 are sourced from ABS data, which have been calculated using methodology consistent with that used for later years in ABS cat. no. 5512.0 *Government Finance Statistics*.

- Net debt data prior to 1999–2000 are from ABS cat. no. 5512.0 *Government Finance Statistics 2003–04* in 1998–99, ABS cat. no. 5501.0 *Government Financial Estimates 1999–2000* and ABS cat. no. 5513.0 *Public Sector Financial Assets and Liabilities 1998* from 1987–88 to 1997–98, and Treasury estimates (see Treasury's *Economic Roundup, Spring 1996*, pages 97–103) prior to 1987–88.

Comparability of data across years

The data set contains a number of structural breaks owing to accounting classification differences and changes to the structure of the budget which cannot be eliminated through back-casting because of data limitations. These breaks can affect the comparability of data across years, especially when the analysis is taken over a large number of years. Specific factors causing structural breaks include:

- Most recent accounting classification changes that require revisions to the historical series have been back-cast (where applicable) to 1998–99, ensuring that data are consistent across the accrual period from 1998–99 onwards. However, because of data limitations, these changes have not been back-cast to earlier years.

- From 2019–20 onwards, as a result of the implementation of the accounting standard AASB 16 *Leases*, the distinction between operating and finance leases for lessees has been removed. This change impacted a number of budget aggregates, in particular net debt and net financial worth. Due to data limitations, these changes have not been back-cast to earlier years.

- From 2005–06 onwards, underlying Government Finance Statistics (GFS) data are provided by agencies in accordance with Australian Accounting Standards (AAS), which include International Financial Reporting Standards (IFRS) as adopted in Australia. Prior to 2005–06, underlying GFS data are based on data provided by agencies applying AAS prior to the adoption of IFRS.

- Prior to 1999–2000, Australian Government general government sector debt instruments are valued at historic cost, whereas from 1999–2000 onwards they are valued at market prices (consistent with accrual GFS standards). This affects net debt and net interest payments.

- Cash data up to and including 1997–98 are calculated under a cash accounting framework, while cash data from 1998–99 onwards are derived from an accrual accounting framework.[44] Although the major methodological differences associated with the move to the accrual framework have been eliminated through back-casting, comparisons across the break may still be affected by changes to some data sources and collection methodologies.

- Adjustments in the coverage of agencies are included in the accounts of the different sectors. These include the reclassification of Central Banking Authorities from the general government to the public financial corporations sector in 1998–99, and subsequent back-casting to account for this change.

- Changes have been made in arrangements for transfer payments, where tax concessions or rebates are replaced by payments through the social security system. This has the effect of increasing both cash receipts and payments, as compared with earlier periods, but not changing cash balances. Changes in the opposite direction reduce both cash payments and receipts.

- Classification differences in the data relating to the period prior to 1976–77 mean that earlier data may not be entirely consistent with data for 1976–77 onwards.

44 Prior to the 2008–09 Budget, cash data calculated under the cash accounting framework were used up to and including 1998–99. In the 2008–09 Budget, cash data prior to 1998–99 have been replaced by ABS data derived from the accrual framework.

Revisions to previously published data

Under the accrual GFS framework and generally under AAS, flows are recorded in the period in which they occurred. As a result, prior period outcomes may be revised for classification changes relating to information that could reasonably have been expected to be known in the past, is material in at least one of the affected periods, and can be reliably assigned to the relevant period(s).

There have been no material classification changes that have resulted in back-casting in this update.

Table 11.1: Australian Government general government sector receipts, payments, net Future Fund earnings and underlying cash balance[(a)]

	Receipts(b)		Payments(c)			Net Future Fund earnings	Underlying cash balance(d)	
	$m	Per cent of GDP	$m	Per cent real growth(f)	Per cent of GDP	$m	$m	Per cent of GDP
1970-71	8,290	20.5	7,389	na	18.3	-	901	2.2
1971-72	9,135	20.5	8,249	4.1	18.5	-	886	2.0
1972-73	9,735	19.5	9,388	7.7	18.8	-	348	0.7
1973-74	12,228	20.3	11,078	4.2	18.4	-	1,150	1.9
1974-75	15,643	22.0	15,463	19.9	21.7	-	181	0.3
1975-76	18,727	22.5	20,225	15.7	24.3	-	-1,499	-1.8
1976-77	21,890	22.8	23,157	0.6	24.1	-	-1,266	-1.3
1977-78	24,019	22.9	26,057	2.7	24.8	-	-2,037	-1.9
1978-79	26,129	22.0	28,272	0.3	23.8	-	-2,142	-1.8
1979-80	30,321	22.5	31,642	1.5	23.5	-	-1,322	-1.0
1980-81	35,993	23.6	36,176	4.6	23.7	-	-184	-0.1
1981-82	41,499	23.6	41,151	2.9	23.4	-	348	0.2
1982-83	45,463	24.0	48,810	6.3	25.8	-	-3,348	-1.8
1983-84	49,981	23.4	56,990	9.4	26.7	-	-7,008	-3.3
1984-85	58,817	25.0	64,853	9.1	27.5	-	-6,037	-2.6
1985-86	66,206	25.4	71,328	1.5	27.3	-	-5,122	-2.0
1986-87	74,724	26.1	77,158	-1.1	26.9	-	-2,434	-0.8
1987-88	83,491	25.7	82,039	-0.9	25.3	-	1,452	0.4
1988-89	90,748	24.6	85,326	-3.1	23.2	-	5,421	1.5
1989-90	98,625	24.4	92,684	0.6	22.9	-	5,942	1.5
1990-91	100,227	24.1	100,665	3.1	24.2	-	-438	-0.1
1991-92	95,840	22.6	108,472	5.7	25.6	-	-12,631	-3.0
1992-93	97,633	22.0	115,751	5.6	26.1	-	-18,118	-4.1
1993-94	103,824	22.3	122,009	3.5	26.1	-	-18,185	-3.9
1994-95	113,458	22.9	127,619	1.4	25.7	-	-14,160	-2.9
1995-96	124,429	23.5	135,538	1.9	25.6	-	-11,109	-2.1
1996-97	133,592	24.0	139,689	1.7	25.1	-	-6,099	-1.1
1997-98	140,736	23.9	140,587	0.6	23.9	-	149	0.0
1998-99	152,063	24.5	148,175	4.1	23.8	-	3,889	0.6
1999-00	166,199	25.1	153,192	1.0	23.1	-	13,007	2.0
2000-01	182,996	25.9	177,123	9.1	25.0	-	5,872	0.8
2001-02	187,588	24.8	188,655	3.5	24.9	-	-1,067	-0.1
2002-03	204,613	25.5	197,243	1.4	24.6	-	7,370	0.9
2003-04	217,775	25.2	209,785	3.9	24.3	-	7,990	0.9
2004-05	235,984	25.5	222,407	3.5	24.0	-	13,577	1.5
2005-06	255,943	25.6	240,136	4.6	24.0	51	15,757	1.6
2006-07	272,637	25.0	253,321	2.5	23.3	2,127	17,190	1.6
2007-08	294,917	25.0	271,843	3.8	23.0	3,319	19,754	1.7
2008-09	292,600	23.2	316,046	12.7	25.1	3,566	-27,013	-2.1
2009-10	284,662	21.8	336,900	4.2	25.8	2,256	-54,494	-4.2

Table 11.1: Australian Government general government sector receipts, payments, net Future Fund earnings and underlying cash balance[(a)] (continued)

	Receipts(b)		Payments(c)			Net Future Fund earnings	Underlying cash balance(d)	
	$m	Per cent of GDP	$m	Per cent real growth(f)	Per cent of GDP	$m	$m	Per cent of GDP
2010-11	302,024	21.3	346,102	-0.4	24.4	3,385	-47,463	-3.3
2011-12	329,874	22.0	371,032	4.8	24.7	2,203	-43,360	-2.9
2012-13	351,052	22.8	367,204	-3.2	23.9	2,682	-18,834	-1.2
2013-14	360,322	22.5	406,430	7.8	25.4	2,348	-48,456	-3.0
2014-15	378,301	23.3	412,079	-0.3	25.4	4,089	-37,867	-2.3
2015-16	386,924	23.3	423,328	1.3	25.5	3,202	-39,606	-2.4
2016-17	409,868	23.3	439,375	2.0	25.0	3,644	-33,151	-1.9
2017-18	446,905	24.2	452,742	1.1	24.5	4,305	-10,141	-0.5
2018-19	485,286	24.9	478,098	3.9	24.5	7,878	-690	0.0
2019-20	469,398	23.7	549,634	13.4	27.7	5,036	-85,272	-4.3
2020-21	519,913	24.9	654,084	17.1	31.3	6,619	-134,171	-6.4
2021-22	584,358	25.0	616,320	-9.8	26.4	7,677	-31,962	-1.4
2022-23	649,477	25.3	627,413	-4.9	24.5	4,960	22,064	0.9
2023-24 (e)	**692,307**	**25.8**	**682,961**	**4.5**	**25.4**	**6,299**	**9,346**	**0.3**
2024-25 (e)	698,446	25.3	726,732	3.6	26.4	7,080	-28,286	-1.0
2025-26 (e)	719,353	25.1	762,192	1.8	26.6	7,445	-42,838	-1.5
2026-27 (e)	760,010	25.1	786,722	0.8	26.0	7,960	-26,713	-0.9
2027-28 (e)	801,811	25.2	826,157	2.4	26.0	8,504	-24,345	-0.8

a) Data have been revised in the 2024–25 Budget to improve accuracy and comparability through time.
b) Receipts are equal to cash receipts from operating activities and sales of non-financial assets.
c) Payments are equal to cash payments for operating activities, purchases of non-financial assets and net cash flows from financing activities for leases.
d) Between 2005–06 and 2019–20, the underlying cash balance is equal to receipts less payments, less net Future Fund earnings. In all other years, the underlying cash balance is equal to receipts less payments.
e) Estimates.
f) Real spending growth is calculated using the Consumer Price Index as the deflator.

Table 11.2: Australian Government general government sector net cash flows from investments in financial assets for policy purposes and headline cash balance[(a)]

	Receipts	Payments	Net cash flows from investments in financial assets for policy purposes(b)		Headline cash balance(c)	
	$m	$m	$m	Per cent of GDP	$m	Per cent of GDP
1970-71	8,290	7,389	-851	-2.1	50	0.1
1971-72	9,135	8,249	-987	-2.2	-101	-0.2
1972-73	9,735	9,388	-977	-2.0	-629	-1.3
1973-74	12,228	11,078	-1,275	-2.1	-125	-0.2
1974-75	15,643	15,463	-2,648	-3.7	-2,467	-3.5
1975-76	18,727	20,225	-2,040	-2.4	-3,539	-4.2
1976-77	21,890	23,157	-1,530	-1.6	-2,796	-2.9
1977-78	24,019	26,057	-1,324	-1.3	-3,361	-3.2
1978-79	26,129	28,272	-1,074	-0.9	-3,216	-2.7
1979-80	30,321	31,642	-702	-0.5	-2,024	-1.5
1980-81	35,993	36,176	-962	-0.6	-1,146	-0.8
1981-82	41,499	41,151	-1,008	-0.6	-660	-0.4
1982-83	45,463	48,810	-1,363	-0.7	-4,711	-2.5
1983-84	49,981	56,990	-1,136	-0.5	-8,144	-3.8
1984-85	58,817	64,853	-922	-0.4	-6,959	-3.0
1985-86	66,206	71,328	-810	-0.3	-5,932	-2.3
1986-87	74,724	77,158	-545	-0.2	-2,979	-1.0
1987-88	83,491	82,039	657	0.2	2,109	0.6
1988-89	90,748	85,326	168	0.0	5,589	1.5
1989-90	98,625	92,684	1,217	0.3	7,159	1.8
1990-91	100,227	100,665	1,563	0.4	1,125	0.3
1991-92	95,840	108,472	2,156	0.5	-10,475	-2.5
1992-93	97,633	115,751	2,471	0.6	-15,647	-3.5
1993-94	103,824	122,009	3,447	0.7	-14,738	-3.2
1994-95	113,458	127,619	1,546	0.3	-12,614	-2.5
1995-96	124,429	135,538	5,188	1.0	-5,921	-1.1
1996-97	133,592	139,689	7,241	1.3	1,142	0.2
1997-98	140,736	140,587	15,154	2.6	15,303	2.6
1998-99	152,063	148,175	6,948	1.1	10,837	1.7
1999-00	166,199	153,192	9,500	1.4	22,507	3.4
2000-01	182,996	177,123	5,673	0.8	11,545	1.6
2001-02	187,588	188,655	3,422	0.5	2,355	0.3
2002-03	204,613	197,243	-229	0.0	7,141	0.9
2003-04	217,775	209,785	-452	-0.1	7,538	0.9
2004-05	235,984	222,407	-1,139	-0.1	12,438	1.3
2005-06	255,943	240,136	-1,647	-0.2	14,160	1.4
2006-07	272,637	253,321	7,403	0.7	26,720	2.5
2007-08	294,917	271,843	5,108	0.4	28,181	2.4
2008-09	292,600	316,046	-7,889	-0.6	-31,336	-2.5
2009-10	284,662	336,900	-4,278	-0.3	-56,516	-4.3

Table 11.2: Australian Government general government sector net cash flows from investments in financial assets for policy purposes and headline cash balance[(a)] (continued)

	Receipts	Payments	Net cash flows from investments in financial assets for policy purposes(b)		Headline cash balance(c)	
	$m	$m	$m	Per cent of GDP	$m	Per cent of GDP
2010-11	302,024	346,102	-7,028	-0.5	-51,106	-3.6
2011-12	329,874	371,032	-5,866	-0.4	-47,023	-3.1
2012-13	351,052	367,204	-4,802	-0.3	-20,954	-1.4
2013-14	360,322	406,430	-6,371	-0.4	-52,479	-3.3
2014-15	378,301	412,079	-5,158	-0.3	-38,936	-2.4
2015-16	386,924	423,328	-12,684	-0.8	-49,088	-3.0
2016-17	409,868	439,375	-13,501	-0.8	-43,008	-2.4
2017-18	446,905	452,742	-20,041	-1.1	-25,878	-1.4
2018-19	485,286	478,098	-14,387	-0.7	-7,199	-0.4
2019-20	469,398	549,634	-13,632	-0.7	-93,868	-4.7
2020-21	519,913	654,084	-3,364	-0.2	-137,535	-6.6
2021-22	584,358	616,320	-1,340	-0.1	-33,302	-1.4
2022-23	649,477	627,413	-7,962	-0.3	14,103	0.6
2023-24 (e)	**692,307**	**682,961**	**-2,879**	**-0.1**	**6,467**	**0.2**
2024-25 (e)	698,446	726,732	-18,916	-0.7	-47,202	-1.7
2025-26 (e)	719,353	762,192	-20,932	-0.7	-63,770	-2.2
2026-27 (e)	760,010	786,722	-20,130	-0.7	-46,843	-1.5
2027-28 (e)	801,811	826,157	-17,676	-0.6	-42,022	-1.3

a) Data have been revised in the 2024–25 Budget to improve accuracy and comparability through time.

b) Prior to 1999–2000, net cash flows from investments in financial assets for policy purposes were referred to as ‘net advances’. A negative number reflects a cash outflow, while a positive number reflects a cash inflow.

c) Headline cash balance is equal to receipts less payments, plus net cash flows from investments in financial assets for policy purposes. Receipts and payments are identical to Table 11.1.

e) Estimates.

Table 11.3: Australian Government general government sector taxation receipts, non-taxation receipts and total receipts(a)

	Taxation receipts		Non-taxation receipts		Total receipts(b)	
	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP
1970-71	7,193	17.8	1,097	2.7	8,290	20.5
1971-72	7,895	17.7	1,240	2.8	9,135	20.5
1972-73	8,411	16.9	1,324	2.7	9,735	19.5
1973-74	10,832	17.9	1,396	2.3	12,228	20.3
1974-75	14,141	19.8	1,502	2.1	15,643	22.0
1975-76	16,920	20.3	1,807	2.2	18,727	22.5
1976-77	19,714	20.5	2,176	2.3	21,890	22.8
1977-78	21,428	20.4	2,591	2.5	24,019	22.9
1978-79	23,409	19.7	2,720	2.3	26,129	22.0
1979-80	27,473	20.4	2,848	2.1	30,321	22.5
1980-81	32,641	21.4	3,352	2.2	35,993	23.6
1981-82	37,880	21.5	3,619	2.1	41,499	23.6
1982-83	41,025	21.7	4,438	2.3	45,463	24.0
1983-84	44,849	21.0	5,132	2.4	49,981	23.4
1984-85	52,970	22.5	5,847	2.5	58,817	25.0
1985-86	58,841	22.6	7,365	2.8	66,206	25.4
1986-87	66,467	23.2	8,257	2.9	74,724	26.1
1987-88	75,076	23.1	8,415	2.6	83,491	25.7
1988-89	83,452	22.7	7,296	2.0	90,748	24.6
1989-90	90,773	22.4	7,852	1.9	98,625	24.4
1990-91	92,739	22.3	7,488	1.8	100,227	24.1
1991-92	87,364	20.6	8,476	2.0	95,840	22.6
1992-93	88,760	20.0	8,873	2.0	97,633	22.0
1993-94	93,362	20.0	10,462	2.2	103,824	22.3
1994-95	104,921	21.2	8,537	1.7	113,458	22.9
1995-96	115,700	21.9	8,729	1.7	124,429	23.5
1996-97	124,559	22.4	9,033	1.6	133,592	24.0
1997-98	130,984	22.2	9,752	1.7	140,736	23.9
1998-99	138,420	22.3	13,643	2.2	152,063	24.5
1999-00	151,313	22.8	14,887	2.2	166,199	25.1
2000-01	170,354	24.1	12,641	1.8	182,996	25.9
2001-02	175,371	23.2	12,218	1.6	187,588	24.8
2002-03	192,391	24.0	12,222	1.5	204,613	25.5
2003-04	206,734	23.9	11,041	1.3	217,775	25.2
2004-05	223,986	24.2	11,999	1.3	235,984	25.5
2005-06	241,987	24.2	13,956	1.4	255,943	25.6
2006-07	258,252	23.7	14,385	1.3	272,637	25.0
2007-08	279,317	23.7	15,600	1.3	294,917	25.0
2008-09	273,674	21.7	18,926	1.5	292,600	23.2
2009-10	262,167	20.1	22,495	1.7	284,662	21.8

Table 11.3: Australian Government general government sector taxation receipts, non-taxation receipts and total receipts[a] (continued)

	Taxation receipts		Non-taxation receipts		Total receipts(b)	
	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP
2010-11	282,106	19.9	19,918	1.4	302,024	21.3
2011-12	311,269	20.7	18,606	1.2	329,874	22.0
2012-13	327,835	21.3	23,218	1.5	351,052	22.8
2013-14	340,283	21.3	20,038	1.3	360,322	22.5
2014-15	353,927	21.8	24,374	1.5	378,301	23.3
2015-16	362,445	21.8	24,480	1.5	386,924	23.3
2016-17	379,336	21.6	30,532	1.7	409,868	23.3
2017-18	418,118	22.7	28,787	1.6	446,905	24.2
2018-19	448,654	23.0	36,631	1.9	485,286	24.9
2019-20	431,854	21.8	37,544	1.9	469,398	23.7
2020-21	473,941	22.7	45,972	2.2	519,913	24.9
2021-22	536,586	23.0	47,772	2.0	584,358	25.0
2022-23	601,300	23.5	48,177	1.9	649,477	25.3
2023-24 (e)	**638,750**	**23.8**	**53,557**	**2.0**	**692,307**	**25.8**
2024-25 (e)	642,542	23.3	55,904	2.0	698,446	25.3
2025-26 (e)	661,583	23.1	57,770	2.0	719,353	25.1
2026-27 (e)	702,278	23.2	57,732	1.9	760,010	25.1
2027-28 (e)	742,299	23.3	59,513	1.9	801,811	25.2

a) Data have been revised in the 2024–25 Budget to improve accuracy and comparability through time.
b) Receipts are equal to receipts from operating activities and sales of non-financial assets. Receipts are identical to Table 11.1.
e) Estimates.

Table 11.4: Australian Government general government sector net debt and net interest payments(a)

	Net debt(b)		Net interest payments(c)	
	$m	Per cent of GDP	$m	Per cent of GDP
1970-71	344	0.9	-189	-0.5
1971-72	-496	-1.1	-245	-0.5
1972-73	-790	-1.6	-252	-0.5
1973-74	-1,851	-3.1	-286	-0.5
1974-75	-1,901	-2.7	-242	-0.3
1975-76	-341	-0.4	-330	-0.4
1976-77	898	0.9	-62	-0.1
1977-78	2,896	2.8	4	0.0
1978-79	4,983	4.2	254	0.2
1979-80	6,244	4.6	440	0.3
1980-81	6,356	4.2	620	0.4
1981-82	5,919	3.4	680	0.4
1982-83	9,151	4.8	896	0.5
1983-84	16,015	7.5	1,621	0.8
1984-85	21,896	9.3	2,813	1.2
1985-86	26,889	10.3	3,952	1.5
1986-87	29,136	10.2	4,762	1.7
1987-88	27,344	8.4	4,503	1.4
1988-89	21,981	6.0	4,475	1.2
1989-90	16,123	4.0	4,549	1.1
1990-91	16,915	4.1	3,636	0.9
1991-92	31,041	7.3	3,810	0.9
1992-93	55,218	12.4	3,986	0.9
1993-94	70,223	15.0	5,628	1.2
1994-95	83,492	16.8	7,292	1.5
1995-96	95,831	18.1	8,861	1.7
1996-97	96,281	17.3	9,489	1.7
1997-98	82,935	14.1	8,279	1.4
1998-99	72,065	11.6	8,649	1.4
1999-00	57,661	8.7	7,514	1.1
2000-01	46,802	6.6	6,195	0.9
2001-02	42,263	5.6	5,352	0.7
2002-03	33,403	4.2	3,758	0.5
2003-04	26,995	3.1	3,040	0.4
2004-05	15,604	1.7	2,502	0.3
2005-06	331	0.0	2,303	0.2
2006-07	-24,288	-2.2	228	0.0
2007-08	-39,958	-3.4	-1,015	-0.1
2008-09	-11,285	-0.9	-1,196	-0.1
2009-10	47,874	3.7	2,386	0.2

Table 11.4: Australian Government general government sector net debt and net interest payments[(a)] (continued)

	Net debt(b)		Net interest payments(c)	
	$m	Per cent of GDP	$m	Per cent of GDP
2010-11	90,660	6.4	4,608	0.3
2011-12	153,443	10.2	6,609	0.4
2012-13	159,594	10.4	8,285	0.5
2013-14	209,559	13.1	10,843	0.7
2014-15	245,817	15.1	10,868	0.7
2015-16	303,467	18.3	12,041	0.7
2016-17	322,320	18.3	12,365	0.7
2017-18	341,961	18.5	13,135	0.7
2018-19	373,566	19.2	15,149	0.8
2019-20	491,217	24.8	13,280	0.7
2020-21	592,221	28.4	14,290	0.7
2021-22	515,650	22.1	14,977	0.6
2022-23	491,013	19.2	11,852	0.5
2023-24 (e)	**499,886**	**18.6**	**12,281**	**0.5**
2024-25 (e)	552,532	20.0	14,549	0.5
2025-26 (e)	615,478	21.5	18,797	0.7
2026-27 (e)	660,048	21.8	20,782	0.7
2027-28 (e)	697,505	21.9	25,994	0.8

a) Data have been revised in the 2024–25 Budget to improve accuracy and comparability through time.
b) Net debt is the sum of interest-bearing liabilities less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).
c) Net interest payments are equal to the difference between interest paid and interest receipts.
e) Estimates.

Table 11.5: Australian Government general government sector face value of Australian Government Securities (AGS) on issue and interest paid[(a)]

	Face value of AGS on issue(b)					
	Total AGS on issue(c)		Subject to Treasurer's Direction(d)		Interest paid(f)	
	End of year $m	Per cent of GDP	End of year $m	Per cent of GDP	$m	Per cent of GDP
1970-71	10,887	27.0	-	-	580	1.4
1971-72	11,490	25.8	-	-	614	1.4
1972-73	12,217	24.5	-	-	675	1.4
1973-74	12,809	21.2	-	-	712	1.2
1974-75	14,785	20.7	-	-	893	1.3
1975-76	17,940	21.5	-	-	1,001	1.2
1976-77	20,845	21.7	-	-	1,485	1.5
1977-78	23,957	22.8	-	-	1,740	1.7
1978-79	28,120	23.7	-	-	2,080	1.8
1979-80	29,321	21.8	-	-	2,356	1.8
1980-81	30,189	19.8	-	-	2,723	1.8
1981-82	31,060	17.7	-	-	3,058	1.7
1982-83	37,071	19.6	-	-	3,580	1.9
1983-84	45,437	21.3	-	-	4,558	2.1
1984-85	54,420	23.1	-	-	5,952	2.5
1985-86	63,089	24.2	-	-	7,394	2.8
1986-87	67,172	23.5	-	-	8,339	2.9
1987-88	62,794	19.3	-	-	8,139	2.5
1988-89	56,854	15.4	-	-	8,222	2.2
1989-90	48,399	12.0	-	-	8,064	2.0
1990-91	48,723	11.7	-	-	6,994	1.7
1991-92	58,826	13.9	-	-	6,819	1.6
1992-93	76,509	17.2	-	-	6,487	1.5
1993-94	90,889	19.5	-	-	7,709	1.7
1994-95	105,466	21.3	-	-	9,144	1.8
1995-96	110,166	20.8	-	-	10,325	2.0
1996-97	111,067	20.0	-	-	10,653	1.9
1997-98	93,664	15.9	-	-	9,453	1.6
1998-99	85,331	13.7	-	-	9,299	1.5
1999-00	75,536	11.4	-	-	8,509	1.3
2000-01	66,403	9.4	-	-	7,335	1.0
2001-02	63,004	8.3	-	-	6,270	0.8
2002-03	57,435	7.2	-	-	4,740	0.6
2003-04	54,750	6.3	-	-	4,096	0.5
2004-05	55,151	6.0	-	-	3,902	0.4
2005-06	54,070	5.4	-	-	4,628	0.5
2006-07	53,264	4.9	-	-	3,959	0.4
2007-08	55,442	4.7	-	-	3,754	0.3
2008-09	101,147	8.0	95,103	7.5	3,970	0.3
2009-10	147,133	11.3	141,806	10.9	6,411	0.5

Table 11.5: Australian Government general government sector face value of Australian Government Securities (AGS) on issue and interest paid[a] (continued)

	Face value of AGS on issue(b)					
	Total AGS on issue(c)		Subject to Treasurer's Direction(d)		Interest paid(f)	
	End of year $m	Per cent of GDP	End of year $m	Per cent of GDP	$m	Per cent of GDP
2010-11	191,292	13.5	186,704	13.2	9,551	0.7
2011-12	233,976	15.6	229,389	15.3	10,875	0.7
2012-13	257,378	16.7	252,791	16.4	11,846	0.8
2013-14	319,487	20.0	316,952	19.8	13,972	0.9
2014-15	368,738	22.7	366,202	22.5	13,924	0.9
2015-16	420,420	25.3	417,936	25.2	14,977	0.9
2016-17	500,979	28.5	498,510	28.3	15,290	0.9
2017-18	531,937	28.8	529,467	28.7	16,568	0.9
2018-19	541,992	27.8	541,986	27.8	18,951	1.0
2019-20	684,298	34.5	684,292	34.5	16,524	0.8
2020-21	816,991	39.1	816,985	39.1	17,102	0.8
2021-22	895,253	38.4	895,247	38.4	17,423	0.7
2022-23	889,790	34.7	889,785	34.7	18,862	0.7
2023-24 (e)	**904,000**	**33.7**	**904,000**	**33.7**	**22,685**	**0.8**
2024-25 (e)	934,000	33.9	934,000	33.9	23,824	0.9
2025-26 (e)	1,007,000	35.1	1,007,000	35.1	27,502	1.0
2026-27 (e)	1,064,000	35.2	1,064,000	35.2	29,833	1.0
2027-28 (e)	1,112,000	34.9	1,112,000	34.9	35,585	1.1

a) Data have been revised in the 2024–25 Budget to improve accuracy and comparability through time.
b) From 2023–24 onwards, data for AGS on issue are estimates and are rounded to the nearest $1.0 billion.
c) Total AGS on issue includes AGS held on behalf of the states and the Northern Territory.
d) The face value of AGS subject to the Treasurer's Direction excludes the stock and securities outlined in subsection 51JA(2A) of the *Commonwealth Inscribed Stock Act 1911*. These are the same stock and securities that were excluded from the previous legislative debt limit. AGS on issue subject to the Treasurer's Direction are not available prior to 2008–09 because the limit was first introduced in July 2008.
e) Estimates.
f) Interest paid consists of all cash interest payments of the general government sector, including those relating to AGS on issue.

Table 11.6: Australian Government general government sector revenue, expenses, net operating balance, net capital investment and fiscal balance[(a)]

	Revenue		Expenses		Net operating balance(b)		Net capital investment		Fiscal balance(c)	
	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP
1996-97	141,688	25.5	145,940	26.2	-4,252	-0.8	90	0.0	-4,342	-0.8
1997-98	146,820	24.9	148,788	25.3	-1,968	-0.3	147	0.0	-2,115	-0.4
1998-99	152,106	24.5	146,925	23.6	5,181	0.8	1,433	0.2	3,748	0.6
1999-00	167,304	25.2	155,728	23.5	11,576	1.7	-69	0.0	11,645	1.8
2000-01	186,106	26.3	180,277	25.5	5,829	0.8	8	0.0	5,820	0.8
2001-02	190,432	25.2	193,214	25.5	-2,782	-0.4	382	0.1	-3,164	-0.4
2002-03	206,778	25.7	201,402	25.1	5,376	0.7	287	0.0	5,088	0.6
2003-04	222,042	25.7	215,634	25.0	6,409	0.7	660	0.1	5,749	0.7
2004-05	242,354	26.2	229,427	24.8	12,926	1.4	1,034	0.1	11,892	1.3
2005-06	260,569	26.1	241,977	24.2	18,592	1.9	2,498	0.2	16,094	1.6
2006-07	277,895	25.5	259,197	23.8	18,698	1.7	2,333	0.2	16,365	1.5
2007-08	303,402	25.7	280,335	23.8	23,068	2.0	2,593	0.2	20,475	1.7
2008-09	298,508	23.7	324,889	25.8	-26,382	-2.1	4,064	0.3	-30,445	-2.4
2009-10	292,387	22.4	340,354	26.1	-47,967	-3.7	6,433	0.5	-54,400	-4.2
2010-11	309,204	21.8	356,710	25.1	-47,506	-3.3	5,297	0.4	-52,802	-3.7
2011-12	337,324	22.5	377,948	25.2	-40,624	-2.7	4,850	0.3	-45,474	-3.0
2012-13	359,496	23.4	383,351	24.9	-23,855	-1.6	987	0.1	-24,842	-1.6
2013-14	374,151	23.4	415,691	26.0	-41,540	-2.6	3,850	0.2	-45,390	-2.8
2014-15	379,455	23.4	418,956	25.8	-39,501	-2.4	2,706	0.2	-42,206	-2.6
2015-16	395,055	23.8	430,739	26.0	-35,684	-2.2	3,829	0.2	-39,513	-2.4

Table 11.6: Australian Government general government sector revenue, expenses, net operating balance, net capital investment and fiscal balance[(a)] (continued)

	Revenue		Expenses		Net operating balance(b)		Net capital investment		Fiscal balance(c)	
	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP
2016-17	415,723	23.6	449,712	25.6	-33,989	-1.9	2,876	0.2	-36,865	-2.1
2017-18	456,280	24.7	461,490	25.0	-5,209	-0.3	1,284	0.1	-6,493	-0.4
2018-19	493,346	25.3	485,869	24.9	7,476	0.4	6,126	0.3	1,350	0.1
2019-20	486,278	24.5	578,117	29.1	-91,839	-4.6	4,005	0.2	-95,844	-4.8
2020-21	523,012	25.0	651,916	31.2	-128,904	-6.2	7,204	0.3	-136,108	-6.5
2021-22	596,401	25.6	623,050	26.7	-26,649	-1.1	8,412	0.4	-35,061	-1.5
2022-23	668,389	26.1	637,025	24.8	31,363	1.2	9,437	0.4	21,926	0.9
2023-24 (e)	**706,877**	**26.3**	**691,070**	**25.7**	**15,807**	**0.6**	**7,754**	**0.3**	**8,053**	**0.3**
2024-25 (e)	711,505	25.8	734,518	26.6	-23,014	-0.8	6,303	0.2	-29,316	-1.1
2025-26 (e)	732,740	25.5	767,290	26.7	-34,550	-1.2	8,055	0.3	-42,604	-1.5
2026-27 (e)	776,239	25.7	793,765	26.3	-17,526	-0.6	8,988	0.3	-26,514	-0.9
2027-28 (e)	819,628	25.8	829,755	26.1	-10,127	-0.3	11,899	0.4	-22,026	-0.7

a) Data have been revised in the 2024–25 Budget to improve accuracy and comparability through time.
b) Net operating balance is equal to revenue less expenses.
c) Fiscal balance is equal to revenue less expenses less net capital investment.
e) Estimates.

Table 11.7: Australian Government general government sector net worth and net financial worth[a]

	Net worth(b)		Net financial worth(c)	
	$m	Per cent of GDP	$m	Per cent of GDP
1999-00	-10,424	-1.6	-70,414	-10.6
2000-01	-10,287	-1.5	-75,544	-10.7
2001-02	-15,330	-2.0	-81,707	-10.8
2002-03	-18,856	-2.3	-86,456	-10.8
2003-04	-4,740	-0.5	-75,976	-8.8
2004-05	11,066	1.2	-62,372	-6.7
2005-06	14,293	1.4	-63,442	-6.3
2006-07	42,677	3.9	-39,370	-3.6
2007-08	67,122	5.7	-18,428	-1.6
2008-09	15,452	1.2	-75,465	-6.0
2009-10	-50,383	-3.9	-148,930	-11.4
2010-11	-100,504	-7.1	-203,904	-14.4
2011-12	-252,046	-16.8	-360,672	-24.0
2012-13	-207,769	-13.5	-317,843	-20.7
2013-14	-261,596	-16.4	-375,882	-23.5
2014-15	-308,390	-19.0	-427,169	-26.3
2015-16	-423,674	-25.5	-548,028	-33.0
2016-17	-390,897	-22.2	-529,225	-30.1
2017-18	-418,135	-22.7	-562,183	-30.5
2018-19	-543,459	-27.9	-694,448	-35.6
2019-20	-664,892	-33.5	-840,557	-42.4
2020-21	-725,230	-34.7	-905,924	-43.4
2021-22	-581,758	-24.9	-775,727	-33.2
2022-23	-538,371	-21.0	-743,294	-29.0
2023-24 (e)	**-508,621**	**-18.9**	**-720,309**	**-26.8**
2024-25 (e)	-545,133	-19.8	-764,495	-27.7
2025-26 (e)	-593,107	-20.7	-819,613	-28.6
2026-27 (e)	-622,142	-20.6	-856,698	-28.3
2027-28 (e)	-642,958	-20.2	-888,684	-27.9

a) Data have been revised in the 2024–25 Budget to improve accuracy and comparability through time.
b) Net worth is equal to total assets less total liabilities.
c) Net financial worth is equal to financial assets less total liabilities.
e) Estimates.

Table 11.8: Australian Government general government sector accrual taxation revenue, non-taxation revenue and total revenue(a)

	Taxation revenue		Non-taxation revenue		Total revenue	
	$m	Per cent of GDP	$m	Per cent of GDP	$m	Per cent of GDP
1999-00	153,409	23.1	13,895	2.1	167,304	25.2
2000-01	175,876	24.9	10,229	1.4	186,106	26.3
2001-02	178,410	23.6	12,022	1.6	190,432	25.2
2002-03	195,319	24.3	11,458	1.4	206,778	25.7
2003-04	210,541	24.4	11,501	1.3	222,042	25.7
2004-05	230,490	24.9	11,863	1.3	242,354	26.2
2005-06	245,846	24.6	14,723	1.5	260,569	26.1
2006-07	262,876	24.1	15,019	1.4	277,895	25.5
2007-08	286,869	24.3	16,534	1.4	303,402	25.7
2008-09	279,303	22.1	19,206	1.5	298,508	23.7
2009-10	268,841	20.6	23,546	1.8	292,387	22.4
2010-11	289,566	20.4	19,639	1.4	309,204	21.8
2011-12	317,413	21.1	19,911	1.3	337,324	22.5
2012-13	338,106	22.0	21,390	1.4	359,496	23.4
2013-14	353,239	22.1	20,912	1.3	374,151	23.4
2014-15	356,365	21.9	23,090	1.4	379,455	23.4
2015-16	369,468	22.3	25,587	1.5	395,055	23.8
2016-17	388,706	22.1	27,017	1.5	415,723	23.6
2017-18	427,249	23.2	29,031	1.6	456,280	24.7
2018-19	456,147	23.4	37,198	1.9	493,346	25.3
2019-20	447,605	22.6	38,673	1.9	486,278	24.5
2020-21	480,312	23.0	42,700	2.0	523,012	25.0
2021-22	550,412	23.6	45,989	2.0	596,401	25.6
2022-23	618,288	24.1	50,101	2.0	668,389	26.1
2023-24 (e)	**656,039**	**24.4**	**50,838**	**1.9**	**706,877**	**26.3**
2024-25 (e)	658,962	23.9	52,542	1.9	711,505	25.8
2025-26 (e)	679,469	23.7	53,272	1.9	732,740	25.5
2026-27 (e)	721,170	23.9	55,069	1.8	776,239	25.7
2027-28 (e)	762,990	24.0	56,638	1.8	819,628	25.8

a) Data have been revised in the 2024–25 Budget to improve accuracy and comparability through time.
e) Estimates.

Table 11.9: Australian Government cash receipts, payments and surplus by institutional sector ($m)[(a)]

	General government			Public non-financial corporations			Non-financial public sector		
	Receipts(b)	Payments(c)	Underlying cash balance(d)	Receipts(b)	Payments(f)	Cash surplus	Receipts(b)	Payments(f)	Cash surplus
1988-89	90,748	85,326	5,421	4,177	6,035	257	93,923	90,312	5,678
1989-90	98,625	92,684	5,942	3,926	11,322	-5,261	101,495	102,883	681
1990-91	100,227	100,665	-438	4,804	9,351	-2,139	103,837	108,808	-2,577
1991-92	95,840	108,472	-12,631	3,899	7,713	101	97,937	114,369	-12,530
1992-93	97,633	115,751	-18,118	4,385	7,819	-196	100,512	122,042	-18,314
1993-94	103,824	122,009	-18,185	5,178	6,476	1,482	106,747	126,214	-16,703
1994-95	113,458	127,619	-14,160	5,262	7,318	1,956	116,751	132,965	-12,204
1995-96	124,429	135,538	-11,109	4,927	8,190	-527	126,593	140,963	-11,636
1996-97	133,592	139,689	-6,099	4,782	7,373	473	135,259	143,948	-5,626
1997-98	140,736	140,587	149	6,238	7,923	1,119	144,517	145,985	1,268
1998-99	152,063	148,175	3,889	na	na	-353	na	na	3,536
1999-00	166,199	153,192	13,007	na	na	-2,594	na	na	10,413
2000-01	182,996	177,123	5,872	na	na	391	na	na	6,323
2001-02	187,588	188,655	-1,067	na	na	1,210	na	na	65
2002-03	204,613	197,243	7,370	27,386	26,105	1,280	na	na	8,651
2003-04	217,775	209,785	7,990	27,718	26,142	1,575	238,236	228,664	9,569
2004-05	235,984	222,407	13,577	29,621	28,071	1,550	257,946	242,805	15,141
2005-06	255,943	240,136	15,757	30,875	31,874	-999	278,254	263,421	14,833
2006-07	272,637	253,321	17,190	16,882	18,641	-1,759	285,336	267,719	17,625
2007-08	294,917	271,843	19,754	7,758	8,231	-472	300,503	277,754	22,800
2008-09	292,600	316,046	-27,013	7,987	8,960	-973	297,421	321,275	-23,786
2009-10	284,662	336,900	-54,494	8,419	9,341	-922	290,681	343,816	-52,879

Table 11.9: Australian Government cash receipts, payments and surplus by institutional sector ($m)[(a)] (continued)

	General government			Public non-financial corporations			Non-financial public sector		
	Receipts(b)	Payments(c)	Underlying cash balance(d)	Receipts(b)	Payments(f)	Cash surplus	Receipts(b)	Payments(f)	Cash surplus
2010-11	302,024	346,102	-47,463	8,558	9,733	-1,175	308,258	353,452	-44,911
2011-12	329,874	371,032	-43,360	8,845	10,847	-2,002	336,122	379,266	-42,763
2012-13	351,052	367,204	-18,834	9,766	13,061	-3,294	358,088	377,221	-19,133
2013-14	360,322	406,430	-48,456	11,042	14,246	-3,204	368,521	417,248	-48,726
2014-15	378,301	412,079	-37,867	11,256	15,136	-3,880	386,643	424,229	-37,586
2015-16	386,924	423,328	-39,606	11,606	17,753	-6,147	395,842	438,228	-42,386
2016-17	409,868	439,375	-33,151	12,406	19,543	-7,138	419,433	456,020	-36,587
2017-18	446,905	452,742	-10,141	14,195	22,348	-8,153	457,604	471,451	-13,846
2018-19	485,286	478,098	-690	17,909	26,608	-8,699	498,767	500,276	-1,510
2019-20	469,398	549,634	-85,272	18,824	28,244	-9,419	483,362	573,018	-89,656
2020-21	519,913	654,084	-134,171	21,264	26,635	-5,371	535,940	675,484	-139,544
2021-22	584,358	616,320	-31,962	21,791	26,896	-5,105	601,398	638,466	-37,068
2022-23	649,477	627,413	22,064	23,602	29,546	-5,944	668,929	652,810	16,119
2023-24 (e)	**692,307**	**682,961**	**9,346**	**23,956**	**31,662**	**-7,706**	**711,406**	**709,765**	**1,641**
2024-25 (e)	698,446	726,732	-28,286	25,712	34,748	-9,036	718,945	756,268	-37,323
2025-26 (e)	719,353	762,192	-42,838	na	na	na	na	na	na
2026-27 (e)	760,010	786,722	-26,713	na	na	na	na	na	na
2027-28 (e)	801,811	826,157	-24,345	na	na	na	na	na	na

a) Data have been revised in the 2024–25 Budget to improve accuracy and comparability through time.
b) Receipts are equal to receipts from operating activities and sales of non-financial assets.
c) Payments in the general government sector are equal to payments for operating activities, purchases of non-financial assets and net cash flows from financing activities for leases.
d) Between 2005–06 and 2019–20, the underlying cash balance is equal to receipts less payments, less net Future Fund earnings. In all other years, the underlying cash balance is equal to receipts less payments.
e) Estimates.
f) Payments in the public non-financial corporations and non-financial public sectors are equal to payments for operating activities, purchases of non-financial assets, distributions paid and net cash flows from financing activities for leases.
na Data not available.

Table 11.10: Australian Government accrual revenue, expenses and fiscal balance by institutional sector ($m)[(a)]

	General government			Public non-financial corporations			Non-financial public sector		
	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)
1996-97	141,688	145,940	-4,342	27,431	26,015	-331	na	na	-4,673
1997-98	146,820	148,788	-2,115	29,618	26,999	2,360	na	na	251
1998-99	152,106	146,925	3,748	27,687	26,088	-816	175,891	169,111	2,932
1999-00	167,304	155,728	11,645	25,485	23,542	1,062	188,841	175,322	11,550
2000-01	186,106	180,277	5,820	25,869	24,762	-826	207,367	200,433	4,994
2001-02	190,432	193,214	-3,164	26,638	25,341	793	212,462	213,947	-2,371
2002-03	206,778	201,402	5,088	24,339	22,916	1,975	225,989	219,232	7,023
2003-04	222,042	215,634	5,749	25,449	23,444	2,143	241,746	233,333	7,892
2004-05	242,354	229,427	11,892	26,965	25,191	1,473	263,434	248,733	13,365
2005-06	260,569	241,977	16,094	28,143	29,531	-2,442	281,927	264,722	13,652
2006-07	277,895	259,197	16,365	15,443	16,360	-1,763	289,551	271,771	14,601
2007-08	303,402	280,335	20,475	6,854	6,686	-584	308,888	285,652	19,891
2008-09	298,508	324,889	-30,445	6,998	7,576	-1,495	303,309	330,268	-31,941
2009-10	292,387	340,354	-54,400	7,288	7,297	-1,079	298,033	346,008	-55,480
2010-11	309,204	356,710	-52,802	7,563	7,787	-1,446	315,001	362,732	-54,248
2011-12	337,324	377,948	-45,474	8,046	8,238	-2,158	343,722	384,538	-47,632
2012-13	359,496	383,351	-24,842	8,863	9,415	-4,189	366,642	391,048	-29,031
2013-14	374,151	415,691	-45,390	9,537	11,127	-6,070	381,971	425,102	-51,460
2014-15	379,455	418,956	-42,206	9,987	11,850	-4,856	387,719	429,083	-47,062
2015-16	395,055	430,739	-39,513	10,044	12,809	-7,486	403,868	442,318	-46,999

Table 11.10: Australian Government accrual revenue, expenses and fiscal balance by institutional sector ($m)[(a)] (continued)

	General government			Public non-financial corporations			Non-financial public sector		
	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)
2016-17	415,723	449,712	-36,865	10,894	15,035	-9,918	425,114	463,243	-46,784
2017-18	456,280	461,490	-6,493	12,318	16,934	-10,055	466,661	476,403	-16,463
2018-19	493,346	485,869	1,350	15,836	20,899	-11,121	507,017	504,486	-9,655
2019-20	486,278	578,117	-95,844	17,029	23,174	-10,096	500,961	598,651	-105,637
2020-21	523,012	651,916	-136,108	19,166	22,941	-5,264	538,350	670,849	-141,187
2021-22	596,401	623,050	-35,061	20,767	23,375	-5,285	613,707	642,628	-40,015
2022-23	668,389	637,025	21,926	21,395	23,838	-7,673	687,125	657,873	14,586
2023-24 (e)	**706,877**	**691,070**	**8,053**	**21,551**	**23,461**	**-8,580**	**725,953**	**711,826**	**-305**
2024-25 (e)	711,505	734,518	-29,316	22,831	24,011	-9,072	731,630	755,813	-38,376
2025-26 (e)	732,740	767,290	-42,604	na	na	na	na	na	na
2026-27 (e)	776,239	793,765	-26,514	na	na	na	na	na	na
2027-28 (e)	819,628	829,755	-22,026	na	na	na	na	na	na

a) Data have been revised in the 2024–25 Budget to improve accuracy and comparability through time.
b) Fiscal balance is equal to revenue less expenses less net capital investment. Net capital investment is not shown in this table.
e) Estimates.
na Data not available.

Table 11.11: Australian Government general government sector receipts, payments, underlying cash balance, net debt and net interest payments presented on a real per capita basis[(a)(b)]

	Taxation receipts	Non-taxation receipts	Total receipts	Payments	Underlying cash balance	Net debt	Net interest payments
1970-71	5,494	838	6,331	5,643	688	263	-144
1971-72	5,524	868	6,391	5,771	620	-347	-171
1972-73	5,484	863	6,348	6,122	227	-515	-164
1973-74	6,138	791	6,930	6,278	652	-1,049	-162
1974-75	6,797	722	7,519	7,433	87	-914	-116
1975-76	7,125	761	7,886	8,516	-631	-144	-139
1976-77	7,212	796	8,008	8,471	-463	329	-23
1977-78	7,073	855	7,928	8,601	-672	956	1
1978-79	7,066	821	7,887	8,534	-647	1,504	77
1979-80	7,430	770	8,200	8,557	-358	1,689	119
1980-81	7,954	817	8,771	8,815	-45	1,549	151
1981-82	8,208	784	8,992	8,916	75	1,283	147
1982-83	7,861	850	8,712	9,353	-642	1,754	172
1983-84	7,956	910	8,866	10,110	-1,243	2,841	288
1984-85	8,889	981	9,870	10,883	-1,013	3,674	472
1985-86	8,978	1,124	10,102	10,883	-782	4,103	603
1986-87	9,131	1,134	10,265	10,600	-334	4,003	654
1987-88	9,453	1,060	10,512	10,329	183	3,443	567
1988-89	9,628	842	10,470	9,844	625	2,536	516
1989-90	9,555	827	10,382	9,756	625	1,697	479
1990-91	9,153	739	9,893	9,936	-43	1,670	359
1991-92	8,368	812	9,180	10,390	-1,210	2,973	365
1992-93	8,341	834	9,175	10,877	-1,703	5,189	375
1993-94	8,532	956	9,488	11,150	-1,662	6,417	514
1994-95	9,191	748	9,938	11,179	-1,240	7,314	639
1995-96	9,608	725	10,333	11,255	-922	7,958	736
1996-97	10,096	732	10,828	11,322	-494	7,804	769
1997-98	10,511	783	11,294	11,282	12	6,655	664
1998-99	10,852	1,070	11,922	11,617	305	5,650	678
1999-00	11,455	1,127	12,582	11,597	985	4,365	569
2000-01	12,010	891	12,901	12,487	414	3,299	437
2001-02	11,882	828	12,710	12,782	-72	2,863	363
2002-03	12,500	794	13,294	12,815	479	2,170	244
2003-04	12,983	693	13,677	13,175	502	1,695	191
2004-05	13,566	727	14,293	13,470	822	945	152
2005-06	14,012	808	14,820	13,904	912	19	133
2006-07	14,269	795	15,064	13,997	950	-1,342	13
2007-08	14,630	817	15,447	14,239	1,035	-2,093	-53
2008-09	13,618	942	14,559	15,726	-1,344	-562	-60
2009-10	12,552	1,077	13,629	16,131	-2,609	2,292	114

Table 11.11: Australian Government general government sector receipts, payments, underlying cash balance, net debt and net interest payments presented on a real per capita basis[(a)(b)] (continued)

	Taxation receipts	Non-taxation receipts	Total receipts	Payments	Underlying cash balance	Net debt	Net interest payments
2010-11	12,919	912	13,831	15,849	-2,174	4,152	211
2011-12	13,692	818	14,511	16,321	-1,907	6,750	291
2012-13	13,859	982	14,841	15,524	-796	6,747	350
2013-14	13,798	813	14,611	16,480	-1,965	8,497	440
2014-15	13,908	958	14,866	16,193	-1,488	9,660	427
2015-16	13,831	934	14,765	16,154	-1,511	11,580	459
2016-17	14,000	1,127	15,127	16,216	-1,223	11,896	456
2017-18	14,914	1,027	15,941	16,149	-362	12,198	469
2018-19	15,513	1,267	16,780	16,531	-24	12,917	524
2019-20	14,555	1,265	15,820	18,524	-2,874	16,556	448
2020-21	15,696	1,523	17,219	21,662	-4,444	19,614	473
2021-22	16,799	1,496	18,295	19,296	-1,001	16,144	469
2022-23	17,171	1,376	18,547	17,916	630	14,021	338
2023-24 (e)	**17,170**	**1,440**	**18,610**	**18,358**	**251**	**13,437**	**330**
2024-25 (e)	16,561	1,441	18,002	18,731	-729	14,241	375
2025-26 (e)	16,310	1,424	17,734	18,790	-1,056	15,173	463
2026-27 (e)	16,687	1,372	18,059	18,694	-635	15,684	494
2027-28 (e)	16,980	1,361	18,341	18,898	-557	15,955	595

a) Data have been revised in the 2024–25 Budget to improve accuracy and comparability through time.
b) The real levels are derived using the Consumer Price Index (CPI). The current reference period for the CPI is 2011–12, which means the real levels per capita are reported in 2011–12 dollars.
e) Estimates.

Notes

(a) The following definitions are used in this Budget Paper:

- 'real' means adjusted for the effect of inflation
- real growth in expenses and payments is calculated using the Consumer Price Index (CPI) as the deflator
- the Budget year refers to 2024–25, while the forward years refer to 2025–26, 2026–27 and 2027–28
- one billion is equal to one thousand million.

(b) Figures in tables and generally in the text have been rounded. Discrepancies in tables between totals and sums of components are due to rounding.

- Estimates under $100,000 are rounded to the nearest thousand.
- Estimates $100,000 and over are generally rounded to the nearest tenth of a million.
- Estimates midway between rounding points are rounded up.
- The percentage changes in statistical tables are calculated using unrounded data.

(c) For the budget balance, a negative sign indicates a deficit while no sign indicates a surplus.

(d) The following notations are used:

-	nil
Na	not applicable (unless otherwise specified)
$m	millions of dollars
$b	billions of dollars
Nfp	not for publication
(e)	estimates (unless otherwise specified)
(p)	projections (unless otherwise specified)
NEC/nec	not elsewhere classified

(e) The Australian Capital Territory and the Northern Territory are referred to as 'the territories'. References to the 'states' or 'each state' include the territories. The following abbreviations are used for the names of the states, where appropriate:

NSW	New South Wales
VIC	Victoria
QLD	Queensland
WA	Western Australia
SA	South Australia
TAS	Tasmania
ACT	Australian Capital Territory
NT	Northern Territory

(f) In this paper the term 'Commonwealth' refers to the Commonwealth of Australia. The term is used when referring to the legal entity of the Commonwealth of Australia.

The term 'Australian Government' is used when referring to the Government and the decisions and activities made by the Government on behalf of the Commonwealth of Australia.

Budget Paper No. 1, *Budget Strategy and Outlook 2024–25*, is one of a series of Budget Papers that provides information to supplement the Budget Speech. A full list of the series is printed on the inside cover of this paper.