Budget
2025–26

BUDGET STRATEGY AND OUTLOOK
BUDGET PAPER NO. 1

Circulated by

The Honourable Jim Chalmers MP
Treasurer of the Commonwealth of Australia

and

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

For the information of honourable members
on the occasion of the Budget 2025–26

25 March 2025

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Budget Speech

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

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Statement 1: Budget Overview

Against a backdrop of heightened global uncertainty, the Australian economy has turned a corner. Growth has rebounded solidly, inflation has moderated substantially, the unemployment rate remains low, real wages are growing again and interest rates have begun to fall. While Australia has not been immune to global challenges and people are still under pressure, including from the impacts of ex-Tropical Cyclone Alfred and other severe weather events, the Australian economy is well placed to navigate a volatile and uncertain economic environment.

The underlying cash balance has improved by a cumulative $207 billion over the seven years to 2028–29, compared to the 2022 Pre-election Economic and Fiscal Outlook (PEFO). This is the largest nominal budget improvement in a parliamentary term. After delivering the first back-to-back surpluses in nearly two decades, the deficit in 2024–25 is almost half what was forecast at PEFO. This Budget makes further progress, delivering improvements in the underlying cash balance in both 2025–26 and 2026–27, and cumulatively over the five years to 2028–29, compared to the 2024–25 Mid-Year Economic and Fiscal Outlook (MYEFO). A deficit of $42.1 billion is forecast in 2025–26, an improvement of $4.8 billion.

Together, this responsible approach means that gross debt is $177 billion lower in 2024–25 than forecast at the PEFO and 4.9 percentage points of GDP lower in 2032–33. These improvements since the PEFO are helping avoid more than $60 billion in interest costs over the 11 years to 2032–33.

The Government's record of delivering budget improvements and limiting spending growth has helped ensure a stronger fiscal outlook. The Government has delivered $94.1 billion in savings and reprioritisations since the PEFO. Over the seven years to 2028–29, real payments growth is estimated to average 1.7 per cent per year, around half the 30-year average. The Government has also returned 69 per cent of tax receipt upgrades to the budget since the PEFO. Structural reforms to the NDIS and aged care, and reduced interest costs, have made the budget more sustainable over the medium term compared to the PEFO.

The global economy is facing considerable uncertainty and growth is expected to remain subdued over the next three years. Escalating trade tensions have significantly magnified uncertainty in the global economy and volatility in global markets, and could disrupt trade, investment, economic activity and push up prices. These risks are further compounded by challenges in the Chinese economy, lingering inflationary pressures and uncertainties arising from conflicts in the Middle East and Europe.

Growth picked up in the Australian economy at the end of last year, supported by a recovery in private demand. The recovery is expected to continue with the economy forecast to grow by 1½ per cent in 2024–25, 2¼ per cent in 2025–26 and 2½ per cent in 2026–27. The improvement in growth is expected to be broad-based and supported by a gradual recovery in growth in private final demand over the forecast period.

Inflation is now expected to be 2½ per cent through the year to the June quarter 2025, ¼ of a percentage point lower than the MYEFO forecast. Excluding the temporary impact of energy rebates and fuel, inflation is expected to sustainably return to the Reserve Bank of Australia's (RBA) target band around the middle of this year, which is around six months earlier than expected at MYEFO.

The labour market has outperformed expectations. Since MYEFO, employment growth has been upgraded, the participation rate is expected to remain higher for longer and the unemployment rate is now expected to peak at ¼ of a percentage point lower at 4¼ per cent.

The Budget delivers on the Government's economic plan, which is focused on finishing the fight against inflation, rolling out responsible cost-of-living relief and building a stronger economy and stronger budget.

This Budget helps Australians now and builds Australia's future by:

- **Delivering responsible cost-of-living relief –** new personal income tax cuts for every Australian taxpayer from 1 July 2026 on top of the first round of tax cuts that have been rolling out since 1 July 2024, extending energy bill relief, getting wages moving again including by advocating for increases to award wages, banning non-compete clauses for most workers and funding pay rises for aged care workers and early childhood educators, reducing the cost of medicines even further and helping consumers get a better deal.

- **Strengthening Medicare –** making it easier to see a doctor for free by expanding eligibility for bulk billing incentives to cover all Australians, improving access by investing in hospitals and urgent care clinics, investing in women's health, and training more doctors and nurses.

- **Making it easier to buy and rent a home –** building more homes with a national target of 1.2 million over five years, investing in social and affordable housing, expanding the Help to Buy scheme, supporting renters, and investing in the construction sector through support for modern methods of construction and apprentices.

- **Investing in every stage of education –** laying the foundations for universal early childhood education and care with a 3 Day Guarantee for subsidised care and building more child care centres, putting public schools on a path to full and fair funding, supporting students and graduates through debt relief and lower compulsory repayments, and delivering 100,000 Free TAFE places every year.

- **Building a stronger economy –** advancing the Government's productivity agenda including competition reforms, unlocking investment in areas like green metals and manufacturing to build a future made in Australia, securing Australia's place in the world, supporting our suburbs and regions by completing the NBN rollout, delivering vital infrastructure and safeguarding regional banking and supporting small businesses.

Statement contents

Statement 1: Budget Overview

Economic and Fiscal Outlook

Against a difficult global economic backdrop, the Australian economy has turned a corner. Inflation has moderated substantially, growth picked up at the end of last year, the unemployment rate remains at low levels, real wages are growing again, and interest rates have begun to fall. While Australians are still under pressure from conditions at home and abroad, the Australian economy is well placed to navigate these challenges in the period ahead.

The global economic environment is facing considerable uncertainty and growth is expected to remain subdued over the next three years. Around three quarters of Organisation for Economic Co-operation and Development (OECD) nations have recorded a negative quarter of growth over the past 18 months. The escalation of trade tensions has magnified risks to the global outlook, as new trade barriers threaten to disrupt global trade, investment and economic activity and push up prices.

Natural disasters and weather events such as ex-Tropical Cyclone Alfred have had an impact on people and communities across north Queensland, Far North Queensland, southeast Queensland and northern New South Wales, which has curtailed economic activity, harmed industries, and damaged homes and infrastructure. The direct loss of economic activity from ex-Tropical Cyclone Alfred could temporarily lower quarterly growth by up to ¼ of a percentage point. This reflects disruptions to activity in the agricultural, construction, retail, transport and tourism industries. Subsequent reconstruction efforts are expected to add to real GDP growth in following quarters, although the magnitude and timing of the effect on activity is uncertain.

Despite severe weather at home and global uncertainty, the Australian economy is on track for a soft landing and has outperformed most other advanced economies. Australia has been able to record a substantial moderation in inflation while maintaining a low unemployment rate and continuous growth, which is a significant achievement given the experience of other advanced economies and previous inflationary episodes. With recent inflation outcomes being better than expected, unemployment and near-term inflation have been revised down.

Inflation has moderated substantially across both headline and underlying measures. Headline inflation was 2.4 per cent over the year to the December quarter 2024, which is less than a third of the peak observed in 2022. Inflation is now expected to be 2½ per cent by the middle of this year, ¼ of a percentage point lower than forecast at MYEFO. Excluding the impact of fuel and energy rebates, inflation is expected to sustainably be in the RBA’s target band around the middle of 2025, earlier than the end of the year expected at MYEFO.

The labour market has outperformed expectations with the unemployment rate near historic lows, the participation rate elevated and, since mid-2022, employment has grown by over one million people with 80 per cent in private sector jobs. The unemployment rate is forecast to gradually rise to reach a peak of 4¼ per cent, ¼ of a percentage point lower than forecast at MYEFO. The strong labour market conditions and moderating inflation have led to five consecutive quarters of annual real wage growth. Annual real wages are forecast to grow by ½ per cent in 2024–25, which is ¼ of a percentage point higher compared to MYEFO.

Growth picked up at the end of last year and this momentum is expected to continue to improve with real GDP forecast to grow by 1½ per cent in 2024–25, 2¼ per cent in 2025–26 and 2½ per cent in 2026–27. The improvement in growth is expected to be broad-based and supported by a gradual recovery in growth in private final demand over the forecast period.

The moderation in inflation, solid labour market outcomes and the Government's tax cuts mean real household disposable income per capita began to grow again in the second half of 2024. The improvement in real incomes is expected to drive a gradual recovery in consumption and the broader economy.

Public final demand has helped ensure the economy continued to grow. In the most recent quarter, state spending accounted entirely for new public demand growth, with the Commonwealth component falling. Public spending has focused on meeting growing demand for essential health care, education and social services, as well as infrastructure and defence investment. Public final demand growth is forecast to moderate over the forecast period.

Table 1.1: Major economic parameters[(a)]

	Outcome	Forecasts				
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Real GDP	1.4	1 1/2	2 1/4	2 1/2	2 3/4	2 3/4
Employment	2.2	2 3/4	1	1 1/4	1 1/2	1 1/2
Unemployment rate	4.0	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4
Consumer price index	3.8	2 1/2	3	2 1/2	2 1/2	2 1/2
Wage price index	4.1	3	3 1/4	3 1/4	3 1/2	3 3/4
Nominal GDP	4.1	4 1/4	3 1/4	4	5 1/4	5 1/2

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. The labour market forecasts do not incorporate the February 2025 release of the ABS Labour Force.

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

The underlying cash balance is better in every year of the forward estimates compared to the PEFO and by a cumulative $34.9 billion over the five years to 2028–29.

After recording the first back-to-back surpluses in almost two decades and the largest nominal back-to-back surpluses on record, the deficit of $27.6 billion in 2024–25 is almost half what was forecast at the PEFO.

A deficit of 1.5 per cent of GDP ($42.1 billion) is forecast in 2025–26, an improvement of 0.2 percentage points since MYEFO. Over the five years to 2028–29, the underlying cash balance has improved since MYEFO.

Gross debt as a share of the economy is expected to peak at 37.0 per cent of GDP in 2029–30, 7.9 percentage points lower than the peak in the PEFO, before declining to 31.9 per cent of GDP by 2035–36.

Table 1.2: Budget aggregates

	Actual	Estimates						Projections
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	Total(a)	2035-36
	$b	$b	$b	$b	$b	$b	$b	
Underlying cash balance	**15.8**	**-27.6**	**-42.1**	**-35.7**	**-37.2**	**-36.9**	**-179.5**	
Per cent of GDP	0.6	-1.0	-1.5	-1.2	-1.2	-1.1		0.0
Gross debt(b)	**906.9**	**940.0**	**1,022.0**	**1,092.0**	**1,161.0**	**1,223.0**		
Per cent of GDP	33.9	33.7	35.5	36.5	36.9	36.8		31.9
Net debt(c)	**491.5**	**556.0**	**620.3**	**676.3**	**714.1**	**768.2**		
Per cent of GDP	18.4	19.9	21.5	22.6	22.7	23.1		20.2

a) Total is equal to the sum of amounts from 2024–25 to 2028–29.
b) Gross debt measures the face value of Australian Government Securities (AGS) on issue and is presented as at the end of the financial year.
c) Net debt is the sum of interest-bearing liabilities (which includes AGS on issue measured at market value) less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements) and is presented as at the end of the financial year.

Responsible economic and fiscal management

The Government's responsible economic and fiscal management has eased cost-of-living pressures for millions of Australians, delivered the largest nominal budget improvement in a parliamentary term and laid the foundations for a stronger, more productive economy. Inflation has fallen substantially, unemployment remains low, over one million additional people are employed since May 2022, real wages are growing, the gender pay gap is near its narrowest on record, and interest rates have begun to fall.

Fiscal policy has worked alongside monetary policy to return inflation to the target band in the second half of 2024, and fiscal settings are consistent with sustainably returning inflation to the target band around the middle of this year.

The Government's fiscal discipline, including finding savings, limiting spending growth and banking tax upgrades has delivered consecutive budget surpluses for the first time in nearly two decades and a significant improvement in the fiscal position compared to the PEFO. The budget has improved in every year over the forward estimates compared to the PEFO, and is cumulatively better over the forward estimates than the forecast at MYEFO. This has helped drive a reduction in Australia's gross debt level as a share of the economy compared to PEFO.

The Government continues to exercise spending restraint. Real payments growth is expected to average 1.7 per cent per year over the seven years to 2028–29, almost half the 30-year average of 3.2 per cent.

Since coming to Government and over the forward estimates, 69 per cent of tax receipt upgrades have been returned to the budget. The upgrades returned since the PEFO have improved the underlying cash balance by a cumulative $249.6 billion over the seven years to 2028–29, avoiding around $111.6 billion in interest payments over the 11 years to 2032–33.

Since the PEFO, $94.1 billion in savings and reprioritisations have been identified up to 2028–29. The Government has made significant structural spending improvements, delivering on its commitment to repair the budget and redirect spending to target national priorities, including:

- the *Getting the NDIS Back on Track No. 1 Act* that progresses key Independent NDIS Review recommendations to make the NDIS more sustainable, and delivering on National Cabinet's commitment to the NDIS Financial Sustainability Framework
- delivering historic aged care reforms to ensure the viability and quality of aged care, by moderating growth in aged care spending while supporting growing numbers of older Australians to remain in their homes as they age
- delivering more sustainable funding outcomes for defence projects, while delivering a generational investment in the Australian Defence Force's posture, capability and structure with $50.3 billion in additional funding over the decade
- reforming the Infrastructure Investment Program to ensure a more integrated, strategic and sustainable approach to projects, while remaining committed to an over $120 billion 10-year infrastructure investment pipeline
- improving tax integrity, modernising the tax system and avoiding public debt interest costs.

Since MYEFO, the Government has strengthened the fairness and sustainability of the tax system, including measures in this update that will improve the budget by $1.8 billion over five years. Initiatives include funding for the Australian Taxation Office (ATO) to extend and expand tax compliance activities focused on domestic and multinational tax avoidance, the shadow economy and the personal income tax system.

Complementing tax compliance measures, the Government will also commit $156.7 million in program funding to support the Illicit Tobacco Compliance and Enforcement Package focused on sustained disruption of the illicit trade in tobacco and associated nicotine products. This builds on the $188.5 million investment over four years from 2023–24 for Australian Border Force to deliver a coordinated multi-agency, multi-jurisdictional compliance response to illicit tobacco trade.

In this Budget, $8.3 billion of policy decisions were funded by provisions from previous updates. In MYEFO and previous updates, the Government responsibly provisioned for anticipated future expenditure, including to strengthen Medicare, continue energy bill relief and extend the National Health Reform Agreement.

The Government has taken $51.1 billion in unavoidable decisions over this parliamentary term to address urgent and unforeseen issues, guarantee the continuity of funding for the essential services that Australians rely on, and deal with legacy issues inherited from the previous government. Unavoidable decisions over this term of government include:

- maintaining and improving health, disability and aged care services
- listing additional medicines on the Pharmaceuticals Benefits Scheme and treatments on the Medicare Benefits Schedule
- clearing backlogs for government services including veterans' claims, Centrelink and Medicare payments, and reducing customer call wait times
- improving Australia's disaster and biosecurity preparedness and responsiveness.

Box 1.1: Supporting the recovery from ex-Tropical Cyclone Alfred and Far North Queensland Floods

Ex-Tropical Cyclone Alfred had significant impacts on communities and businesses in Queensland and northern New South Wales in early-2025. The subsequent flooding damaged homes and infrastructure and limited the movement of people and goods in these regions.

This came on top of floods in early 2025 that impacted communities in north and Far North Queensland and fires in Tasmania and Victoria over the summer.

The direct loss of economic activity from ex-Tropical Cyclone Alfred could temporarily lower growth by up to ¼ per cent of quarterly GDP. Retail trade, telecommunication, accommodation and food services industries were negatively affected due to power outages and stay at home advice. Activity in the construction and transport sectors was delayed due to heavy rainfall and floods. Output in the agricultural industry has been affected by damage to farm infrastructure and crops including sugar cane, fruit and nuts.

Rebuilding efforts and the replacement of damaged property is expected to contribute to GDP in subsequent quarters. But delays to construction activity and repairing damage to homes and infrastructure will also increase demand for construction labour and building materials.

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Box 1.1: Supporting the recovery from ex-Tropical Cyclone Alfred and Far North Queensland Floods (continued)

This may contribute to price pressures, particularly in southeast Queensland, where the construction sector is having some difficulty finding suitable labour to meet elevated levels of demand. In line with previous natural disasters, these pressures are expected to unwind over subsequent quarters.

The Government is continuing to provide support for severely affected communities, states and local governments affected by severe weather events. To support people and communities in the path of disasters this summer, like ex-Tropical Cyclone Alfred and the floods in north and Far North Queensland, the Commonwealth has:

- activated the Disaster Recovery Allowance which provides up to 13 weeks of income support, and the Australian Government Disaster Recovery Payment which provides a one-off payment to those eligible
- made further assistance available to individuals and small businesses under Disaster Recovery Funding Arrangements (DRFA) categories A and B
- committed $136.3 million since MYEFO under DRFA categories C and D to assist states to recover from disaster events in Queensland, NSW, Victoria and Tasmania, including initial clean up activities, recovery grants for primary producers, small business and not for profits, counter disaster operations, and environmental recovery.

Australia has experienced several serious natural disasters in recent years. After ex-Tropical Cyclone Alfred, the Government expects that total costs for national disaster support will continue to rise to at least $13.5 billion.

Funding to support disaster recovery will continue to increase as the Commonwealth shares recovery costs with the states in response to recent events like the early 2025 north and Far North Queensland Tropical Low and ex-Tropical Cyclone Alfred. The Government has provisioned an additional $1.2 billion in the Contingency Reserve to fund these future costs.

Climate change is causing more frequent and extreme weather events, with compounding and increasing effects on our economy, security and trade. To help strengthen our resilience and preparedness, the Government is developing a comprehensive National Climate Risk Assessment and National Adaptation Plan to analyse climate risks and guide action. New climate disclosure rules now require large businesses to report on material risks to their operations, which will enable the private sector to make more resilient investments and reduce the costs of future disasters.

Budget Priorities

Delivering responsible cost-of-living relief

The Government's economic plan has been focused on providing responsible cost-of-living relief and helping Australians earn more and keep more of what they earn. Key initiatives over this term of government include tax cuts for every Australian taxpayer, energy bill relief for every household, getting wages moving including through backing increases to award wages, ending non-compete clauses for most workers, funding wage increases for aged care workers and early childhood educators, cutting the cost of medicines and supporting a better deal for consumers.

New tax cuts for every Australian taxpayer

The Government will deliver new personal income tax cuts to every Australian taxpayer from 1 July 2026, adding to the first round of tax cuts that commenced on 1 July 2024. Under these changes:

- the 16 per cent tax rate, which applies to taxable income between $18,201 and $45,000, will be reduced to 15 per cent from 1 July 2026; and
- this tax rate will then be reduced further to 14 per cent from 1 July 2027.

These new tax cuts are modest but will provide further meaningful cost-of-living relief and return bracket creep. They will also boost labour supply, particularly for women and lower income Australians (see Box 1.2 for further detail).

A worker on average earnings ($79,000) will get a new tax cut of $268 in 2026–27 and $536 per year from 2027–28, compared to 2024–25 tax settings. Combined with the first round of tax cuts commencing in 2024–25, they will receive a total tax cut of $1,922 in 2026–27 and $2,190 per year from 2027–28, compared to 2023–24 tax settings. The average annual tax cut across all taxpayers is expected to be $2,548 in 2027–28, or around $50 per week, compared with 2023–24 settings.

The new tax cuts are estimated to decrease receipts by $17.1 billion over the 5 years from 2024–25. These tax cuts have been designed to help ensure fiscal settings remain consistent with inflation sustainably returning to the Reserve Bank of Australia's target band around the middle of this year.

The Government's first round of tax cuts is already flowing to Australian taxpayers, with more than 14 million taxpayers estimated to have benefitted from the tax cuts since July 2024. This includes around 3 million lower income taxpayers with taxable income of $45,000 or less, who would not have received any support previously.

The Government will also increase the Medicare levy low-income thresholds by 4.7 per cent for singles, families, and seniors and pensioners from 1 July 2024. This means more than one million Australians on lower incomes will continue to be exempt from the Medicare levy or continue to pay a reduced levy rate. This measure is estimated to decrease receipts by $648.0 million over the 5 years from 2024–25.

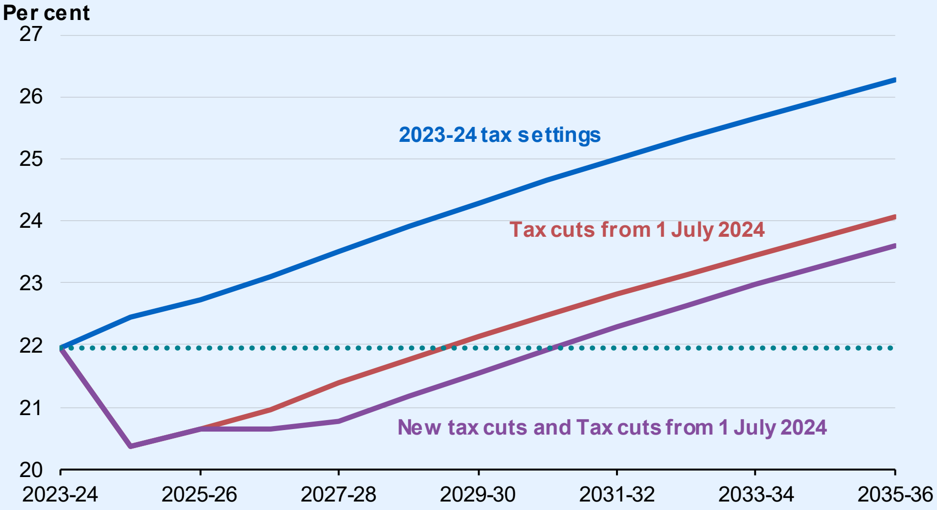
Box 1.2: New tax cuts for every Australian taxpayer

The Government will deliver new tax cuts to every Australian taxpayer from 1 July 2026, adding to the first round of tax cuts already rolling out. The new tax cuts are modest but will provide further meaningful cost-of-living relief, return bracket creep, enhance incentives to work, boost labour supply and support the private sector recovery.

The Government will cut the first marginal tax rate from 16 to 14 per cent over two years from 1 July 2026, bringing this rate to its lowest level in over 50 years. The new tax cuts have been designed to ensure fiscal settings remain consistent with inflation sustainably returning to the Reserve Bank of Australia's target band this year.

A worker on average earnings ($79,000) will get a new tax cut of $268 in 2026–27 and $536 per year from 2027–28, compared to 2024–25 tax settings. Combined with the first round of tax cuts commencing in 2024–25, they will receive a total tax cut of $1,922 in 2026–27 and $2,190 per year from 2027–28, compared to 2023–24 tax settings. The average annual tax cut across all taxpayers is expected to be $2,548 in 2027–28, or around $50 per week, compared with 2023–24 settings.

Chart 1.1 Average tax rate for a worker on average earnings



Source: Treasury

The tax cuts return bracket creep by lowering average tax rates for all taxpayers, especially for low- and middle-income earners. The average tax rate for a worker on average earnings is not expected to exceed 2023–24 levels until 2031–32 – two years later than under current settings (Chart 1.1).

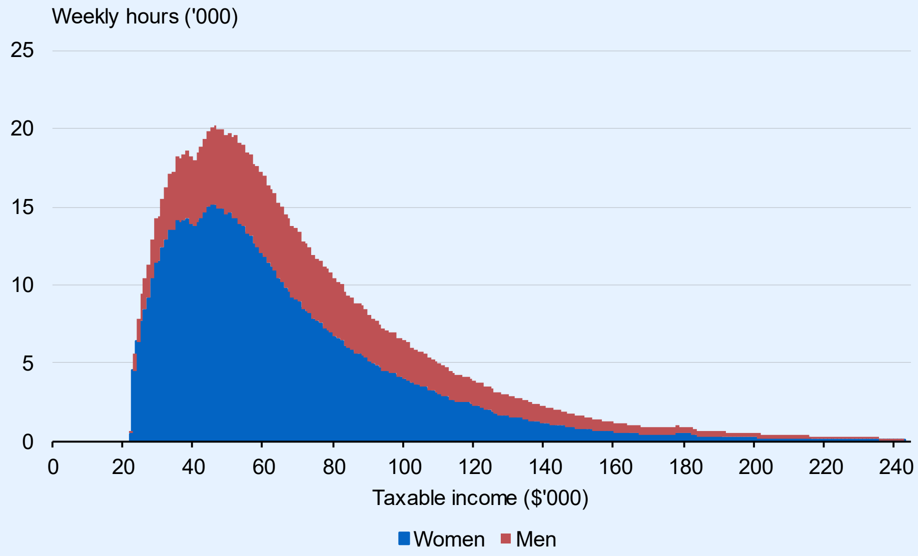
continued on next page

Box 1.2: New tax cuts for every Australian taxpayer (continued)

The Government's tax cuts will support the economic recovery and businesses, and boost labour supply. Total tax cuts provided since 2024 are estimated to increase nominal household disposable income by 1.9 per cent by 2027–28, compared with 2023–24 tax settings, contributing to the expected gradual recovery in private sector demand over the next few years.

In addition, the new tax cuts will further improve incentives to work, especially for low-income and part-time workers who are predominantly women. The Government's combined tax cuts are expected to increase total hours worked by about 1.3 million hours per week compared to 2023–24 tax settings (Chart 1.2), equivalent to more than 30,000 full time jobs. This increase is driven mostly by women, who are expected to increase their labour supply by 900,000 hours per week compared to 2023–24 tax settings.

Chart 1.2 Expected change in weekly hours worked from combined tax cuts, by sex and taxable income



Source: Treasury analysis.
Note: Shows the distribution of the expected increase of 1.3 million hours worked per week by sex and taxable income (in $1,000 income brackets).

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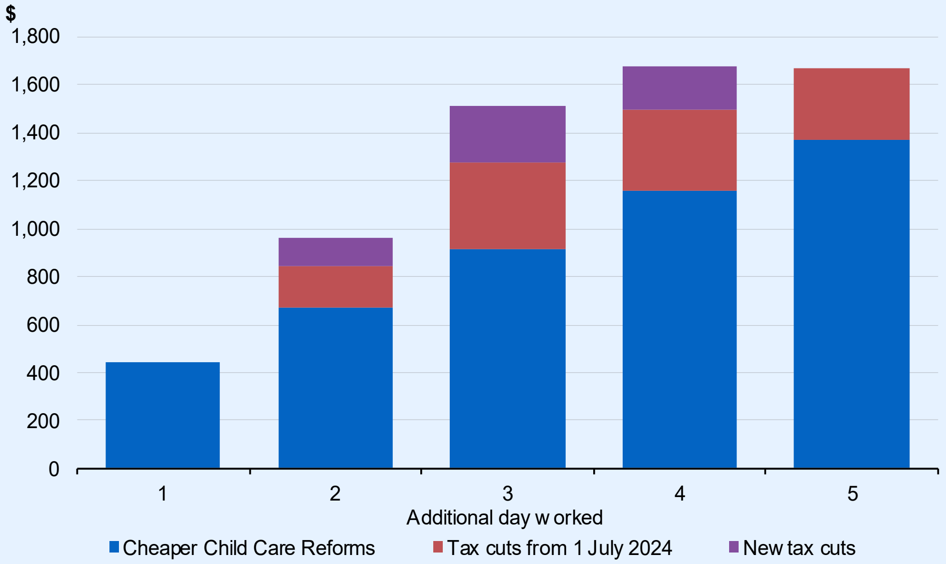
Box 1.2: New tax cuts for every Australian taxpayer (continued)

The Government's tax cuts complement other Government reforms to support participation. When combined with the Government's Cheaper Child Care policy, the tax cuts can significantly increase the financial reward from working additional days – especially for secondary earners. For example, a secondary earner with a full-time equivalent annual income of $60,000, a partner earning $80,000 per year and a two-year-old child will receive a $5,720 boost to their disposable income if the secondary earner chooses to work three days a week rather than two (from 2027–28) – $1,515 more than without the Government's policy changes (Chart 1.3).

Chart 1.3 Increase in take-home pay from Cheaper Child Care and tax cuts for a secondary earner in 2027–28



Source: Treasury

Note: Secondary earner has a full-time equivalent annual income of $60,000, a partner earning $80,000 per year and a two-year-old child. Benefit is for each additional day of work for the secondary earner and does not include the additional income earned, or the value of the tax cuts for the primary earner. The tax benefit is calculated relative to 2023–24 tax settings. The two-year-old child is assumed to attend long day care for 10 hours per day on the same days worked by the secondary earner, for 50 weeks per year, at the average hourly rate. Disposable income/take-home pay is the income available to the individual after accounting for Family Tax Benefit, tax payable and net childcare costs.

More help with energy bills

Additional energy bill relief to reduce cost-of-living pressures

The Government is committing an extra $1.8 billion to extend energy bill relief to the end of the 2025 calendar year. Over ten million households and one million eligible small businesses will receive two additional quarterly $75 rebates, extending support throughout 2025.

These rebates are on top of around $5 billion in rebates being applied to the electricity bills of households and small businesses through the program over 2023–24 and 2024–25. Energy bill relief being delivered by the Commonwealth in 2024–25 will take $300 off household electricity bills nationally, including another $75 rebate still to be applied to bills from 1 April 2025. Commonwealth and state government rebates have contributed to large declines in electricity bills over the past year, with prices falling 25.2 per cent through the year to the December quarter 2024, directly reducing inflation by 0.6 of a percentage point.

Protecting consumers in the energy market

The Australian Competition and Consumer Commission's (ACCC) Inquiry into the National Electricity Market will be extended for 12 months, helping to ensure households and small businesses are getting a fair deal from their energy retailers. This builds on reforms underway to make it easier for consumers to get onto the cheapest energy plans, including making it easier to switch to better deals, increasing support for those in hardship and delivering more protections for consumers. Reforms delivered will help consumers save hundreds of dollars in annual energy bill costs by helping them to switch to the best deals available.

Getting wages moving

Backing increases to minimum and award wages

The Government has advocated for wage growth for low-paid workers in each of the last three Annual Wage Reviews. Across the three Annual Wage Review decisions since 2022, the National Minimum Wage has increased by $143.30 per week and by $7,451.60 per year, with record increases in 2022 and 2023.

The Government legislated to make gender equality an objective of the *Fair Work Act 2009* and supports the Fair Work Commission's Gender Undervaluation – Priority Awards Review, which seeks to remedy potential historical undervaluation in awards used in priority female-dominated industries.

Funding wage increases for aged care workers and early childhood educators

Paid care work is dominated by women and has historically been lower paid and insecure. In recent years the Government has taken significant action to support strong wage growth for care and support economy workers. This includes investing $3.6 billion to support a pay rise for the early childhood education and care workforce and $17.7 billion for the aged care workforce following the Fair Work Commission Aged Care Work Value Case decisions, including an additional $2.6 billion to support further wage increases for aged care nurses from 1 March 2025.

These increases particularly benefit women, who make up around 92 per cent of the early childhood education and care workforce and 86 per cent of the aged care workforce.

Cheaper medicines

The Government will be making medicines even cheaper for Australians by decreasing the maximum general co-payment under the Pharmaceutical Benefits Scheme (PBS) from $31.60 to $25.00 from 1 January 2026. By further reducing the maximum co-payment, more than five million Australians are expected to cumulatively save more than $200 million each year in out-of-pocket costs. This is in addition to the almost 300 medicines now available as part of the Government's expansion of maximum dispensing quantities through 60-day prescriptions.

To further improve access and affordability of medicines the Government is also providing $1.8 billion for new and amended listings on the PBS, Repatriation Pharmaceutical Benefits Scheme, Stoma Appliance Scheme and Take Home Naloxone program. This includes new oral contraceptives and treatments for endometriosis, relapsed or refractory diffuse large B-cell lymphoma, menopause and treatment-resistant major depression.

A fair go for consumers

Helping consumers get a better deal

The Government has provided $38.8 million to the ACCC to boost its capability to make sure consumers get a fair go. This included funding for the ACCC to increase investigation and enforcement activity on harmful activity in the supermarket and retail sectors.

In MYEFO, the Government committed to streamline commercial planning and zoning under the revitalised National Competition Policy (NCP), backed by a $900 million National Productivity Fund. The reform will improve competition, create new opportunities for business entry and growth and help to lower prices faced by consumers.

The Government is also providing relief to reduce the costs of 30 essential products, such as milk, vegetables and nappies, in more than 76 remote stores in First Nations communities across Australia to help ease cost-of-living pressures and improve food security.

Tackling excessive surcharges

The Government is tackling unfair excessive card surcharges to help consumers get a better deal at the checkout. The Government is providing funding for the ACCC to improve compliance with the current legislative ban on excessive card surcharges, by increasing monitoring activity and developing a campaign to increase awareness and understanding of surcharging.

The Government is prepared to ban debit card surcharges, subject to safeguards and further work by the RBA to ensure both small businesses and consumers can benefit from lower cost payments. While the RBA completes its important work, the ATO and Services Australia stopped passing on surcharges on debit card payments from 1 January 2025.

Targeting unfair trading

The Government will work with state and territory governments to introduce proposed bans on Unfair Trading Practices, including subscription traps. The Government will also empower regulators to issue infringement notices or pursue penalties when businesses fail to provide remedies for breaches of the Consumer Guarantee and Supplier Indemnification provisions of the Australian Consumer Law.

Strengthening Medicare

The Government is committed to ensuring that every Australian has access to high-quality health care and is delivering record investments to build a stronger Medicare. More than $23.5 billion has been invested in Strengthening Medicare since the 2022–23 October Budget – including recent measures to expand bulk billing, increase access to urgent care to ease pressure on public hospitals, improve choice for women and grow the health workforce. These investments will help make health care more accessible and affordable for all Australians.

Expanding bulk billing in every community and investing in our workforce

The Government is investing $8.5 billion over five years from 2024–25 to provide new and expanded incentives to further boost the rate of bulk billing, alongside new investments to train and grow our health workforce.

Bulk billing incentives will be expanded to cover all Australians for the first time. From 1 November 2025 an additional 15 million individuals will be eligible.

On top of the expanded bulk billing incentives, the Government will provide an incentive payment to practices who choose to fully bulk bill. The Bulk Billing Practice Incentive Program is expected to raise the total number of fully bulk billing practices Australia-wide to around 4,800 by 2028–29, further increasing access to free general practitioner (GP) care for patients.

By 2030, these measures are expected to result in nine out of ten GP visits being bulk billed and an additional 18 million services being bulk billed each year. This measure builds on the $3.5 billion previously invested as part of the 2023–24 Budget, which tripled the bulk billing incentive for a range of consultation items available for Commonwealth concession card holders and patients under 16 years of age.

This package also includes investments to deliver more Australian doctors and nurses. This includes through additional GP training places, salary incentives for junior doctors to specialise in general practice, and funding for paid parental leave and study leave for trainee GPs to address the differences in pay and leave entitlements which GP trainees face.

Through this package, an additional 1,300 doctors are expected to enter GP training over four years from 2026. By 2028, the Government will fund the training of 2,000 new GP trainees per year. This package will also deliver more scholarships for nurses and midwives to undertake postgraduate study to extend their skills and qualifications, and attain endorsement as a nurse practitioner or endorsed midwife.

The Government is also ensuring the Medicare Benefits Schedule (MBS) is up to date with the latest clinical standards, investing $256.2 million over four years from 2025–26 to introduce new and amend existing items on the MBS. This includes new items to treat severe speech and language disorders, help manage advanced neuroendocrine tumours, and support telehealth services with consultant physicians.

Improving access to urgent and hospital care

The Government is providing additional funding to increase access to urgent care and public hospitals to help ensure health care is accessible when Australians need it most.

The Government will provide $657.9 million over three years from 2025–26 to expand and support the Medicare Urgent Care Clinics Program. Funding will establish a further 50 Medicare Urgent Care Clinics across the country, with more clinics in every state and territory, as well as extending the operations of some existing clinics. This will support Australians to access urgent care and help to reduce pressure on hospital emergency departments. This expansion builds on the existing network of 87 Medicare Urgent Care Clinics, which have delivered over 1.3 million bulk billed visits across the country.

Complementing the significant Strengthening Medicare investments and as part of a 1-year extension of the 2020–2025 Addendum to the National Health Reform Agreement, the Government is providing $1.8 billion as an additional one-time fixed amount to fund hospital and health related services from 1 July 2025, including a one-off uplift to the Northern Territory. In 2025–26, the total Commonwealth contribution to state-run hospitals will increase by 12 per cent to reach a record $33.9 billion. These investments will help to cut waiting lists, reduce waiting times in emergency rooms, and manage ambulance ramping across our public hospitals.

Investing in women's health

Recognising the importance of women's health, the Government is providing $792.9 million over five years from 2024–25 to deliver more choice, lower costs and better health care for women. This includes increased Medicare rebates and more bulk billing for long-acting reversible contraceptives and enabling these services to be delivered by nurse practitioners. It also includes funding to establish eight new Centres of Training Excellence, to ensure healthcare professionals are trained, skilled and confident when delivering these critical services.

The Government has listed the oral contraceptive pills Yaz® and Yasmin® on the PBS. These are the first new oral contraceptive pills listed in more than 30 years. These listings are expected to benefit more than 50,000 women each year, who would otherwise pay around $380 per year and will now pay $126.40 a year, or just $30.80 a year with a concession card. The Government is also listing a progestogen only oral contraceptive pill Slinda®, benefitting over 100,000 women who would otherwise pay more than $250 for a year of treatment. Funding will also go towards two national trials to make it cheaper and easier for women with concession cards to access oral contraceptives and treatment for uncomplicated urinary tract infections.

The Government is also providing support for women experiencing menopause. The package includes a new Medicare rebate for menopause health assessments, the development of the first ever national clinical guidelines for menopause treatment, funding to train health professionals and a national awareness campaign. It also includes the first PBS listing for new menopausal hormone therapies in over 20 years, with around 150,000 women expected to save hundreds of dollars a year from the listing of Prometrium®, Estrogel® and Estrogel Pro®.

The Government is providing support for the roughly one in nine women who suffer from endometriosis. Funding in this Budget will support the delivery of 11 new endometriosis and pelvic pain clinics and the expansion of their capabilities so that all 33 clinics can provide specialist support for menopause. The Government is also listing the endometriosis treatment Ryeqo® on the PBS. Around 8,500 Australian women are expected to benefit from this listing each year, who without subsidy, might pay more than $2,700 for a year of treatment.

Over 6,000 women per year are also expected to benefit from amendments to the PBS listing of Pergoveris® to double the maximum number of Pergoveris pens (four instead of two) per script. These changes will ensure that women undergoing IVF receive earlier and more affordable access to this form of fertility treatment, which would cost more than $3,500 per year without PBS subsidy.

Digital mental health

The Government is providing an additional $46.0 million to continue digital mental health services. Funding will be provided directly to nationally available services, which are free or low-cost and do not require a referral. Many digital mental health services are tailored for cohorts at a higher risk of mental-ill health, including gender diverse individuals, children, young people, First Nations Australians and people from culturally and linguistically diverse communities.

Making it easier to buy and rent a home

The Government has a $33 billion plan to build more homes and make it easier for Australians to buy or rent a home.

Ambitious national plan for 1.2 million homes

The Government has a comprehensive plan to ease housing shortages and improve affordability. The National Housing Accord (the Accord) is central to this plan, bringing together all levels of government, industry and investors in a joint effort to deliver the new housing supply Australia needs. An ambitious target of 1.2 million new, well-located homes over five years is driving the needed investment and reforms to support housing supply. Nearly 45,000 new homes were completed in the first quarter of the Accord, with this number to increase as the Government's initiatives to increase the supply of labour to the residential construction sector, work with states to create a more efficient and responsive planning and zoning system and incentivise the construction of more homes take effect.

Building more homes more quickly

The Government is supporting 55,000 social and affordable homes over the next five years through initiatives like the Housing Australia Future Fund (HAFF) and the Social Housing Accelerator. Combined, Rounds 1 and 2 of the HAFF and Round 1 of the Accord are expected to deliver around 18,000 social and affordable homes.

The Government has committed $1.5 billion through the Housing Support Program to state and territory and local governments to fund projects to improve planning capability, deliver enabling infrastructure such as roads, water and power, and to build more social housing. With the Government also offering $3 billion in incentive payments under the New Homes Bonus, up to $4.5 billion in funding is committed for states to address infrastructure backlogs and reduce barriers to new housing.

In this Budget, the Government is investing $54 million to accelerate the uptake of modern methods of construction. The Government has also committed $120 million from the National Productivity Fund to incentivise states to remove red tape preventing the uptake of modern methods of construction, which will help more homes be built faster.

The Government is also continuing to work with states on the National Planning Reform Blueprint to build homes faster.

Expanding Help to Buy

The Government is expanding the Help to Buy scheme to support Australians to buy homes with lower deposits and smaller mortgages. This Budget is committing around $800 million to lift the property price and income caps to make the scheme more accessible. Under the scheme, the Government will provide an equity contribution of up to 40 per cent to support eligible home buyers buy a home with a lower deposit and smaller mortgage, helping around 40,000 Australian households locked out of the market into home ownership.

Banning foreign buyers of established homes

Foreign buyers will be banned from purchasing existing dwellings for a 2-year period from 1 April 2025. The Government is providing $5.7 million to the ATO to enforce the ban. The Government is also providing $8.9 million to the ATO and Treasury to implement an audit program to target land banking by foreign buyers.

Improving access to housing and homelessness services

The Government is providing $9.3 billion to states and territories to combat homelessness, provide crisis support and maintain social housing through the National Agreement on Social Housing and Homelessness. This includes the doubling of dedicated Commonwealth funding for homelessness services to around $400 million per year, which states are required to match. This Budget also provides $6.2 million for homelessness research, advocacy and coordination to improve outcomes for vulnerable Australians.

An additional $1 billion provided to the National Housing Infrastructure Facility is also being used to support crisis and transitional accommodation for women and children experiencing domestic violence, and for youth experiencing, or at particular risk of experiencing, homelessness.

Supporting renters

Continuing the Government's commitment to responsible cost-of-living relief, the Government has delivered the first back-to-back increases to Commonwealth Rent Assistance in 30 years. Combined with indexation, the maximum rates of rent assistance are 45 per cent higher since the Government came to office, benefitting around one million households.

The Government is also implementing A Better Deal for Renters to harmonise and strengthen renters' rights across Australia. This includes a framework on genuine reasonable grounds for eviction and moving towards limiting rental increases to once per year.

The Government has implemented tax measures to support greater investment in build-to-rent developments and increase the supply of affordable tenancies. Industry estimates indicate these changes may support around 80,000 new long-term, stable and secure rental homes in Australia over the next decade.

Boosting the construction workforce

The Government will invest in the pipeline of construction workers by doubling the current maximum incentive payments for eligible housing construction apprentices from $5,000 to $10,000 from 1 July 2025, supporting Australians through their training and boosting the construction workforce. To ensure that Australians have the skills they need, the Government has established Free TAFE. Between January 2023 and September 2024, there have been close to 600,000 Free TAFE enrolments, with almost 40,000 of these in construction sector courses. The Government has now introduced legislation to make Free TAFE permanent, funding 100,000 Free TAFE places annually from 1 January 2027.

Investing in every stage of education

The Government is investing in an education system to drive future prosperity. Key priorities include providing greater access to and improving the affordability of high-quality early childhood education and care, putting public schools on a path to full and fair funding, supporting students and graduates by making the student loan system fairer, and reforming our tertiary education system through Free TAFE and a new university funding model.

Next steps in building a universal early childhood education and care system

The Government is committed to building a universal early childhood education and care system where every child is guaranteed access to at least three days per week of quality early education and care, which is simple and affordable for every family.

Key initiatives include Cheaper Child Care for over one million families, funding to lift the wages of early educators, establishing the Building Early Education Fund to build new child care centres and drive supply of high quality care, and replacing the Child Care Subsidy activity test with a new 3 Day Guarantee.

The changes were informed by the Productivity Commission's inquiry report *A pathway to universal early childhood education and care* and the ACCC's 2023 *Childcare Inquiry*. These changes will improve the accessibility and affordability of early childhood education and care, including for the children who will benefit the most from it but are currently the least likely to attend.

A better and fairer education system

The Government is working towards putting all public schools in Australia on a path to full and fair funding to help create a better and fairer education system for all students.

The Government will provide additional schools funding to jurisdictions that have signed the Better and Fairer Schools Agreement (Full and Fair Funding 2025–2034) bilateral agreements. The agreement sees the Commonwealth increase its share of the Schooling Resource Standard to 25 per cent by 2034–35, putting schools on a path to full and fair funding.

The agreement ties new funding to reforms to help lift education standards across the country. This includes mandating evidence-based teaching practices including explicit teaching, Year 1 phonics and early years of schooling numeracy checks to identify students who need additional help, more individualised and intensive supports for students and more mental health support in schools.

Negotiations with jurisdictions that are yet to sign the bilateral agreement are continuing, with funding being held in the Contingency Reserve pending finalisation of negotiations.

Support for students and graduates

The Government is making changes that will reduce Higher Education Loan Program (HELP) and other student debts for more than three million Australians by around $19 billion and is continuing to make the student loan system fairer.

The Government will reduce outstanding student debts by 20 per cent, which will remove $16 billion in debt, and will make the repayment system fairer by moving to a marginal repayment system with a higher minimum repayment threshold. These changes will deliver significant cost-of-living relief to Australians with student debt, allowing them to keep more of what they earn.

The Government has already legislated a cap on HELP indexation based on the lower of the Consumer Price Index or the Wage Price Index. The change was backdated to 1 June 2023, and has reduced outstanding student debt by around $3 billion.

Making Free TAFE permanent

The Government is committed to creating a highly skilled and trained workforce to meet the skills needs of the future, and has set a target of 80 per cent of the working age population having a tertiary qualification by 2050. Over the next decade, nine out of ten new jobs will require post-secondary qualifications and almost half will come through VET pathways.

The Government has introduced legislation to make permanent 100,000 Free TAFE places every year from 1 January 2027. Ongoing Free TAFE will ease cost-of-living pressures for students while supporting them to obtain secure employment. Between its commencement in January 2023 to September 2024, there were close to 600,000 Free TAFE enrolments in courses linked to key priority areas across the economy.

A new university funding system

To help meet our 80 per cent tertiary attainment target, the Government is also supporting the sustainable growth of the university sector by implementing key recommendations of the Universities Accord, including establishing new university governance and funding mechanisms.

The new university funding system will provide more university places and will support students from under-represented backgrounds to enrol in universities and complete their degrees. The Government's expansion of access to FEE-FREE Uni Ready Courses is also providing more students with a pathway to university. The Commonwealth Prac Payment, commencing 1 July 2025, will also alleviate the financial impact of being on placement for eligible students and support retention in courses related to sectors with skills shortages.

The Government is establishing the Australian Tertiary Education Commission, which will provide advice on higher education pricing matters, tertiary sector harmonisation and sector performance to ensure that tertiary education remains strong and responsive to Australia's future needs.

Building a stronger economy

The Government has an ambitious reform agenda to build a stronger, more productive and more resilient economy. This includes a strong focus on competition policy and unlocking investment in strategic areas as part of the Future Made in Australia agenda.

The Government is ensuring Australian workers are well-placed for the jobs of the future, supporting our thriving suburbs and regions and backing small businesses.

A more dynamic and productive economy

Competition is an essential tool for reducing the cost of living and boosting productivity. Commonwealth, state and territory governments have committed to two new agreements to deliver a landmark 10-year NCP reform program.

The first tranche of five priority Commonwealth and state-led reforms focus on easing cost-of-living pressures. This includes reforms to streamline commercial planning and zoning, level the playing field for modern methods of construction, develop a broader right to repair, allow easier adoption of overseas standards and pave the way for a national worker screening check. The reforms are underpinned by the $900 million National Productivity Fund to reward states and territories for agreed reforms that promote competition.

The next tranche of reforms will include:

- banning non-compete clauses for low- and middle-income workers. This will free many Australian workers to move to more productive, higher-paying jobs and start their own business
- working with states and territories, employers and unions through NCP to design a national licensing scheme for electrical occupations.

Banning non-competes for low and middle income workers

Non-compete clauses prevent or restrict workers from moving (or attempting to move) to a competing employer, or from starting or operating a competing business, with a specific geographic location and for a certain duration. They are often broad in scope and significantly reduce worker mobility, especially for lower-paid workers.

The Government's Competition Review found compelling evidence that non-compete clauses are now a common and growing feature of Australia's labour market, and are suppressing the wages of many workers, including many lower-paid and vulnerable workers. The review found the clauses are often being used indiscriminately across income levels and occupations including for child care workers, construction workers and hairdressers.

The Government will ban non-compete clauses that apply to workers earning less than the high-income threshold in the Fair Work Act (currently $175,000). The Government will also close loopholes in competition law that currently allow businesses to:

- Fix wages by making anti-competitive arrangements that cap workers' pay and conditions, without the knowledge and agreement of affected workers
- Use 'no-poach' agreements to block staff from being hired by competitors.

The Government will consult on policy details, including exemptions, penalties, and transition arrangements and will also consider and consult further on non-solicitation clauses for clients and co-workers and non-compete clauses for high-income workers.

Box 1.3: Benefits of the revitalised National Competition Policy

The Commonwealth, state and territory treasurers are working to revitalise National Competition Policy (NCP). This includes an ambitious decade long reform program underpinned by the Government's $900 million National Productivity Fund.

Modelling from the Productivity Commission's National Competition Policy Study found a revitalised NCP could deliver an ongoing boost to annual GDP of up to $45 billion and drive down prices, while supporting an efficient net zero transformation and the delivery of quality care services. These benefits are similar in scale to those of the NCP reforms of the 1990s, which brought a period of sustained economic growth that lifted incomes by $5,000 per household in today's dollars.

In November 2024 the Government agreed a first tranche of priority reforms focused on easing cost-of-living pressures and reducing regulatory burden. It is now adding reforms to non-competes and occupational licensing.

Banning the unreasonable use of non-compete clauses could increase annual GDP by $5 billion once the reforms take full effect. Around 3 million Australian workers are now subject to these clauses, and they are increasingly common even in lower-wage areas like child care. This reform will free up many Australian workers to move to higher paying jobs and start their own businesses, allow growing businesses to access talented workers, and boost wages and productivity across the economy. Research suggests the reforms could lift wages by between 2 to 4 per cent or up to $2,500 per year for affected workers on median wages.

Reforming occupational licensing was also estimated to yield significant benefits, boosting annual GDP by up to $10 billion. The Government is committing in this Budget to work with the states and territories, unions and employers on a national occupational licence for the electrical trades. This will allow electricians to move to where they're needed most, bringing significant benefits for workers, business and consumers through improved labour mobility, reduced red tape and by easing cost-of-living pressures.

Other competition reforms

From 1 January 2026, the Government will commence a new mandatory merger system to promote competition, protect consumers and provide greater certainty to businesses by streamlining the approvals process. The reforms will simplify and speed up the process for mergers, consistent with the national interest, and give the ACCC stronger powers to identify and scrutinise transactions that pose a risk to competition, consumers and the economy.

The reforms are part of the Government's productivity agenda, which includes abolishing 457 nuisance tariffs, boosting competition in the financial system, reforming skills and education, establishing a comprehensive review of research and development, reforming the delivery of aged care and modernising the energy grid.

Building a Future Made in Australia

The Government's Future Made in Australia agenda is seizing the vast economic and industrial opportunities on offer from the transformation to cleaner and cheaper energy. The Government is progressing a range of reforms to secure Australia's place in a changing global economic and strategic landscape.

The 2024–25 Budget invested $22.7 billion over a decade to bring new jobs and opportunities to communities in every part of Australia, including funding to better prioritise approval decisions, support for innovative technology and clean energy manufacturing and establishing a new Front Door for investors.

Since MYEFO, the Government has progressed a broad range of initiatives aligned with the Future Made in Australia agenda. This includes the passage of legislation supporting the hydrogen and critical minerals production tax incentives and committing an additional $2 billion to the Clean Energy Finance Corporation to continue mobilising critical private investment into renewable energy, energy efficiency and low emissions technologies.

The Government has also announced priority sector funding allocations from the $1.7 billion Future Made in Australia Innovation Fund. This includes $750 million for green metals, $500 million for clean energy technology manufacturing capabilities including electrolysers, batteries and wind towers and $250 million for low carbon liquid fuels.

Front Door for investors

The Government is establishing a new Front Door for investors with major transformational proposals, with pilot services expected to commence from September 2025. The Front Door will make it simpler to invest in Australia and attract more global and domestic capital. It will act as a single-entry point for investors, help the Government to identify priority projects and provide those projects with coordinated facilitation services. An Investor Council will support the Front Door to prioritise proposals, coordinate public financing and facilitate information sharing on potential investment opportunities.

Support for Australian made green metals

The Government is investing in Australia's future green metals industries so Australia can take advantage of the emerging global green metals opportunity, supporting Australian jobs as the economy decarbonises. This investment will also drive innovation in domestic heavy manufacturing, with green metals enhancing Australia's industrial capabilities and supporting progress toward more sustainable production.

The Government's $2 billion Green Aluminium Production Credit, available from 2028–29, will support Australian aluminium smelters to transition to renewable electricity and decarbonise. The Government's $1 billion Green Iron Investment Fund will help establish an Australian green iron industry by providing upfront capital support to eligible facilities.

The Commonwealth Government is also working with the South Australian Government to support the future of steelmaking in Whyalla. The Commonwealth Government is providing immediate support for the Whyalla Steelworks' administration process and for creditor assistance payments to support local businesses that would otherwise remain out of pocket during the administration period. This is part of a broader $2.4 billion package, in partnership with the South Australian Government, to support the longer-term transformation of the steelworks, which includes consideration of investment through the $1 billion Green Iron Investment Fund and potential further financing support, subject to commercial negotiations.

Backing Australia's small businesses

The Government is supporting Australia's small businesses in our local communities, helping to drive innovation and productivity.

Further levelling the playing field for Australia's small businesses

The Government is supporting small businesses to receive timely payment for their work. The Government will promote 20-day payment times for contractors and subcontractors working for Commonwealth Government Business Enterprises and non-corporate Commonwealth entities on major construction activity.

Illegal phoenix operators cause harm to small businesses and the wider community. The Government has committed additional funding for the Australian Securities and Investments Commission to improve its ability to identify and take enforcement action against those involved in illegal phoenixing conduct, focusing on the sectors that are more susceptible and impacted by such conduct, particularly construction.

The Government will provide funding to continue the stabilisation of Australia's business registers and undertake targeted uplifts, including linking Director Identification Numbers to the Company Register. This reform will improve the quality of information available to investors and creditors about directors and further support efforts to combat illegal phoenixing.

The Government will work with states and territories on extending protections from Unfair Trading Practices to small businesses and has committed to delivering a better deal for thousands of small businesses in the franchising sector by providing additional funding to the ACCC to strengthen its enforcement of the Franchising Code of Conduct (the Code). The Government intends to extend protections from Unfair Contract Terms and Unfair Trading Practices to businesses regulated by the Code, subject to consultation.

Supporting the hospitality sector and alcohol producers

The Government is providing support for hospitality venues, brewers, distillers and wine producers through changes to the alcohol tax settings. The Government will pause indexation on draught beer excise for two years from August 2025 and expand the existing Excise remission scheme for alcohol manufacturers and Wine Equalisation Tax Producer Rebate by increasing the caps for both schemes to $400,000 from 1 July 2026.

Energy bill relief

From 1 July 2025, around one million eligible small businesses will receive $75 per quarter off their energy bills in the September and December quarters, with the Government committing around $1.8 billion to extend energy bill relief for six months. Over the last three budgets, energy bill relief has reduced small business energy bills by up to $800.

Energy efficiency grants

The Government is providing $56.7 million in grants through the Energy Efficiency Grants for Small and Medium Sized Enterprises program, delivered over two funding rounds. The program assists businesses with grants of up to $25,000 to manage their energy use and costs and improve their energy efficiency through a range of upgrades such as replacing inefficient appliances and improving space and water heating systems. Round 1 has supported 677 businesses with $15.5 million of grants and Round 2 is supporting 1,752 businesses with $41.2 million of grants.

Digital and cyber

Since the 2023–24 Budget, the Government has invested more than $60 million to help small businesses uplift their cyber security and digital capabilities through the Digital Solutions program, Cyber Wardens program, Cyber Resilience Service and the Cyber Health Check. Together, these programs help small businesses adopt digital tools and grasp the opportunities that going online offers, while supporting small businesses to prevent and bounce back from cyber incidents.

Securing Australia's place in the world

Australia's economic and national security are increasingly intertwined as we grapple with global risks and the evolving security environment. The Government's 2024 National Defence Strategy set in motion a transformation of the Australian Defence Force's capability, focus and structure. This is underpinned by the Government's investment of $330 billion in the Defence Integrated Investment Program out to 2033–34 which will mean that Defence funding will exceed 2.3 per cent of GDP by the early 2030s. This includes a $50.3 billion investment provided in the 2024–25 Budget.

The investment in Defence includes $159 billion in maritime capability over the decade which will support over 8,500 jobs by 2030. Additionally, over 20,000 jobs over the next 30 years will be created to support the nuclear powered submarine program.

Australia has already committed more than $1.3 billion in military assistance to Ukraine. This Budget includes further support for more equipment, as well as $36.0 million over five years from 2024–25 (and $7.8 million per year ongoing) for the Australian Embassy in Kyiv which is enabling the return of diplomatic and consular staff to Ukraine.

The Government is ensuring Australia is a partner of choice in the Pacific, which is important for regional stability and economic prosperity. The Government has secured ANZ's long-term commitment to banking in the Pacific region, through the provision of a 10-year guarantee to ANZ starting from 1 July 2025. This is part of the Government’s efforts to keep communities and economies connected, and finance flowing in our region.

This Budget also includes an important $44.6 million initial investment in response to the 2024 Independent Intelligence Review.

Thriving cities, suburbs and regions

Completing the NBN

The Government is making a further equity investment of up to $3 billion for NBN Co. to upgrade Australia’s remaining national fibre-to-the-node network and ensure that Australians have access to faster and more reliable broadband services. This will complete the rollout of the National Broadband Network, with upgrades to a further 622,000 premises. This will work alongside the recently announced Universal Outdoor Mobile Obligation, which will establish continent-wide SMS and basic voice service by 2027 through the use of new Low Earth Orbit Satellite technology.

Delivering transport infrastructure

The Government is continuing to refocus its over $120 billion 10-year infrastructure investment pipeline on nationally significant road and rail projects that will improve the productivity and resilience, liveability and sustainability of our cities, regions and communities.

Since MYEFO, the Government has announced a $7.2 billion investment in the Bruce Highway – Targeted Safety Package, enhancing a critical transport route through Queensland.

The Government is providing $17.1 billion over ten years from 2024–25 for new and existing road and rail projects as part of the Infrastructure Investment Program, including $2 billion to upgrade Sunshine Station and $1 billion for the Road Blitz with the Victorian Government, $1 billion towards supporting the South West Sydney Rail Extension, and $200 million for the duplication of the Stuart Highway from Darwin to Katherine.

Supporting regional banking

The Government has secured commitments from the banks to ensure banking services remain available in the regions. All major banks have now committed to a moratorium on regional branch closures for two and a half years, which will ensure no regional branch closures by these banks before 31 July 2027.

The Government has also secured agreement of the banking sector to increase its investment in Australia Post's Bank@Post service. The major banks are expected to have new Bank@Post agreements in place with Australia Post soon and Macquarie and HSBC are now also in negotiations on Bank@Post. These new agreements will improve the financial outlook for Bank@Post and provide greater certainty and choice to banking customers, particularly in rural and regional areas.

Keeping our regions connected

The Government is providing up to $130 million in secured loans to keep Rex Airlines operational during its extended voluntary administration to 30 June 2025, while a competitive sale process is held. The Government is working with the states and the airline's administrators to maintain connectivity and critical aviation services for regional and remote communities.

Protecting our environment

The Government is providing $262.0 million over five years from 2025–26 to meet its '30 by 30' commitment of conserving 30 per cent of Australia's landmass and 30 per cent of Australia's marine areas by 2030.

The Government will partner with state and territory governments and private landholders to preserve Australia's iconic bushland. This will be done through a range of measures including investment in nature repair market projects and working with landholders in regions with high biodiversity value, creating havens for endangered species, restoring degraded government land and supporting the establishment of new Indigenous Protected Areas. It will also build on the Government's investments that have increased ocean protection while continuing to support sustainable commercial fisheries.

Broadening opportunity and advancing equality

The Government is making investments to support the most vulnerable, broaden economic opportunities and safeguard the critical services Australians rely on. Key initiatives include record investments in women's safety, improving service delivery for veterans, supporting economic empowerment for First Nations Australians and improving the lives of people living with disability.

Ending gender-based violence

In this Budget, the Government is increasing its investments to end the national crisis of gender-based violence by providing additional funding to strengthen justice system responses to sexual violence. These funds will support targeted measures to improve victim and survivor engagement with the justice system and inform a broader response to the Australian Law Reform Commission Inquiry into Justice Responses to Sexual Violence.

The Government is also providing additional funding to support the continued delivery of family, domestic and sexual violence services to First Nations women, children and communities.

Initiatives in this Budget bring the Government's investments to support women's safety and deliver the *National Plan to End Violence Against Women and Children 2022–32* to over $4 billion since the 2022–23 October Budget.

This is in addition to $3.9 billion over five years from 2025–26 to establish a new National Access to Justice Partnership to support access to legal services, including for people experiencing gender-based violence.

Looking after our veterans

The Government has released its response to the Final Report of the Royal Commission into Defence and Veteran Suicide, setting out a plan for real, meaningful and enduring reform to improve wellbeing for Defence Force personnel, veterans and families.

This Government has provided over $1.1 billion in funding, including a further $47.6 million in this Budget, to the Department of Veterans' Affairs (DVA) to ensure it continues to be appropriately resourced. Government investments in DVA have eliminated the backlog of veterans' compensation and rehabilitation claims and resulted in $13.0 billion additional payments flowing to veterans.

First Nations economic empowerment

The Government has delivered further investment in economic empowerment for First Nations people and communities. This includes boosting Indigenous Business Australia's (IBA) Home Loan Capital Fund by $70.9 million over two years from 2025–26, which will enable more First Nations Australians to own their home and build intergenerational wealth. This complements reforms to the *Aboriginal and Torres Strait Islander Act 2005* that came into effect on 15 February 2025 and give IBA the ability to borrow and raise funds to invest in First Nations business and communities.

The Government is also supporting a new place-based business mentoring and coaching program to support First Nations businesswomen and entrepreneurs achieve financial and economic success. To increase opportunities for First Nations businesses to grow and create jobs, the Government is strengthening the Indigenous Procurement Policy.

The Government is investing $506.4 million to support better outcomes for First Nations Australians and close the gap. This includes funding to improve access to culturally safe and qualified mental health supports, build a nutrition workforce across remote communities and improve the detection and management of rheumatic heart disease.

These measures are in addition to the Northern Territory Remote Aboriginal Investment, which was established in partnership with the Northern Territory Government and Aboriginal Peak Organisations Northern Territory. This investment of $842.6 million will assist remote communities access economic development and employment opportunities, and improve health, safety and education outcomes.

Improving the lives of people living with disability

The Government is investing $423.8 million to support people with disability. This includes $364.5 million to provide general supports for people with disability and their families, carers and kin. These supports will complement additional foundational supports to be co-funded with states and territories.

The Government is also providing $42.2 million to deliver the National Autism Strategy and $17.1 million to establish the Accessible Australia program to increase inclusive public infrastructure.

This funding builds on over $3 billion of investment by this Government to improve the lives and safety of people with disability in Australia.

The Government continues to improve the NDIS to deliver better outcomes and ensure every dollar allocated to NDIS participants reaches them and is spent in a meaningful way that makes a difference in their lives. These reforms will help safeguard the sustainability of the NDIS, ensuring it can continue to support future generations of Australians.

Statement 2: Economic Outlook

The Australian economy has turned a corner, despite difficult global conditions. Inflation continues to moderate and has returned to the Reserve Bank of Australia's (RBA) target band without a period of negative growth, the unemployment rate remains low and real wages are rising. Every Australian taxpayer is receiving a tax cut and interest rates have begun to fall. The economy recorded a solid rebound in growth at the end of last year and momentum is expected to gradually improve.

There is heightened uncertainty in the global economy including from trade tensions and conflict in the Middle East and Europe. The escalation of trade tensions has significantly magnified volatility in global markets and could disrupt global and domestic trade, investment flows and economic activity, and push up prices. Global growth is already subdued, and this is expected to continue for the next three years. Around three quarters of OECD nations have recorded a negative quarter of growth over the past 18 months.

Inflation has fallen across most advanced economies but, for some, this has come at the cost of higher unemployment, very weak growth or recession. While global inflationary pressures are abating, disinflation has stalled in some economies. This has led some central banks to exercise more caution in relation to further easing of monetary policy.

The Australian economy has not been immune to challenging conditions at home. Communities and businesses across Australia including in north Queensland, Far North Queensland, southeast Queensland and northern New South Wales have faced natural disasters like ex-Tropical Cyclone Alfred which have curtailed economic activity, harmed industries, and damaged homes and infrastructure. The impact of ex-Tropical Cyclone Alfred could subtract up to ¼ of a percentage point from quarterly growth.

A soft landing in our economy is increasingly likely. Unlike the experience of other advanced economies and previous inflationary episodes, Australia has been able to achieve a substantial moderation in inflation while maintaining a low unemployment rate. Recent outcomes for inflation and unemployment have been better than expected, and the near-term outlook has improved on both fronts. This means that the Australian economy is one of the best placed to navigate this period of heightened uncertainty.

Inflation has moderated significantly from its peak in both headline and underlying terms. Headline inflation returned to the RBA's target band in the second half of 2024 and is now expected to be 2½ per cent through the year to the June quarter 2025, a ¼ of a percentage point lower than forecast at MYEFO. Excluding the temporary impact of energy rebates and fuel, inflation is expected to sustainably return to the RBA's target band around the middle of this year, earlier than expected at MYEFO. As a result of the easing inflationary pressures, the Reserve Bank Board reduced its target cash rate to 4.10 per cent in February.

The labour market has outperformed expectations. The unemployment rate has stayed low, the participation rate remains elevated, and employment has grown by more than one million people since May 2022 with around 80 per cent of jobs created in the private sector since the June quarter 2022. Strong employment growth has helped to limit the increase in the unemployment rate from its recent trough. The unemployment rate is forecast to peak at 4¼ per cent, which is ¼ of a percentage point below MYEFO.

The strength of labour market conditions and moderating inflation have continued to drive growth in real wages. Annual real wages have now grown for five consecutive quarters and are forecast to grow by ½ per cent in 2024–25, which is ¼ of a percentage point higher compared to MYEFO, and ¼ per cent in 2025–26. Nominal wages are expected to continue growing above the pre-pandemic average.

Growth picked up at the end of last year, supported by a recovery in private final demand. The economy grew 0.6 per cent in the December quarter, which is more than the average of the previous three quarters. Momentum is expected to continue to build, with growth forecast to continue to pick up from 1½ per cent in 2024–25 to 2¼ per cent in 2025–26 and 2½ per cent in 2026–27.

The improvement in growth is expected to be broad-based and supported by stronger private final demand. After stalling in the middle of last year, consumption grew 0.4 per cent in the December quarter 2024. The Government's tax cuts, the easing in inflation and strong employment and wage growth have resulted in real household disposable income per capita returning to growth in the second half of 2024, supporting the gradual recovery in consumption growth.

Investment is expected to support activity over the forecast period. Business investment has grown solidly for the past two years. While growth is forecast to moderate over the period ahead, the level of business investment is expected to remain at its recent decade highs. Dwelling investment is expected to grow from this financial year.

Public final demand helped ensure the economy continued to grow. This has been driven by spending on demand-driven programs in health, education and social services, as well as energy bill relief and infrastructure spending by state and federal governments. Growth in public final demand is expected to moderate over the forecast period.

The Australian economy faces a range of domestic risks, including the uncertainty confronting communities recovering from the effect of natural disasters. Growth could also be weaker in the near term if households continue to prioritise savings over consumption as real incomes recover. A continued and sustained depreciation of the exchange rate, or a stalling in the moderation of services inflation could also pose upside risk to inflation.

Global developments also cast a shadow over the Australian economic outlook. Ongoing weaker economic conditions in China could lead to lower service and commodity exports. Policy uncertainty related to trade tensions could weigh on domestic investment and employment. The use of tariffs by major trading partners could lead to higher import prices and temporarily higher inflation and lower growth. Nonetheless, the progress the Australian economy has made over the past couple of years means that it is well placed to manage these challenges.

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Statement 2: Economic Outlook

Outlook for the international economy

The escalation of global trade tensions has contributed to significant market volatility and made the international outlook more uncertain. Tariffs and other trade barriers could weigh on global growth by disrupting trade and investment flows, driving up costs for businesses and consumers (Box 2.1). The related policy uncertainty may exacerbate the risks to business investment, employment and household spending. A slowdown in global growth stemming from these pressures would also adversely affect demand for key Australian exports, domestic business confidence, and investment. These risks compound the uncertainty in the global economy from conflict in the Middle East and Europe and challenges in the Chinese economy.

Against this backdrop of greater uncertainty, the global economy is expected to grow by 3¼ per cent in each of the next three years. If realised, this would represent the longest stretch of below-average growth since the early 1990s. The global outlook remains clouded by uneven risks in the trajectory of growth, inflation and monetary policy.

Globally, inflation has moderated, but disinflation appears to have stalled in many major economies. This has prompted some central banks to adopt a more cautious stance toward further monetary policy easing, which poses a downside risk to the global outlook. Inflation is expected to continue moderating across major advanced economies in 2025, albeit more gradually. Outside of Australia, very few advanced economies have managed to reduce inflation while sustaining a relatively robust labour market and unbroken economic growth.

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

	Outcome	Forecasts (Calendar Years)		
	2024	2025	2026	2027
Australia	1.1	2 1/4	2 1/4	2 3/4
China	5.0	4 3/4	4 1/2	4 1/4
India	6.5	6 3/4	6 1/2	6 1/2
Japan	0.1	1 1/4	1	3/4
United States	2.8	2	2	2
Euro area	0.9	1	1 1/4	1 1/4
United Kingdom	0.9	1 1/4	1 1/2	1 1/2
Other East Asia[(b)(c)]	4.2	4	4	4
Major trading partners[(b)]	3.3	3 1/2	3 1/4	3 1/4
World[(b)]	3.3	3 1/4	3 1/4	3 1/4

a) Percentage change on previous year. The 2024 outcome for India is reported for the fiscal year ending March 2025.
b) World and Other East Asia growth rates are calculated using GDP weights based on purchasing power parity (PPP). Growth rates for major trading partners are calculated using Australian goods and services export trade weights.
c) Other East Asia comprises Indonesia, Malaysia, the Philippines, Thailand, Vietnam, Singapore, Hong Kong, South Korea and Taiwan.
Source: National statistical agencies, IMF, Refinitiv and Treasury.

Box 2.1: Risks of an escalation in global trade tensions

Tariffs and trade restrictions have become more common in recent years. According to the IMF, restrictions on trade and investment have grown sixfold in the past 15 years. Tariffs generally raise prices for businesses and consumers by increasing the cost of imported goods, which lowers growth.

Tariff reductions since the 1970s have provided significant benefits to the Australian economy. Sectors exposed to trade are typically the most productive, as firms exposed to global competition are forced to innovate and improve efficiency. Even small tariffs create inefficiencies and costs for businesses and consumers. The Government's 2024–25 Budget included the elimination of around 500 nuisance tariffs, which will lower costs and improve productivity.

Tariffs directly imposed on Australian exports lower demand by making them more expensive to purchase in the country imposing the tariffs. This effect could be offset to some extent by a depreciation of the Australian dollar, which would make Australian exports less expensive in foreign currency terms. Australian firms have also demonstrated that they are very adept at finding alternative markets for Australian exports.

The Australian economy will also be affected indirectly when tariffs are placed on the exports of countries that use Australian exports as inputs. This indirect trade effect can be larger than the direct effect given that Australia exports large volumes of raw materials that are often used to produce goods that are then exported.

A scenario in which the United States imposes a 25 per cent tariff on all imports of durable manufacturing goods, such as steel and aluminium, illustrates these points. The imposition of the tariff leads to a reduction in the real GDP of Australia, China and the United States over time. Overall, the total impact (direct plus indirect) of the tariffs on Australia's economy by 2030 is expected to be modest (Chart 2.1).

The indirect effect of the tariffs is estimated to be nearly four times as large as the direct effect, reflecting the relative importance of affected trade flows between Australia, China, and the United States. In this scenario, the United States also experiences a persistent increase in inflationary pressures because imports become more expensive, while Australia experiences a small temporary increase in inflation related to a depreciation of the Australian dollar (Chart 2.2).

If all countries, including Australia and China, retaliate by imposing a 25 per cent tariff on all imports of durable manufacturing goods from the United States, the loss in real GDP is amplified for all countries, as is the increase in inflationary pressures (Charts 2.3 and 2.4).

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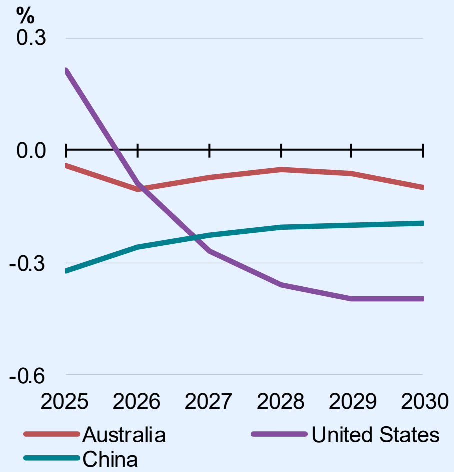
Box 2.1: Risks of an escalation in global trade tensions (continued)

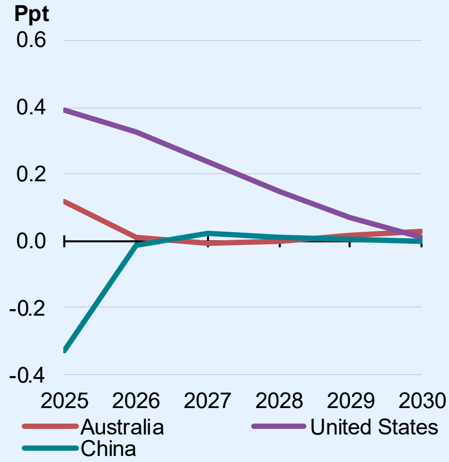
25 per cent tariff on durable manufacturing goods, relative to no tariff scenario

Chart 2.1: Change to real GDP



Source: Treasury analysis using G-Cubed.

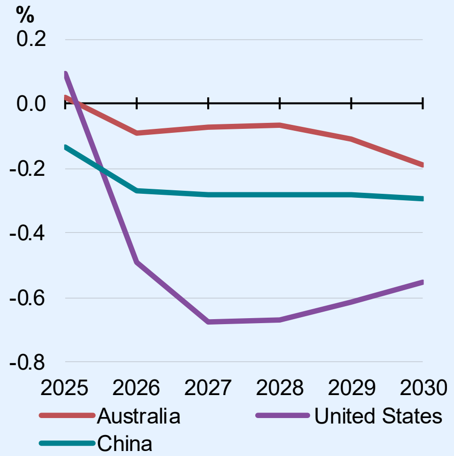
Chart 2.2: Change to inflation



Source: Treasury analysis using G-Cubed.

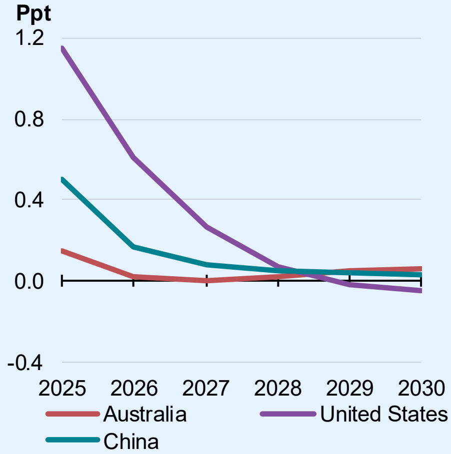
25 per cent retaliatory tariff, relative to no tariff scenario

Chart 2.3: Change to real GDP



Source: Treasury analysis using G-Cubed.

Chart 2.4: Change to inflation



Source: Treasury analysis using G-Cubed.

Escalating trade tensions have created significant uncertainty and volatility in global financial markets. These factors can compound the direct and indirect effects of tariffs on global growth captured in the scenarios above by discouraging investment and dampening consumer confidence.

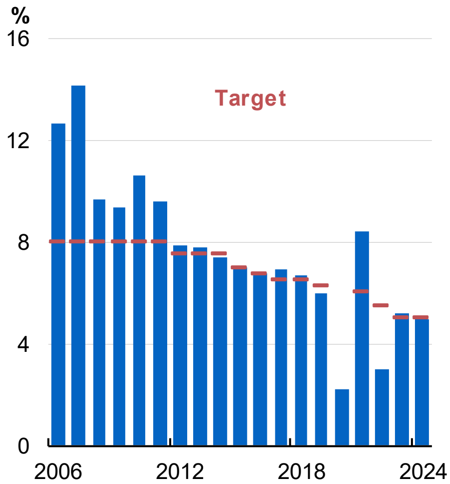
Outlook for major trading partners

China's economy faces growing near-term pressures from the property sector downturn and rising trade tensions with the United States. However, the lagged effects of policy easing in late-2024 plus the announcement of increased fiscal support are expected to support growth in 2025. In the longer-term, structural challenges, including a shrinking workforce and lower productivity growth, will weigh on domestic demand and growth.

In 2024, China's economy grew by 5 per cent, in line with its official growth target (Chart 2.5). Industrial production and exports picked up late in the year, in part due to orders brought forward in anticipation of the imposition of higher import tariffs in the United States. This growth in exports has helped offset weak consumption and property investment activity.

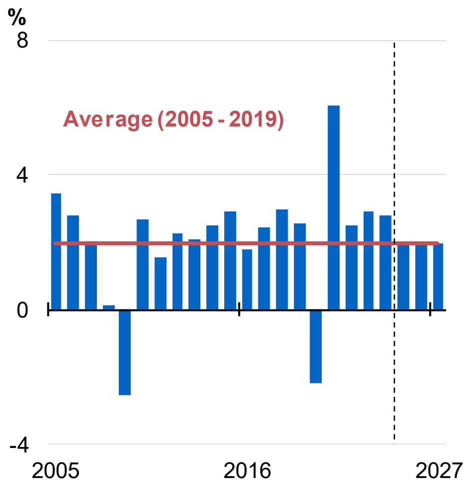
While Chinese authorities continue to support strategic sectors like electric vehicles and green technology, it will be difficult for China to replace traditional growth drivers like real estate and infrastructure investment. Given the scale of China's exports to the United States, escalating trade tensions would directly affect exports and have implications for investment in trade-exposed sectors.

Chart 2.5: Chinese GDP growth



Source: NBS China, Refinitiv and Treasury.

Chart 2.6: United States GDP growth



Source: Bureau of Economic Analysis, Refinitiv and Treasury.

The **United States** economy outperformed other advanced economies in 2024 (Chart 2.6). Robust productivity growth has enabled inflation to fall significantly from its mid-2022 peaks, even with strong consumer demand fuelled by a resilient labour market and strong income growth. However, persistent price pressures in the services sector, alongside early signs of a possible resurgence in goods inflation, have stalled progress towards the Federal Reserve's target. The Federal Reserve has indicated that it is well positioned but is waiting to see the impact of the US administration's policy agenda.

Recent trade policies and the associated policy uncertainty are having a negative impact on consumer and business sentiment, increasing inflation expectations, and affecting trade between the United States and the rest of the world. The US administration has also foreshadowed changes to fiscal settings and a focus on deregulation which, depending on how they are approached, have the potential to stimulate spending and investment.

Euro area GDP is forecast to strengthen to 1 per cent in 2025, and 1¼ per cent in both 2026 and 2027. Inflation is expected to decline to the European Central Bank's target by the end of 2025. Less restrictive monetary policy and rising real wages are expected to support consumption in the near term. The prospect of increased defence and infrastructure spending (particularly in Germany) could also boost growth. However, German industrial weakness and the continuing transition away from Russian energy sources pose downside risk to the outlook.

The scale of the European Union's trade relationships with both China and the United States offers it substantial influence over the evolution of global trade tensions. In 2024, concerns about state support for China's electric vehicle supply chain led the European Commission to impose tariffs on Chinese electric vehicle imports. More recently, the European Commission responded to US tariffs on European steel and aluminium exports with an array of countermeasures.

Economic growth in the **United Kingdom** picked up gradually in 2024, driven by increased household and government spending. However, this was offset by soft business investment and a decline in exports. Growth is expected to be subdued in 2025 as a temporary expansion in government expenditure wanes in the second half of the year. The UK economy is expected to recover moderately in 2026 and 2027 driven by a pick-up in household consumption and business investment.

In **Japan**, economic momentum slowed in mid-2024 amid temporary supply disruptions in the auto sector, before regaining momentum in the second half of the year as supply disruptions abated. Recent strong wage growth is expected to persist into 2025, and it is expected to contribute to inflation remaining above the Bank of Japan's 2 per cent target through to 2026. Growth is expected to be around 1¼ per cent in 2025 before easing over the course of 2026 and 2027.

India is forecast to grow by 6¾ per cent in 2025 and 6½ per cent in 2026 and 2027. Private consumption and investment remain crucial drivers of India's economic growth, with various signs indicating the slowdown in 2024 was transitory. Near-term growth is expected to be driven by ongoing robustness in domestic consumption, increased government spending, easing of monetary policy, and an expansion of the manufacturing sector under key government initiatives.

Other East Asia is forecast to grow by 4 per cent in 2025, 2026 and 2027. Domestic demand of key economies in the region is expected to be bolstered by an easing of monetary policy. However, escalating trade tensions could dampen investor confidence and weigh on growth.

Outlook for the domestic economy

Despite heightened global uncertainty, growth has picked up and a soft landing is looking increasingly likely (Box 2.2). The economy is expected to gain further momentum over 2025 as private final demand gradually recovers. Real GDP is forecast to grow by 1½ per cent in 2024–25, 2¼ per cent in 2025–26 and 2½ per cent in 2026–27.

Ex-Tropical Cyclone Alfred and the subsequent flooding significantly affected communities and businesses in southeast Queensland and northern New South Wales. The disaster curtailed economic activity, harmed industries, and damaged homes and infrastructure. The direct loss of economic activity could temporarily lower quarterly growth by up to ¼ of a percentage point. This reflects impacts on activity in the agricultural, construction, retail, transport and tourism industries. Subsequent reconstruction efforts are expected to add to real GDP growth in following quarters, although the magnitude and timing of the effect on activity is uncertain. It could also add upward pressure to prices through damage to crops and the rebuilding work.

Household consumption growth remained subdued over 2024 with many households continuing to face cost-of-living pressures, including high mortgage costs. However, growth in real household disposable income is forecast to continue to pick up, which is expected to drive a gradual rise in consumption over the forecast period.

Public final demand helped ensure the economy continued to grow over the past two years. Growth in 2024–25 is higher than expected at MYEFO due to mid-year updates to state government budgets and demand-driven programs. However, public demand is expected to moderate as private final demand becomes a more prominent driver of growth in the economy.

Business investment has grown solidly for two years and, although growth is forecast to moderate, is expected to remain at recent decade highs. Non-mining investment is expected to be the main contributor to growth over coming years, supported by investment in renewable energy infrastructure, warehouses and data centres. Dwelling investment is expected to accelerate from 2025–26 in response to robust housing demand and an easing to both supply-side constraints and financing costs.

Employment growth has been strong and the unemployment rate has remained low. The strength of the labour market has contributed to a smaller-than-expected rise in the unemployment rate. The unemployment rate is forecast to peak at 4¼ per cent, which is ¼ of a percentage point lower compared to MYEFO, and nominal wage growth is expected to remain above pre-pandemic rates.

Inflation has moderated substantially, and recent progress has been better than expected. Inflation is now forecast to be 2½ per cent through the year to the June quarter 2025, a ¼ of a percentage point lower than expected at MYEFO. Excluding energy rebates and fuel, inflation is expected to return sustainably to the target band around the middle of this year. The better near-term outlook for inflation means that real wages are now expected to grow ½ per cent in 2024–25, an upgrade of ¼ of a percentage point since MYEFO.

Table 2.2: Domestic economy – detailed forecasts[a]

	Outcomes[b]	Forecasts		
	2023–24	2024–25	2025–26	2026–27
Real gross domestic product	1.4	1 1/2	2 1/4	2 1/2
Household consumption	1.0	3/4	2 1/4	2 1/4
Dwelling investment	-1.4	1 1/2	5 1/2	7 1/2
Total business investment[c]	6.0	1	1 1/2	1 1/2
By industry				
Mining investment	7.8	-3 1/2	2 1/2	3
Non-mining investment	5.5	2 1/2	1	1
Private final demand[c]	1.7	1	2 1/2	2 3/4
Public final demand[c]	4.2	5	3	2
Change in inventories[d]	-0.5	0	0	0
Gross national expenditure	1.8	2	2 1/2	2 1/2
Exports of goods and services	3.8	1	2 1/2	2 1/2
Imports of goods and services	6.3	2 1/2	4	2 1/2
Net exports[d]	-0.4	- 1/2	- 1/4	0
Nominal gross domestic product	4.1	4 1/4	3 1/4	4
Prices and wages				
Consumer price index[e]	3.8	2 1/2	3	2 1/2
Wage price index[f]	4.1	3	3 1/4	3 1/4
GDP deflator	2.7	2 3/4	1	1 1/2
Labour market				
Participation rate (per cent)[g]	66.8	67 1/4	67	66 3/4
Employment[f]	2.2	2 3/4	1	1 1/4
Unemployment rate (per cent)[g]	4.0	4 1/4	4 1/4	4 1/4
Balance of payments				
Terms of trade[h]	-6.3	-2 1/2	-6	-3
Current account balance (per cent of GDP)	-1.3	-1 3/4	-3 3/4	-4 1/4
Net overseas migration[i]	435,000	335,000	260,000	225,000

a) Percentage change on preceding year unless otherwise indicated.
b) Calculated using original data unless otherwise indicated.
c) Excluding second-hand asset sales between the public and private sector.
d) Percentage point contribution to growth in GDP.
e) Through-the-year growth rate to the June quarter.
f) Seasonally adjusted, through-the-year growth rate to the June quarter.
g) Seasonally adjusted rate for the June quarter.
h) Some commodity prices are assumed to decline from elevated levels over four quarters to the end of the March quarter of 2026: 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.
i) Net overseas migration is forecast to be 225,000 in 2027–28 and 2028–29. The migration forecast does not incorporate the ABS National, state and territory population released on 20 March 2025.

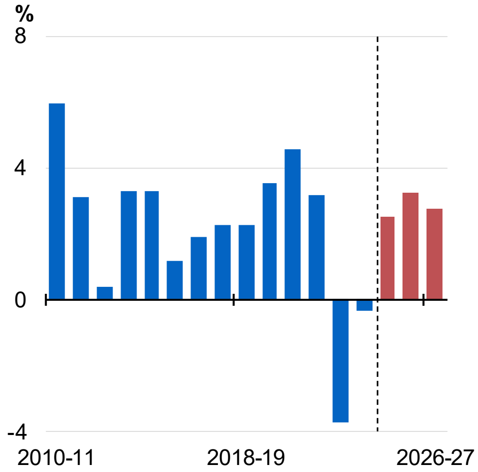
Note: These forecasts are based on several technical assumptions. The exchange rate is assumed to remain around its recent average level – a trade-weighted index of around 60 and a $US exchange rate of around 62 US cents. The cash rate assumption is informed by the Bloomberg survey of market economists and is assumed to be around 50 basis points lower by the end of 2025. World oil prices (Malaysian Tapis) are assumed to remain flat around US$81 per barrel. The labour market forecasts do not incorporate the February 2025 release of the ABS Labour Force.

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, Australia; Wage Price Index, Australia; Consumer Price Index, Australia; unpublished ABS data and Treasury.

Household consumption

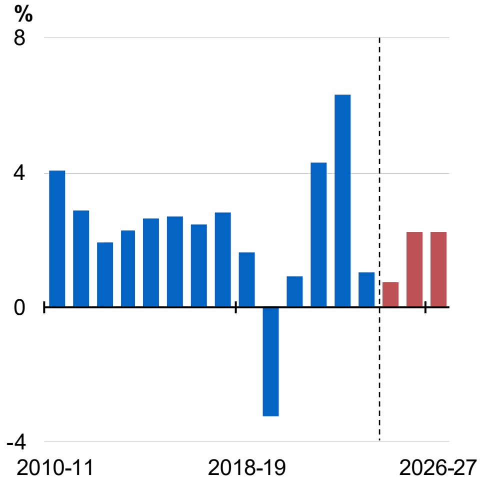
Households continue to face cost-of-living pressures, but these pressures are easing. Lower inflation, continued employment growth, higher wages, tax cuts, and the recent reduction in interest rates will support a pick-up in real household disposable income (Chart 2.7). Real household disposable income in 2026–27 is forecast to be around 8¾ per cent higher compared to 2023–24. This is expected to support a gradual pick-up in household consumption, with consumption forecast to grow by ¾ per cent in 2024–25 and 2¼ per cent in both 2025–26 and 2026–27 (Chart 2.8).

Chart 2.7: Real household gross disposable income growth



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

Chart 2.8: Household consumption growth



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

Dwelling investment

There are signs that capacity constraints in the construction sector are gradually easing. Inflation in the price of construction materials has fallen and the availability of suitable labour is beginning to improve. Alongside the easing in capacity constraints, financing costs are also expected to moderate. This will enable construction activity to gradually respond to robust housing demand, with dwelling investment expected to grow by 1½ per cent in 2024–25, 5½ per cent in 2025–26 and 7½ per cent in 2026–27 (Chart 2.9).

Business investment

Business investment has grown solidly for two years, supported by resilient business balance sheets and elevated levels of capacity utilisation. While growth in business investment is expected to moderate, the level of business investment is expected to remain elevated at decade highs.

Non-mining investment is expected to be the main contributor to growth in business investment over coming years, with key investments focused on renewable energy infrastructure, warehouses and data centres.

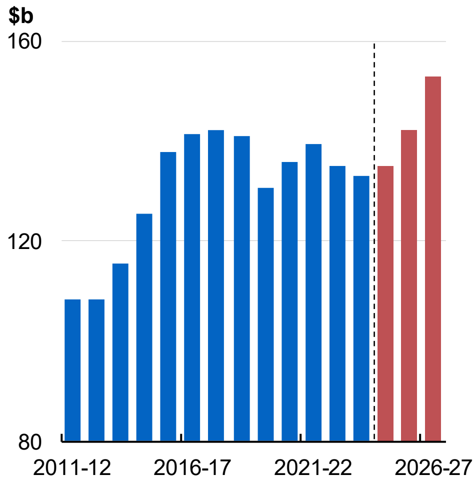
In the near term, mining investment growth is expected to moderate as new LNG projects reach completion. Future mining investment is largely expected to maintain current production levels, alongside a modest number of new small LNG and metal ore projects.

Public final demand

Growth in public demand has helped to ensure the economy has continued to grow but is forecast to moderate over the period ahead as growth in the private sector recovers. Growth in public demand has been driven by spending on essential services, cost-of-living relief and infrastructure at all levels of government. Growth in the most recent quarter was driven entirely by state spending, with the Commonwealth component falling.

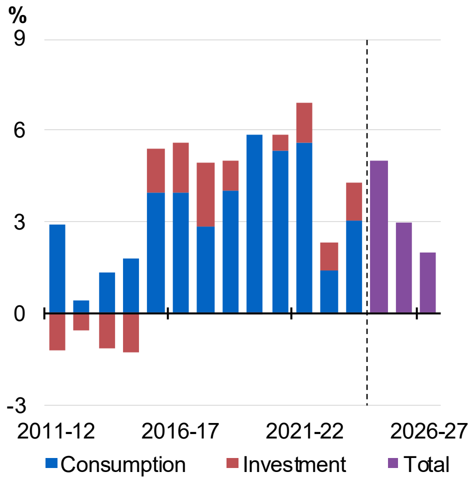
Public demand growth is forecast to moderate from 5 per cent in 2024–25 to 2 per cent in 2026–27 (Chart 2.10). Growth in 2024–25 has been revised up since MYEFO reflecting mid-year updates to state budgets and demand-driven programs in health, education and social services. The expected moderation in growth is underpinned by structural reforms to Commonwealth programs taking effect, including the National Disability Insurance Scheme and Aged Care, and the working through of the strong pipeline of infrastructure projects.

Chart 2.9: Dwelling investment



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

Chart 2.10: Public demand growth



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

International trade

Growth in exports is expected to moderate to 1 per cent in 2024–25, with services exports growth slowing following the sharp rebound in education and tourism exports in recent years. Non-rural commodity exports are expected to remain subdued, reflecting ongoing weak conditions in the Chinese property sector. Exports are forecast to grow by 2½ per cent in both 2025–26 and 2026–27.

Growth in import volumes is expected to moderate to 2½ per cent in 2024–25. This reflects the slowing in service imports, although goods imports are expected to be supported by strength in infrastructure projects. Growth is expected to be 4 per cent in 2025–26 and 2½ per cent in 2026–27.

Labour market and wages

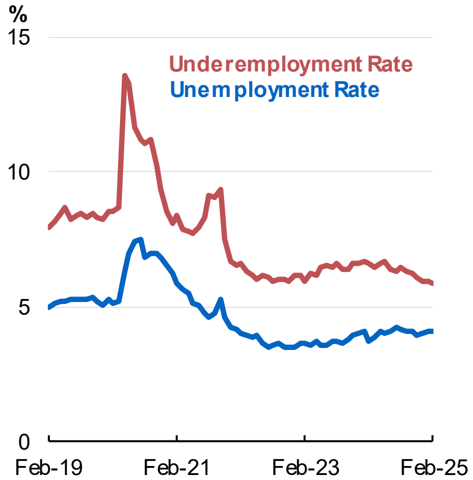
The labour market remains a source of strength with the unemployment rate remaining low at around 4 per cent over the past three quarters, participation remaining elevated and over one million additional people employed since May 2022 (Chart 2.11).

The labour market is forecast to remain robust over the period ahead. Since MYEFO, the outlook for employment growth has been upgraded and the participation rate is now expected to remain higher for longer. The peak in the unemployment rate is expected to be 4¼ per cent, a ¼ of a percentage point lower than forecast at MYEFO.

Nominal wage growth has eased over 2024–25 but, given the stronger labour market and expected improvement in productivity growth, is expected to remain above pre-pandemic rates (Chart 2.12). The Wage Price Index (WPI) grew by 3.2 per cent through the year to the December quarter 2024 and is expected to grow by 3 per cent through the year to the June quarter of 2025 and 3¼ per cent to June 2026.

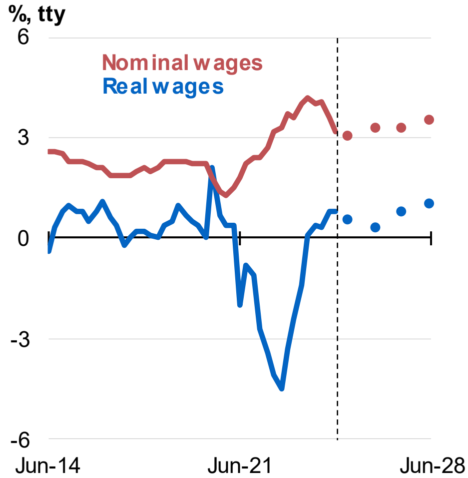
The strength of labour market conditions and easing in inflation means that real wages are growing again. Real wages, as measured by annual growth in WPI relative to the annual growth in CPI, grew 0.8 per cent through the year to December 2024. Real wages are forecast to grow ½ per cent through the year to June quarter 2025, which is ¼ of a percentage point higher compared to MYEFO, and ¼ per cent through the year to June quarter 2026.

Chart 2.11: Unemployment and underemployment rate



Source: ABS Labour Force.

Chart 2.12: Real and nominal wage growth



Source: ABS Wage Price Index, ABS Consumer Price Index and Treasury.

Inflation

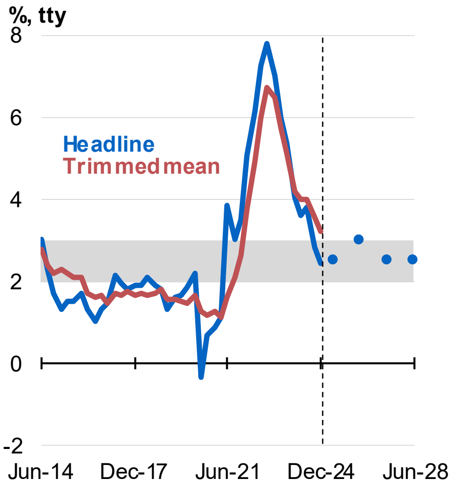
Inflation has moderated substantially across both headline and underlying measures. Headline inflation was 2.4 per cent through the year to December 2024, which is less than a third of its 2022 peak. Underlying inflation is now less than half its peak at 3.2 per cent through the year to December quarter 2024 and is 2.7 per cent on a six-month annualised basis.

Recent progress on inflation has been better than anticipated, with inflation now expected to be 2½ per cent through the year to the June quarter 2025, which is a ¼ of a percentage point lower than expected at the time of MYEFO. Headline inflation is forecast to be just below 3 per cent through the year to the June quarter 2026 and then be around the middle of the target band for the remainder of the forecast period (Chart 2.13). Abstracting from the impact of fuel and energy rebates, inflation is expected to sustainably be in the target band around the middle of 2025. This is earlier than was forecast at MYEFO, when inflation was not expected to be sustainably back in the band until late 2025. The Reserve Bank Board reduced the cash rate in February following the moderation in inflation.

Inflationary pressures have eased across a broad range of goods and services. Growth in goods prices normalised rapidly in 2023 and 2024, and services prices have shown signs of moderating (Chart 2.14). In particular, inflation in insurance prices is expected to have passed its peak, although premium prices have increased substantially to reflect major event risks, repair and replacement costs. Growth in rental prices has moderated as demand has softened and vacancy rates have increased. In addition, inflation in new dwelling prices has fallen significantly to be close to a tenth of its peak as capacity constraints in the construction sector ease.

The moderation in inflation has been assisted by cost-of-living relief and the decline in petrol prices around the end of 2024. Electricity rebates from Commonwealth and state governments and the additional indexation of Commonwealth Rent Assistance reduced headline inflation by ¾ of a percentage point through the year to the December quarter of 2024. Without Commonwealth and state government electricity rebates, electricity bills would have been, on average, around 45 per cent higher in the December quarter 2024. The extension of electricity rebates in this Budget will directly reduce annual inflation by ½ of a percentage point through the year to the December quarter 2025.

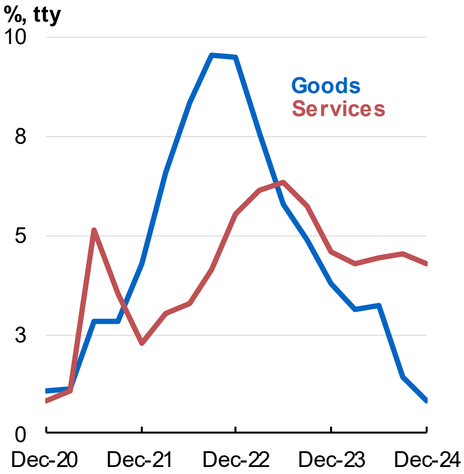
Chart 2.13: Headline inflation



Source: ABS Consumer Price Index and Treasury.

Note: Grey shading denotes the RBA target band.
Forecasts are June quarter through-the-year headline inflation rates.

Chart 2.14: Goods and services inflation



Source: ABS Consumer Price Index and Treasury.

Box 2.2: Australia's progress towards a soft landing

The Australian economy remains on track for a soft landing following the sharpest rise in global inflation in recent decades. Macroeconomic policies have been calibrated to bring inflation down while preserving labour market gains, and managing risks to growth.

Headline inflation is now less than a third of its peak in 2022 and is near the middle of the RBA's target band. Progress on inflation led the RBA to lower interest rates by 25 basis points in February 2025 – the first reduction in over four years. At the same time, the Australian economy has sustained a low unemployment rate of around 4 per cent or less since the start of 2022, and the economy has continued to grow. The December quarter 2024 National Accounts showed that the economy had turned a corner, with growth picking up in the quarter. Importantly, the private sector made a greater contribution to quarterly growth.

Australia's experience compares favourably to historical and international experiences. The economy has added more than one million jobs since the RBA started raising interest rates in May 2022, with growth in jobs higher than during previous tightening episodes, particularly over the past 16 months (Chart 2.15). The participation rate and employment-to-population ratio in Australia have recently achieved record highs. The unemployment rate has risen by 0.7 percentage points since its low in 2022. By way of comparison, in the early 1990s, the unemployment rate rose by around 5 percentage points.

Despite heightened risks in the global economy, Australia is set to maintain this momentum. Prospects for jobseekers remain positive. The number of vacancies per unemployed person remains elevated, and youth unemployment remains around 3 percentage points lower than pre-pandemic rates. Growth in private demand and market-sector employment are expected to continue to gradually pick up as increases in real household disposable incomes support a recovery in consumption growth.

Unlike every major advanced economy, Australia has sustained positive quarterly economic growth during the most recent phase of monetary policy tightening. Strong policy responses have brought down inflation in peer economies, but in most cases, this has occurred alongside weaker outcomes for economic growth and the labour market (Chart 2.16). The United Kingdom and New Zealand have experienced multiple quarters of negative growth. In New Zealand the unemployment rate is 5.1 per cent and in Canada it is 6.6 per cent. In both of those economies it has increased by nearly 2 percentage points from their 2022 lows, more than two and a half times the increase in Australia.

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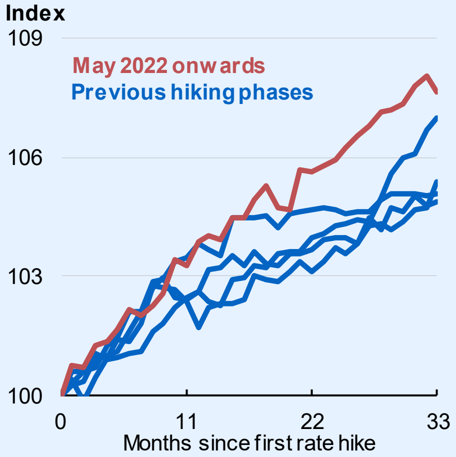
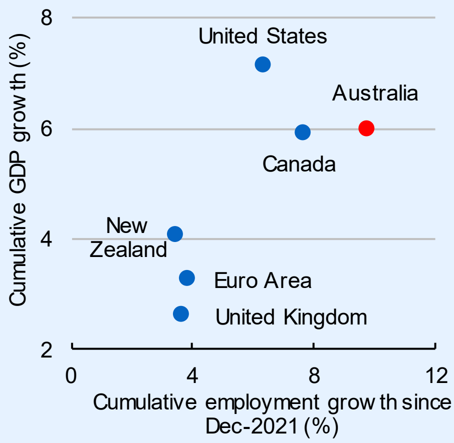
Box 2.2: Australia's progress towards a soft landing (continued)

Chart 2.15: Total employment, indexed to start of rate-hiking phase



Source: ABS Labour Force and RBA.

Chart 2.16: Cumulative GDP and employment growth since late 2021



Source: ABS Labour Force, ABS Australian National Accounts: National Income, Expenditure and Product, Refinitiv, national statistics agencies.

Net overseas migration

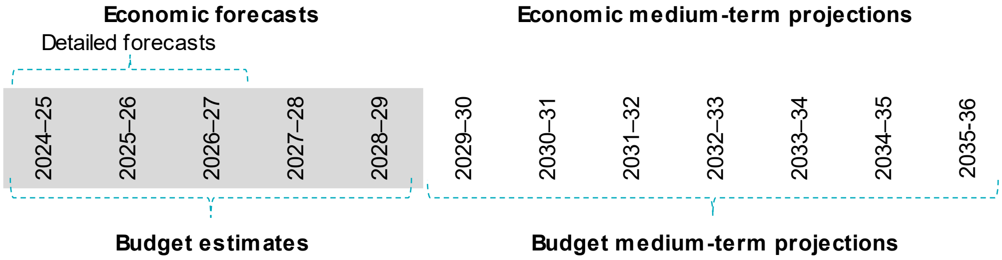
Net overseas migration (NOM) is declining from its peak in 2022–23 reflecting lower migrant arrivals. NOM is forecast to ease further over the forward estimates. Arrivals are expected to continue to decline in 2024–25 before stabilising in 2025–26. Departures are expected to pick up from recent sustained lows as more people who arrived after the pandemic near the expiry of their visa.

Nominal GDP and the medium-term outlook

Nominal GDP is expected to grow by 4¼ per cent in 2024–25. Nominal GDP growth is then expected to slow to 3¼ per cent in 2025–26 as a pick-up in economic growth is offset by a moderation in domestic inflation and sharper fall in the terms of trade.

The fiscal aggregates are underpinned by economic forecasts over the Budget estimates period and projections over the medium term (Chart 2.17).

Chart 2.17: Medium-term projections period



Source: Treasury.

Beyond the detailed forecast horizon of 2026–27, Treasury uses a macroeconometric model of the Australian economy for its forecasts and projections. The model informs how the economy returns to its trend level of output, known as potential GDP.

The long-run level of potential real GDP is ¼ per cent lower than MYEFO. This reflects continuing 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 year, the unemployment rate remains at Treasury's Non-Accelerating Inflation Rate of Unemployment (NAIRU) assumption of 4¼ per cent and domestic inflation converges to the midpoint of the RBA's target band.

Statement 3: Fiscal Strategy and Outlook

This Budget continues the Government's record of responsible economic and fiscal management. The underlying cash balance has improved by a cumulative $207 billion over the seven years to 2028–29, compared to the 2022 Pre-election Economic and Fiscal Outlook (PEFO). This is the largest nominal budget improvement in a parliamentary term. After delivering the first back-to-back surpluses in nearly two decades, the underlying cash deficit in 2024–25 is almost half what was forecast at the PEFO.

Gross debt is $177 billion lower in 2024–25 than forecast at the PEFO. This will help avoid more than $60 billion in interest costs over the eleven years to 2032–33. Gross debt is expected to peak at 37.0 per cent of GDP in 2029–30, 7.9 percentage points lower than the peak in the PEFO, before declining to 31.9 per cent of GDP by 2035–36.

The Government's record of finding savings, limiting spending growth, and banking the majority of tax receipt upgrades has helped to deliver a stronger fiscal outlook. The Government has delivered $94.1 billion in savings and reprioritisations since the PEFO. Over the seven years to 2028–29, real payments growth is estimated to average 1.7 per cent per year, around half the average of 3.2 per cent over the past 30 years. The Government has also returned 69 per cent of tax receipt upgrades to the budget since the PEFO.

Fiscal policy has worked with monetary policy to return inflation to the Reserve Bank of Australia's (RBA's) target band in the second half of 2024. The Government's fiscal settings are consistent with inflation sustainably returning to the target band around the middle of 2025.

The Budget position is stronger in every year of the forward estimates than the PEFO and cumulatively stronger over the forward estimates than MYEFO. A deficit of $42.1 billion is forecast in 2025–26, an improvement of $4.8 billion since MYEFO.

The Government has also made significant progress in addressing longer term structural spending pressures including interest costs on debt, the National Disability Insurance Scheme (NDIS) and aged care.

These improvements have been achieved at the same time as the Government has taken pressure off Australians by delivering responsible cost-of-living relief and invested in strengthening Medicare and building a more competitive and dynamic economy.

The Government's responsible approach is recognised by ratings agencies. Australia remains one of only nine countries with a AAA sovereign credit rating from all three major ratings agencies. This year, Australia's gross debt-to-GDP (including all levels of government) is expected to be around half the advanced economy average, more than 50 percentage points below the United Kingdom, and more than 70 percentage points below the United States.

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Statement 3: Fiscal Strategy and Outlook

A deficit of 1.0 per cent of GDP ($27.6 billion) is forecast for 2024–25 (Table 3.1). This is in line with MYEFO and almost half what was forecast at the PEFO. A deficit of 1.5 per cent of GDP ($42.1 billion) is forecast in 2025–26, an improvement of 0.2 percentage points since MYEFO.

Since MYEFO, 2024–25 forecast payments and receipts have decreased by 0.2 percentage points of GDP. In 2025–26, payments are expected to be 0.2 percentage points lower compared to the MYEFO, with receipts forecast to remain broadly unchanged.

Since the PEFO, the Government has had to commit $51.1 billion in legacy and unavoidable spending to resolve issues inherited from the former Government, extend terminating measures to ensure Australians do not see cuts to the essential services they rely on, and respond to urgent and unforeseen issues.

Table 3.1: Australian Government general government sector budget aggregates

	Actual	Estimates						Projections
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	Total(a)	2035-36
	$b	$b	$b	$b	$b	$b	$b	% of GDP
Underlying cash balance	**15.8**	**-27.6**	**-42.1**	**-35.7**	**-37.2**	**-36.9**	**-179.5**	
Per cent of GDP	0.6	-1.0	-1.5	-1.2	-1.2	-1.1		0.0
Receipts	**688.6**	**703.9**	**735.4**	**766.0**	**797.4**	**840.8**	**3,843.5**	
Per cent of GDP	25.8	25.3	25.5	25.6	25.3	25.3		26.8
Tax receipts	**633.4**	**645.2**	**676.1**	**707.6**	**735.9**	**778.3**	**3,543.1**	
Per cent of GDP	23.7	23.1	23.5	23.6	23.4	23.4		24.9
Non-tax receipts	**55.2**	**58.7**	**59.3**	**58.4**	**61.4**	**62.6**	**300.4**	
Per cent of GDP	2.1	2.1	2.1	2.0	2.0	1.9		1.9
Payments(b)	**672.8**	**731.5**	**777.5**	**801.7**	**834.6**	**877.7**	**4,023.0**	
Per cent of GDP	25.2	26.2	27.0	26.8	26.5	26.4		26.8
Gross debt(c)	**906.9**	**940.0**	**1,022.0**	**1,092.0**	**1,161.0**	**1,223.0**		
Per cent of GDP	33.9	33.7	35.5	36.5	36.9	36.8		31.9
Net debt(d)	**491.5**	**556.0**	**620.3**	**676.3**	**714.1**	**768.2**		
Per cent of GDP	18.4	19.9	21.5	22.6	22.7	23.1		20.2
Net interest payments(e)	**12.3**	**14.9**	**18.5**	**21.2**	**26.9**	**28.1**	**109.6**	
Per cent of GDP	0.5	0.5	0.6	0.7	0.9	0.8		1.1

a) Total is equal to the sum of amounts from 2024–25 to 2028–29.
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 and is presented as at the end of the financial year.
d) Net debt is the sum of interest-bearing liabilities (which includes AGS on issue measured at market value) less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements) and is presented as at the end of the financial year.
e) Net interest payments are equal to the difference between interest payments and interest receipts.

Economic and Fiscal Strategy

The Government's Economic and Fiscal Strategy is 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. The Strategy is unchanged since MYEFO.

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:

- Improving the budget position.
  - The underlying cash balance has improved by a cumulative $207 billion over the seven years to 2028–29, compared to projections at the PEFO.
  - Since MYEFO, the underlying cash balance has improved by $1.6 billion over the five years to 2028–29.
  - A deficit of 1.5 per cent of GDP ($42.1 billion) is forecast in 2025–26, an improvement of 0.2 percentage points of GDP since MYEFO.
- Reducing debt as a share of the economy over time.
  - Gross debt-to-GDP is expected to peak at 37.0 per cent at 30 June 2030 and then fall to 31.9 per cent at 30 June 2036.
  - Gross debt is lower by $177 billion in 2024–25, and also lower in every year of the projection period than expected at the PEFO.
  - Gross debt-to-GDP is expected to peak 7.9 percentage points lower than the forecast peak at the PEFO. By 30 June 2033, gross debt is projected to be around $76 billion (4.9 percentage points of GDP) lower than at the PEFO.
  - Improvements to the budget position, compared to the PEFO, are expected to save more than $60 billion in interest payments over the 11 years to 2032–33.
- Repairing the budget through $2.1 billion in savings and reprioritisations and $1.8 billion in improvements to the tax system in this Budget. This brings total savings and spending reprioritisations to $94.1 billion, and total budget improvements to $123.8 billion, since the PEFO.
- Limiting spending, with real payments growth over the seven years to 2028–29 averaging 1.7 per cent per year, and 2.7 per cent per year over the five years to 2028–29. This compares to an annual average of 3.2 per cent over the past 30 years.
- Returning the majority of tax receipt upgrades to the budget.
  - Since coming to Government, the Government has returned to the budget 69 per cent of tax receipt upgrades over the seven years to 2028–29.
  - The upgrades returned since the PEFO have improved the underlying cash balance by a cumulative $249.6 billion over seven years to 2028–29, avoiding $111.6 billion in interest payments over the 11 years to 2032–33.

Fiscal policy has worked with monetary policy to return headline inflation to the target band in the second half of 2024. The Government's fiscal settings continue to be consistent with sustainably returning inflation to the target band, which is expected to occur around the middle of this year. Australia maintains one of the strongest fiscal positions amongst peer economies (see Box 3.2).

The Government's responsible economic and fiscal management has eased cost-of-living pressures for millions of Australians, delivered the largest nominal budget improvement in a parliamentary term and created the conditions for a stronger, more productive economy. Inflation has fallen substantially, unemployment remains low, since mid-2022 employment has grown by over one million people, with 80 per cent in private sector jobs, real wages are growing, the gender pay gap is near its narrowest on record, and interest rates have begun to fall.

Addressing unavoidable issues

The Government has had to provide $3.5 billion over five years to 2028–29 for unavoidable policy decisions since MYEFO. Investment in these critical areas supports the delivery of essential services and prevents cuts to services Australians rely on. Unavoidable policy decisions since MYEFO include:

- new and amended listings on the Pharmaceutical Benefits Scheme and new and amended items on the Medicare Benefits Schedule.
- addressing unavoidable cost pressures for projects in the Infrastructure Investment Program, including the Bruce Highway – Rockhampton Ring Road in Queensland, Barwon Heads Road Upgrade – Stage 2 in Victoria and Homebush Bay Drive in New South Wales.
- program funding to support the Illicit Tobacco Compliance and Enforcement Package, focused on sustained disruption of the illicit trade in tobacco and associated nicotine products.
- supporting implementation of the *Aged Care Act 2024* and funding the outcome of the Fair Work Commission's decision to increase the minimum award wages of registered and enrolled nurses employed in the aged care sector.
- funding essential government services, including modernising My Health Record, addressing border and biosecurity threats from illegal fishing activities in Australia's northern waters, and sustaining the Australian Criminal Intelligence Commission, Australian Maritime Safety Authority, Australian Transport Safety Bureau and Civil Aviation Safety Authority.

Since the PEFO, the Government has committed $51.1 billion in unavoidable spending to respond to urgent and unforeseen issues, extend terminating measures to continue essential services and resolve issues inherited from the former Government.

Box 3.2: International comparisons of fiscal performance

Australia has one of the strongest fiscal positions amongst peer economies. Australia is one of only nine countries to maintain a AAA credit rating from all three major ratings agencies.

The International Monetary Fund (IMF) projects Australia's general government budget deficit (including all levels of government) to be two per cent of GDP in 2025. This represents an improvement in the budget balance of four percentage points since 2021, a larger improvement than in most comparable economies (Chart 3.1). The deficit in Australia in 2025 is expected to be less than half of the advanced economy average.

A stronger budget position has helped to keep Australia's gross debt levels low by international standards (Chart 3.2). The IMF projects Australia's gross debt-to-GDP to be nearly 40 percentage points below levels in the euro area, more than 50 percentage points below the United Kingdom, and more than 70 percentage points below the United States. Australia is estimated to have the fifth lowest gross debt-to-GDP ratio in the G20 in 2025.

Chart 3.1: Change in fiscal balance to GDP from 2021 to 2025

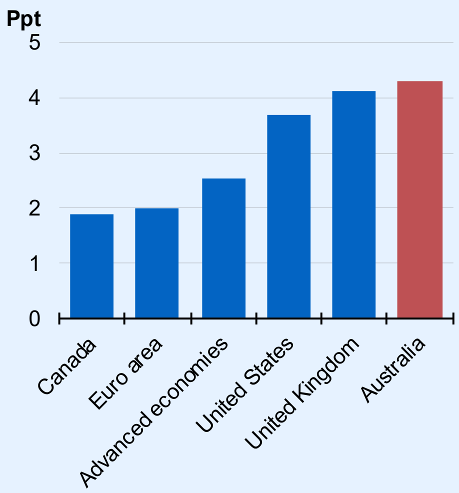
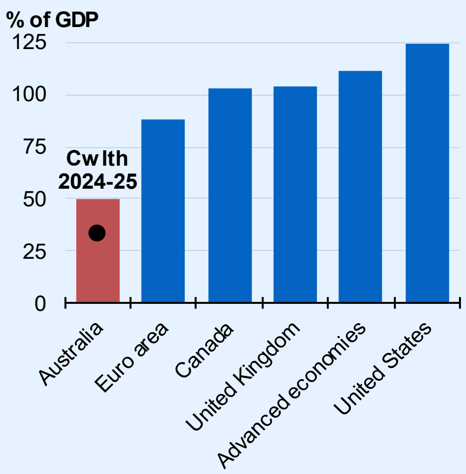


Chart 3.2: Gross debt in 2025



Source: Treasury, 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.

Low levels of government debt ensure that Australia is well placed to navigate a more challenging global environment (see *Statement 2: Economic Outlook*). It maintains Australia's capacity to respond to future economic swings should risks materialise. At the same time, it preserves the ability to sustain essential services and maintains lower borrowing costs than otherwise.

Fiscal outlook

Underlying cash balance estimates

The underlying cash balance has improved by a cumulative $1.6 billion over the five years to 2028–29 since MYEFO and by a cumulative $207 billion over the seven years to 2028–29 since the PEFO.

The underlying cash balance is estimated to be a $27.6 billion deficit (1.0 per cent of GDP) in 2024–25, which is $0.7 billion higher than forecast at MYEFO in nominal terms, but broadly equivalent in per cent of GDP terms (Table 3.2). This follows a $15.8 billion surplus in 2023–24 and a $22.1 billion surplus in 2022–23, the first back-to-back surpluses in nearly two decades and the largest nominal back-to-back surpluses on record.

An underlying cash deficit of $42.1 billion (1.5 per cent of GDP) is forecast for 2025–26, a $4.8 billion improvement from the forecast at MYEFO. The underlying cash deficit is then expected to improve to $36.9 billion (1.1 per cent of GDP) in 2028–29.

Policy decisions since MYEFO have been limited to just $0.1 billion in 2024–25. Over the five years to 2028–29 net policy decisions have increased the underlying cash deficit by $34.9 billion. This includes delivering new tax cuts to every Australian taxpayer from 1 July 2026 and further responsible cost-of-living relief, $3.5 billion in unavoidable spending and $2.2 billion in additional funding for hospitals and public schools. Parameter and other variations since MYEFO have decreased the underlying cash deficit by $36.4 billion over the five years to 2028–29.

In this Budget, $8.3 billion of policy decisions were funded by provisions from previous updates, limiting their impacts on the underlying cash balance in this update.

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

	Estimates					
	2024-25	2025-26	2026-27	2027-28	2028-29	Total
	$m	$m	$m	$m	$m	$m
2024-25 Budget underlying cash balance	**-28,286**	**-42,838**	**-26,713**	**-24,345**	*	*
Per cent of GDP	-1.0	-1.5	-0.9	-0.8	*	
Changes from 2024-25 Budget to 2024-25 MYEFO						
Effect of policy decisions(a)	-2,064	-8,245	-4,777	-2,380	*	*
Effect of parameter and other variations	3,401	4,168	-6,864	-4,945	*	*
Total variations	**1,337**	**-4,077**	**-11,641**	**-7,325**	*	*
2024-25 MYEFO underlying cash balance(b)	**-26,949**	**-46,915**	**-38,353**	**-31,671**	**-37,199**	**-181,087**
Per cent of GDP	-1.0	-1.6	-1.3	-1.0	-1.1	
Changes from 2024-25 MYEFO to 2025-26 Budget						
Effect of policy decisions(a)(c)						
Receipts	*21*	*-103*	*-3,425*	*-6,129*	*-4,542*	*-14,178*
Payments	*158*	*7,141*	*4,230*	*4,533*	*4,644*	*20,706*
Total policy decisions impact on underlying cash balance	-137	-7,244	-7,655	-10,662	-9,186	-34,884
Effect of parameter and other variations(c)						
Receipts	*-284*	*7,036*	*6,009*	*-570*	*-3,797*	*8,394*
Payments	*236*	*-5,001*	*-4,294*	*-5,656*	*-13,328*	*-28,043*
Total parameter and other variations impact on underlying cash balance	-520	12,037	10,303	5,086	9,531	36,437
2025-26 Budget underlying cash balance	**-27,605**	**-42,122**	**-35,706**	**-37,247**	**-36,854**	**-179,534**
Per cent of GDP	-1.0	-1.5	-1.2	-1.2	-1.1	

*Data are not available.

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

b) 2028–29 as published in the medium-term projections, page 59 of the *Mid-Year Economic and Fiscal Outlook 2024–25.*

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

Receipts estimates

Since MYEFO, forecast total receipts have increased by $6.9 billion in 2025–26 and decreased by $5.8 billion over the five years to 2028–29.

Since MYEFO, forecast tax receipts have increased by $6.4 billion in 2025–26 and decreased by $6.6 billion over the five years to 2028–29. Since MYEFO, forecast non-tax receipts have increased by $0.5 billion in 2025–26 and by $2.3 billion over the five years to 2028–29.

Receipts policy decisions over the forward estimates

Total receipts in 2025–26 are broadly unchanged since MYEFO as a result of net policy decisions. Over the five years to 2028–29, policy decisions have decreased total receipts by $14.2 billion, which overwhelmingly reflects tax receipts measures. Key tax receipts measures include:

- delivering new tax cuts to every Australian taxpayer from 1 July 2026 to provide further cost-of-living relief, return bracket creep and boost labour supply. This measure, which adds to the first round of tax cuts that commenced on 1 July 2024, is estimated to decrease receipts by $17.1 billion over the five years from 2024–25.

- strengthening the fairness and sustainability of Australia's tax system by extending and expanding tax compliance activities. This measure is estimated to increase receipts by $3.2 billion and increase payments by $1.4 billion. The increase in payments includes $999.0 million in additional funding for the Australian Taxation Office (ATO), an increase in GST payments to the states and territories of $402.6 million and $31.0 million in unpaid superannuation to be disbursed to employees.

- strengthening the sanctions available to the Tax Practitioners Board (TPB), modernising the registration framework for tax practitioners and providing funding to the TPB to undertake additional investigation and compliance activity targeting high-risk tax practitioners. This measure is estimated to increase receipts by $47.0 million and increase payments by $27.4 million over the five years from 2024–25.

- pausing indexation on draught beer excise and excise-equivalent customs duty rates for a two-year period, from August 2025, and increasing support available under the existing *Excise remission scheme for manufacturers of alcoholic beverages* and *Wine Equalisation Tax Producer rebate* by increasing the maximum remission or rebate cap to $400,000 per financial year, from 1 July 2026. This measure is estimated to decrease receipts by $165.0 million over the five years from 2024–25.

- banning foreign purchases of established dwellings for a two-year period from 1 April 2025, subject to limited exceptions, and implementing an audit program to target land banking by foreign buyers. This measure will increase payments by $14.6 million in additional funding for the Australian Taxation Office and Treasury over the four years from 2025–26 and decrease receipts by $90.0 million over the five years from 2024–25 due to forgone revenue from foreign investment application fees.

- increasing the Medicare levy low-income thresholds by 4.7 per cent for singles, families, and seniors and pensioners from 1 July 2024. This means more than one million Australians on lower incomes will continue to be exempt from paying the Medicare levy or pay a reduced levy rate. This measure is estimated to decrease receipts by $648.0 million over the five years from 2024–25.

Since MYEFO, policy decisions are expected to increase non-tax receipts by $0.2 billion in 2025–26, and by $0.9 billion over the five years to 2028–29. This increase is largely driven by the standard non-tax revenue impacts of Pharmaceutical Benefits Scheme listings, which partially offset expenditure impacts of these listings.

Further details of Government policy decisions are provided in Budget Paper No. 2, *Budget Measures 2025–26.*

Receipts parameter and other variations over the forward estimates

Parameter and other variations have increased total receipts since MYEFO by $7.0 billion in 2025–26 and by $8.4 billion over five years to 2028–29 (Table 3.2).

The change in total receipts due to parameter and other variations since MYEFO primarily reflects tax receipts, which have been revised up by $6.7 billion in 2025–26 and up by $8.5 billion over five years to 2028–29.

Excluding GST and policy decisions, tax receipts have been revised up by $6.7 billion in 2025–26 and $9.4 billion over the five years to 2028–29. Higher employment and continuing strength in the labour market is the main driver of the upgrade since MYEFO. This is supported in the near term by temporary strength in mining sector profits, leading to higher company tax receipts. This is partly offset by a downgraded outlook for excisable tobacco volumes across the forward estimates.

Since MYEFO, parameter and other variations are expected to increase non-tax receipts by $0.3 billion in 2025–26 and by $1.4 billion over the five years to 2028–29. This increase is driven by increases in the number and value of funded benefit transfers to the Consolidated Revenue Fund from the Commonwealth Superannuation Corporation, and in anticipated lodgments of unclaimed monies from financial institutions. This increase is partially offset by lower-than-expected Commonwealth Government interest earnings due to an anticipated decrease in short-term interest rates.

Further information on expected receipts is provided in *Statement 4: Revenue.* Analysis of the sensitivity of the receipts estimates to changes in the economic outlook is provided in *Statement 7: Forecasting Performance and Sensitivity Analysis.*

Payments estimates

Since MYEFO, total projected payments have increased by $2.1 billion in 2025–26 and decreased by $7.3 billion over five years to 2028–29 (see Table 3.3). Real payments growth over the seven years to 2028–29 is expected to average 1.7 per cent per year and over the five years to 2028–29 it is expected to average 2.7 per cent per year.

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

	Estimates					
	2024-25	2025-26	2026-27	2027-28	2028-29	Total
	$m	$m	$m	$m	$m	$m
2024-25 Budget payments	**726,732**	**762,192**	**786,722**	**826,157**	*	*
Changes from 2024-25 Budget to 2024-25 MYEFO						
Effect of policy decisions(b)	2,466	8,557	5,175	2,920	*	*
Effect of parameter and other variations	1,935	4,587	9,841	6,673	*	*
Total variations	**4,401**	**13,143**	**15,017**	**9,593**	*	*
2024-25 MYEFO payments(c)	**731,133**	**775,335**	**801,739**	**835,749**	**886,378**	**4,030,334**
Changes from 2024-25 MYEFO to 2025-26 Budget						
Effect of policy decisions(b)	158	7,141	4,230	4,533	4,644	20,706
Effect of parameter and other variations	236	-5,001	-4,294	-5,656	-13,328	-28,043
Total economic parameter variations	-109	-5	-177	389	*	*
Unemployment benefits	*-61*	*-463*	*-582*	*-392*	*	*
Prices and wages	*-133*	*-488*	*-331*	*34*	*	*
Interest and exchange rates	*438*	*952*	*893*	*898*	*	*
GST payments to the States	*-353*	*-5*	*-158*	*-151*	*	*
Interest payments on AGS	-256	-424	-771	-913	*	*
Program specific parameter variations	916	1,643	1,727	2,956	*	*
Other variations(d)	-315	-6,215	-5,073	-8,087	*	*
Total variations	**394**	**2,140**	**-64**	**-1,122**	**-8,684**	**-7,337**
2025-26 Budget payments	**731,527**	**777,475**	**801,676**	**834,627**	**877,694**	**4,022,998**

*Data are not available.

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

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

c) 2028–29 as published in the medium-term projections, page 60 of the *Mid-Year Economic and Fiscal Outlook 2024–25.*

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

Payment policy decisions over the forward estimates

New policy decisions since MYEFO have increased total payments by $7.1 billion in 2025–26 and by $20.7 billion over five years from 2024–25 to 2028–29.

Major policy decisions since MYEFO that have increased payments include:

- funding to improve access to affordable health care, including extending eligibility for bulk billing incentives to all Australians, the creation of additional incentives for practices to become fully bulk billed, supporting the digital health reform agenda and ensuring the Medicare Benefits Schedule is modern and clinically appropriate, which is expected to increase payments by $8.4 billion over five years from 2024–25.

- funding for new road and rail infrastructure priority projects within the Infrastructure Investment Program, which is expected to increase payments by $1.8 billion over five years from 2024–25.
- funding for new and amended listings on the Pharmaceutical Benefits Scheme, Repatriation Pharmaceutical Benefits Scheme, Stoma Appliance Scheme and Take Home Naloxone program, which is expected to increase payments by $1.8 billion over five years from 2024–25.
- funding to continue energy bill rebates of $75 per quarter for all Australian households and eligible small businesses until 31 December 2025, which is expected to increase payments by $1.8 billion in 2025–26.
- additional funding for the National Health Reform Agreement in 2025–26, which is expected to increase payments by $1.8 billion in 2025–26.
- funding to lower the Pharmaceutical Benefits Scheme general patient co-payment from $31.60 to $25.00 on 1 January 2026, which is expected to increase payments by $784.6 million over four years from 2025–26.
- additional funding for the Better and Fairer Schools Agreement, which is expected to increase payments by $407.5 million over four years from 2025–26.

Since MYEFO, further reductions in spending on consultants, contractors and labour hire have been applied, which will achieve savings of $718.8 million in 2028–29.

Payment parameter and other variations over the forward estimates

Parameter and other variations since MYEFO have decreased payments by $5.0 billion in 2025–26 and by $28.0 billion over five years from 2024–25 to 2028–29.

This is primarily driven by lower estimated payments for the NDIS, the Commonwealth Debt Management program and on road and rail transport projects under the Infrastructure Investment Program. These are partially offset by higher estimated payments related to the Aged Care Services program and Financial Support for People with Disability program.

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

- payments related to road and rail transport projects under the Infrastructure Investment Program, which are expected to decrease by $255.7 million in 2025–26 and by $4.6 billion over five years to 2028–29, largely reflecting revised project delivery schedules and the application of a slippage adjustment. Slippage is a usual occurrence for large and complex capital infrastructure projects. The slippage adjustment takes into account historical experience, including the timing of states claiming payments against milestones and the impact of revised project delivery schedules for some projects. The decrease is partially offset by the Government’s additional investments in road and rail priority projects.

- payments related to the NDIS, which are expected to decrease by $954.0 million in 2025–26 and $3.9 billion over five years to 2028–29, largely reflecting lower spending over the year to date, and hence lower forecast NDIS payments.

- payments related to Commonwealth debt management, which are expected to decrease by $424.4 million in 2025–26 and $3.3 billion over five years to 2028–29, largely reflecting lower forecasts for interest rates.

- payments related to the Support for Seniors program, which are expected to decrease by $343.7 million in 2025–26 and $1.6 billion over five years to 2028–29, largely reflecting lower-than-expected indexation rates for the Age Pension due to downwards revisions to the near-term outlook for inflation.

- payments related to the Pharmaceutical Benefits Scheme, which are expected to decrease by $5.6 million in 2025–26 and $671.0 million over five years to 2028–29, largely reflecting updated pharmaceutical pricing assumptions, and lower-than-expected prescription volumes for some high-cost listings.

- payments related to the Research and Development Tax Incentive program, which are expected to increase by $55.8 million in 2025–26 and decrease by $640.6 million over five years to 2028–29, largely reflecting lower-than-expected numbers of claims.

- payments related to the Job Seeker Income Support program, which are expected to decrease by $136.7 million in 2025–26 and $616.3 million over five years to 2028–29, largely reflecting lower-than-expected indexation rates, due to downwards revisions to the near-term outlook for inflation, and downward revisions to unemployment beneficiary recipient numbers, reflecting a stronger labour market.

- payments related to the Student Payments program, which are expected to decrease by $134.0 million in 2025–26 and $476.8 million over five years to 2028–29, largely reflecting lower-than-expected Youth Allowance (Student) recipient numbers.

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

- payments related to the Aged Care Services program, which are expected to increase by $906.1 million in 2025–26 and $3.1 billion over five years to 2028–29. This is largely due to increased funding for wages as a result of the Fair Work Commission’s decision to increase minimum award wages for aged care nurses from 1 March 2025, and increased funding for the Home Care Packages program due to increased package use. The budget impact of this increase is partially offset by funding provisioned in the Contingency Reserve for wage increases for aged care nurses.

- payments related to the Financial Support for People with Disability program, which are expected to increase by $408.5 million in 2025–26 and $2.4 billion over five years to 2028–29, reflecting stronger growth in the Disability Support Pension recipient numbers and average payment rates.

- payments related to the Medical Benefits program, which are expected to increase by $18.2 million in 2025–26 and $668.1 million over five years to 2028–29, largely reflecting higher than expected demand for medical services and more patients than expected reaching the Extended Medicare Safety Net Threshold.

- payments related to the National Partnership Payments – Natural Disaster Relief program, which are expected to increase by $214.9 million in 2025–26 and $487.7 million over five years to 2028–29, largely reflecting updated estimates received from states and territories for payments and changes in the timing of payments.

- payments related to the Australian Screen and Digital Game Production Incentive program, which are expected to increase by $46.0 million in 2025–26 and $478.8 million over five years to 2028–29, largely reflecting an increase in both the quantity and value of large budget project applications expected to be certified.

Consistent with past budgets, the underlying cash balance has been improved by regular draw down of the conservative bias allowance. Details in *Statement 5: Expenses and Net Capital Investment.*

Headline cash balance

The headline cash balance adjusts the underlying cash balance to include net cash flows from investments in financial assets for policy purposes (IFAPPs). This includes Specialist Investment Vehicles which invest in projects that deliver public value and a financial return to taxpayers. For example, Clean Energy Finance Corporation (CEFC) loans and equity investments impact the headline cash balance but not the underlying cash balance. Table 3.4 details differences between the underlying and headline cash balance estimates.

A headline cash deficit of $65.2 billion (2.3 per cent of GDP) is estimated in 2025–26, compared to an estimated deficit of $70.3 billion at MYEFO. The improvement is predominantly driven by the improvement in the underlying cash balance. The headline cash balance moderates to a deficit of $55.9 billion (1.7 per cent of GDP) in 2028–29.

Estimated net cash outflows for IFAPPs decreased by $4.7 billion over the four years to 2027–28 compared to MYEFO. This is largely due to:

- A $2.8 billion decrease in outflows for the CEFC, reflecting revised timelines across both Rewiring the Nation and the CEFC's other activities.

- A $776 million decrease in outflows for the Help to Buy scheme, reflecting revisions to the rollout of the program. This is partially offset by additional investment to increase income and property price caps under the program. Further information can be found in the 2025–26 Budget measure *Housing support.*

- A $317 million decrease in outflows for the Northern Australia Infrastructure Facility, due to proponent-driven changes to loan utilisation.

The decrease in outflows for IFAPPs over the four years to 2027–28 is partially offset by an additional $1.4 billion in cash outflows from the National Reconstruction Fund. This results from an updated investment pipeline which will see more investments made in 2024–25 and 2025–26.

Net cash flows for a number of programs listed in Table 3.4 reflect the inclusion of funding provided by the Government in a prior update. These funds were previously captured within the 'Net other' line and are now incorporated in their relevant line items. These include:

- $5.5 billion over the five years from 2024–25 for the Help to Buy scheme. Those amounts are now itemised against Housing Australia, taking into account the revisions to the rollout and the additional investment.
- $1.6 billion over the four years from 2025–26 to recapitalise the CEFC to invest in renewable energy, energy efficiency and low emissions technologies. Further information can be found in the 2025–26 Budget measure *Strengthening the Clean Energy Finance Corporation.*
- $1.4 billion over three years from 2024–25 to provide additional equity funding to NBN Co as part of the upgrade of the remaining 622,000 NBN premises on the national fibre-to-the-node (FTTN) network. Further information can be found in the 2025–26 Budget measure *Building Australia's Future – completing the NBN fibre upgrades.*
- $570 million in 2024–25 for a budget support loan to Papua New Guinea (PNG) to address the PNG Government's estimated 2024 budget shortfall, with associated repayments totalling $128 million within the forward estimates to 2028–29. Further information can be found in the 2025–26 Budget Measure *International Assistance.*

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

	Estimates					
	2024-25	2025-26	2026-27	2027-28	2028-29	Total
	$m	$m	$m	$m	$m	$m
2025-26 Budget underlying cash balance	**-27,605**	**-42,122**	**-35,706**	**-37,247**	**-36,854**	**-179,534**
***plus* Net cash flows from investments in financial assets for policy purposes(a)**						
Student loans	-3,869	-4,881	-5,334	-5,747	-6,098	-25,928
NBN investment	-1,473	-1,050	-186	0	0	-2,709
Snowy Hydro Limited loan	-150	-1,450	-1,450	-1,450	0	-4,500
Snowy Hydro Limited investment	-1,625	-975	0	0	0	-2,600
Australian apprenticeship support loans	-114	-161	-179	-186	-193	-834
CEFC loans and investments	-3,106	-3,071	-4,784	-5,539	-4,668	-21,168
Northern Australia Infrastructure Facility	-492	-959	-851	-540	-295	-3,138
NRFC loans and investments	-1,299	-1,913	-2,338	-2,959	-3,467	-11,975
Australian Business Securitisation Fund	-563	-151	-101	-101	-2	-918
Structured Finance Support Fund	153	0	0	0	0	153
Drought and rural assistance loans	-334	-281	147	163	60	-244
Official Development Assistance - Australian Development Investments	-102	-37	-8	0	0	-146
Official Development Assistance - Multilateral Replenishment	-142	-195	-170	-186	-176	-869
Home Equity Access Scheme	-179	-232	-289	-335	-364	-1,399
Housing Australia	-913	-3,467	-4,369	-1,954	-1,588	-12,291
Indigenous Business Australia home and business loans	-104	-217	-111	-114	-114	-660
National Interest Account loans and investments	-886	-1,097	-530	9	323	-2,181
COVID-19 Support for Indonesia – loan	100	100	100	100	100	500
Financial Assistance to Papua New Guinea – loan	-415	169	169	169	169	262
Net other(b)	-3,561	-3,209	-2,476	-1,292	-2,688	-13,226
Total net cash flows from investments in financial assets for policy purposes	**-19,076**	**-23,076**	**-22,759**	**-19,961**	**-18,999**	**-103,871**
2025-26 Budget headline cash balance	**-46,681**	**-65,198**	**-58,465**	**-57,209**	**-55,853**	**-283,406**

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

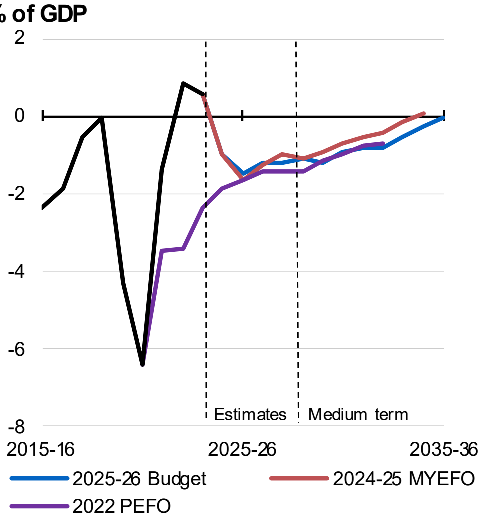
Medium-term projections

The underlying cash balance is expected to return to balance in 2035–36 (Chart 3.3). The change in the underlying cash balance over the medium-term since MYEFO primarily reflects the new tax cuts for all Australian taxpayers.

By 30 June 2036, gross debt is expected to be 31.9 per cent of GDP (Chart 3.4). Compared to the PEFO, gross debt is lower every year of the projection period.

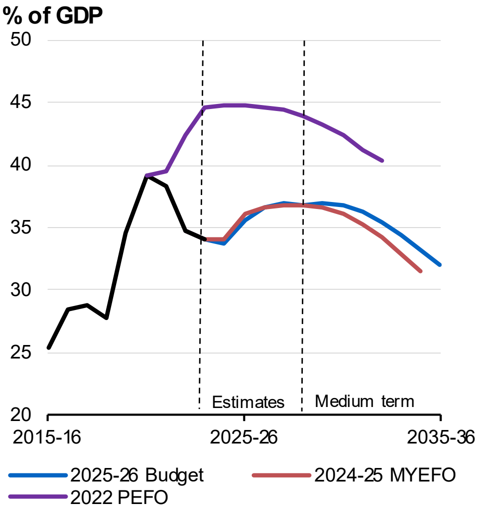
Total receipts as a share of GDP are expected to increase from 25.3 per cent of GDP in 2028–29 to 26.8 per cent of GDP in 2035–36. Total payments as a share of GDP are expected to increase from 26.4 per cent in 2028–29 to 26.8 per cent in 2035–36 (Chart 3.5).

Chart 3.3: Underlying cash balance



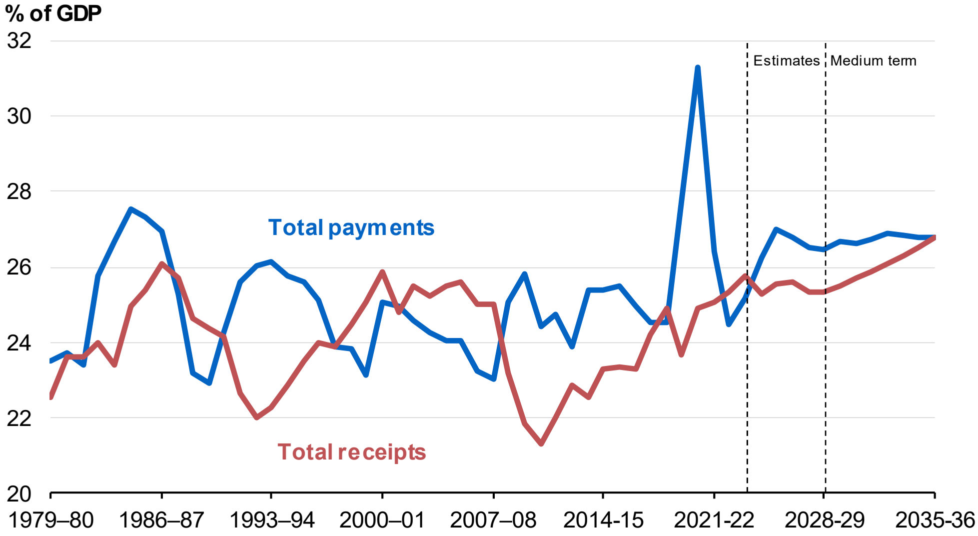
Source: Treasury.

Chart 3.4: Gross debt



Source: Australian Office of Financial Management, Treasury.

Chart 3.5: Payments and receipts



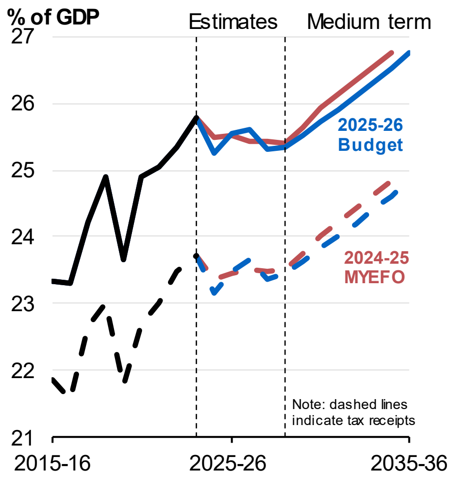
Source: Treasury.

Changes in the medium-term outlook since MYEFO

Receipts over the medium term

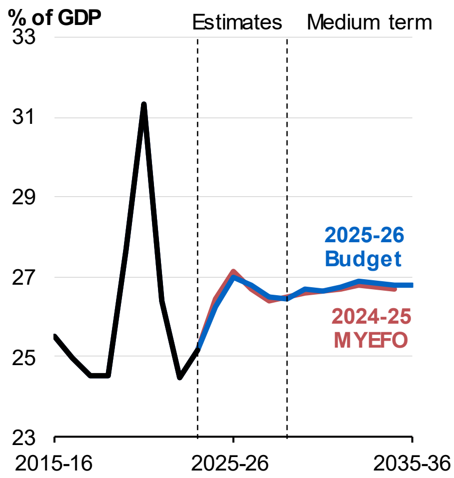
Receipts as a share of GDP are lower since MYEFO, including 0.3 percentage points lower in 2034–35 (Chart 3.6).

Chart 3.6: Total receipts



Source: Treasury.

Chart 3.7: Total payments



Source: Treasury.

Payments over the medium term

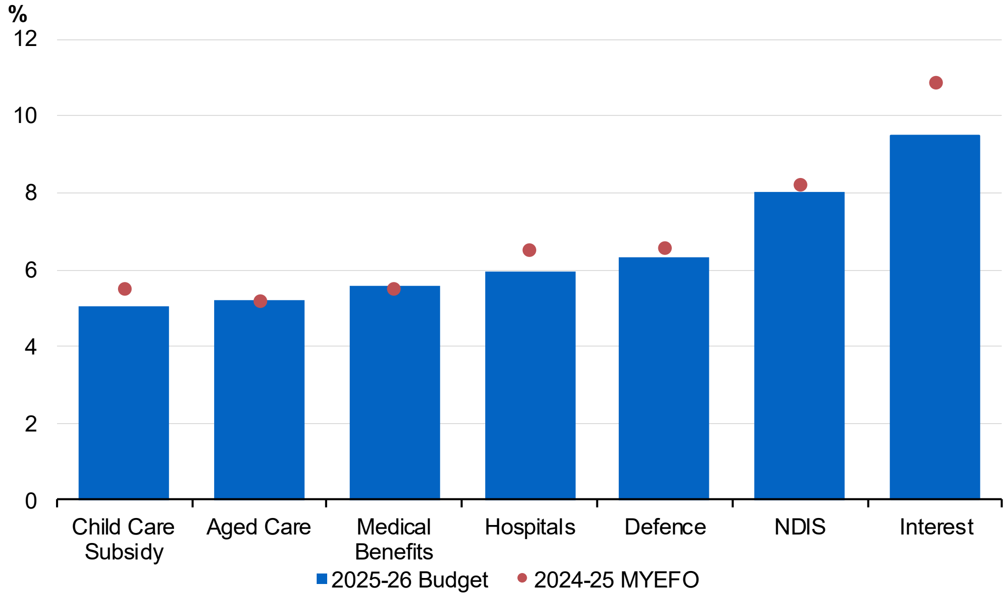
Payments are expected to be 0.1 percentage points of GDP higher than at MYEFO in 2034–35 (Chart 3.7). Nominal GDP is expected to be lower than was projected at MYEFO, increasing payments relative to the size the economy.

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

Growth in some major payments over the Budget projection period (2025–26 to 2035–36) has changed compared to MYEFO (2024–25 to 2034–35).

- Interest payments growth is expected to average 9.5 per cent per year over the projection period compared to 10.9 per cent at MYEFO. This reflects the impact of a reduction in debt in the early years of the forward estimates period, partially offset by the change in the underlying cash balance.
- Commonwealth funded hospital payments growth is expected to average 5.9 per cent per year over the projection period compared to 6.5 per cent at MYEFO. This reflects the impact of the uplift to the funding contribution for the National Health Reform Agreement in 2025–26. This increases hospital payments at the start of the projection period, resulting in slower growth over the decade.
- Child Care Subsidy payments growth is expected to average 5.1 per cent over the projection period compared to 5.5 per cent at MYEFO, reflecting updated projections of usage in the medium term.

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



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 MYEFO is from 2024–25 to 2034–35. Growth rate for the 2025–26 Budget is from 2025–26 to 2035–36.

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 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 9: Australian Government Budget Financial Statements.*

Gross debt estimates and projections

The Government's responsible budget management is lowering gross debt-to-GDP compared to the PEFO in every year of the forward estimates period and medium term.

Gross debt is estimated to be $177 billion lower in 2024–25 than estimated in the PEFO.

Gross debt is estimated to be 35.5 per cent of GDP at 30 June 2026 (Table 3.5), 0.5 percentage points and $6 billion lower than estimated at MYEFO and 9.2 percentage points and $147 billion lower than the PEFO.

By the end of the forward estimates, gross debt is lower than MYEFO in nominal terms, driven by the improved budget position. The slight increase in debt-to-GDP since MYEFO reflects the impact of downward revisions to nominal GDP.

Gross debt is expected to peak at 37.0 per cent of GDP at 30 June 2030, 7.9 percentage points lower than the forecast peak at the PEFO.

Table 3.5: Australian Government general government sector balance sheet aggregates[(a)]

	Actual	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
	$b	$b	$b	$b	$b	$b
Financial assets	**637.9**	**637.0**	**677.8**	**715.0**	**752.7**	**789.2**
Per cent of GDP	23.9	22.9	23.5	23.9	23.9	23.8
Non-financial assets	**214.7**	**220.6**	**228.3**	**236.4**	**247.6**	**257.3**
Per cent of GDP	8.0	7.9	7.9	7.9	7.9	7.8
Total assets	**852.6**	**857.6**	**906.1**	**951.3**	**1,000.3**	**1,046.5**
Per cent of GDP	31.9	30.8	31.5	31.8	31.8	31.5
Total liabilities	**1,384.3**	**1,428.1**	**1,527.9**	**1,610.6**	**1,701.0**	**1,786.6**
Per cent of GDP	51.8	51.2	53.1	53.8	54.0	53.8
Net worth	**-531.6**	**-570.5**	**-621.8**	**-659.2**	**-700.7**	**-740.1**
Per cent of GDP	-19.9	-20.5	-21.6	-22.0	-22.3	-22.3
Net financial worth(b)	**-746.3**	**-791.1**	**-850.1**	**-895.6**	**-948.3**	**-997.4**
Per cent of GDP	-27.9	-28.4	-29.5	-29.9	-30.1	-30.0
Gross debt(c)	**906.9**	**940.0**	**1,022.0**	**1,092.0**	**1,161.0**	**1,223.0**
Per cent of GDP	33.9	33.7	35.5	36.5	36.9	36.8
Net debt(d)	**491.5**	**556.0**	**620.3**	**676.3**	**714.1**	**768.2**
Per cent of GDP	18.4	19.9	21.5	22.6	22.7	23.1
Total interest payments	**22.8**	**24.4**	**27.9**	**30.2**	**36.7**	**38.2**
Per cent of GDP	0.9	0.9	1.0	1.0	1.2	1.2
Net interest payments(e)	**12.3**	**14.9**	**18.5**	**21.2**	**26.9**	**28.1**
Per cent of GDP	0.5	0.5	0.6	0.7	0.9	0.8

a) Assets, liabilities, net worth, net financial worth, gross debt and net debt are presented as at the end of each financial year.
b) Net financial worth equals total financial assets minus total liabilities.
c) Gross debt measures the face value of AGS on issue.
d) Net debt is the sum of interest-bearing liabilities (which includes AGS on issue measured at market value) less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).
e) Net interest payments are equal to the difference between interest payments and interest receipts.

Interest payments

Interest payments have decreased since MYEFO, driven by lower yields and a lower financing task from the improved budget position. Over the forward estimates, bond yields are assumed to remain fixed at a recent average of daily spot rates at the time of the budget update. Since MYEFO, the assumed weighted average cost of borrowing for issuance of Treasury Bonds in the forward estimates has decreased from 4.4 to 4.3 per cent, broadly reflecting movements in yields globally. This remains higher than the weighted average yield of 2.2 per cent at the 2022 PEFO.

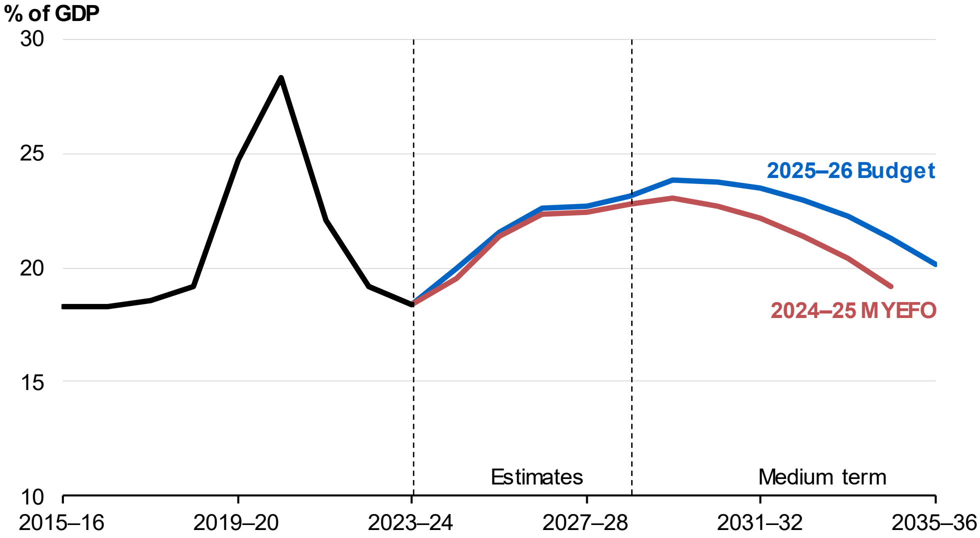
Total interest payments are estimated to be 1.0 per cent of GDP in 2025–26, unchanged from the estimate at MYEFO. Interest payments are estimated to peak at 1.6 per cent of GDP in 2032–33. By 2034–35, interest payments are broadly unchanged from the 2024–25 MYEFO.

Statement 6: Debt Statement contains further information on yield assumptions and interest payments. *Statement 7: Forecasting Performance and Sensitivity Analysis* contains information on the impact on the underlying cash balance and gross debt if the future trajectory for yields is higher or lower than assumed.

Net debt estimates and projections

Net debt is estimated to be 21.5 per cent of GDP ($620.3 billion) at 30 June 2026 (Table 3.5); 11.5 percentage points lower than estimated at the PEFO and 0.2 percentage points higher than estimated at MYEFO. Net debt relative to GDP is expected to be higher in the forward estimates compared to MYEFO, reflecting a reduction in Future Fund investments, loans and placements and the impact of lower yields on AGS.

Chart 3.9: Net debt



Source: Treasury.

Net debt is higher than estimated at MYEFO over the entire projection period. Net debt is projected to be 20.2 per cent of GDP at 30 June 2036 (Chart 3.9).

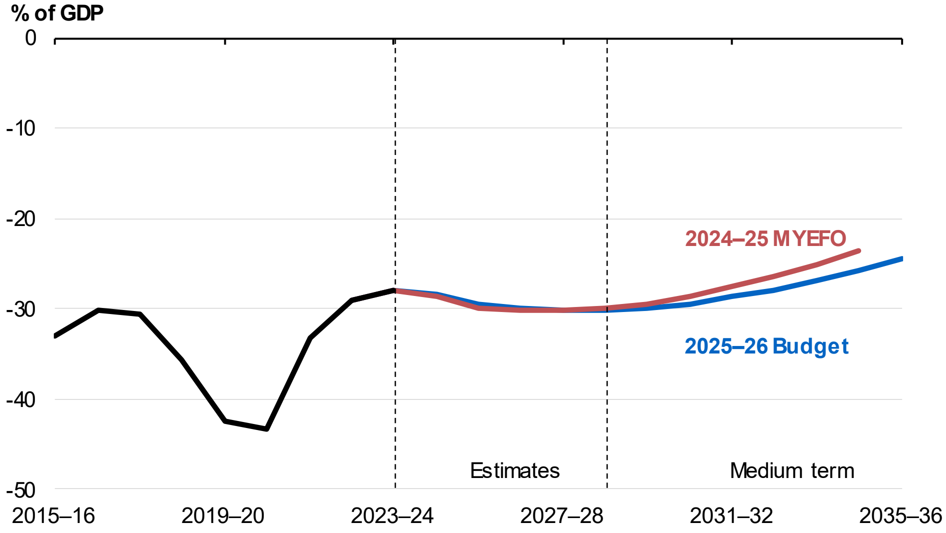
Further information on gross debt and net debt estimates across the forward estimates period is provided in *Statement 6: Debt Statement*.

Net financial worth and net worth estimates and projections

Net financial worth is estimated to be minus 29.5 per cent of GDP (minus $850.1 billion) at 30 June 2026 (Table 3.5), compared with the estimate of minus 30.0 per cent of GDP (minus $856.8 billion) at MYEFO.

Net financial worth is projected to deteriorate to minus 30.1 per cent of GDP at 30 June 2028 before improving to minus 24.3 per cent of GDP by the end of the medium term (Chart 3.10).

Chart 3.10 Net financial worth



Source: Treasury.

Net worth is estimated to be minus 21.6 per cent of GDP (minus $621.8 billion) at 30 June 2026 (Table 3.5), compared with the estimate of minus 22.0 per cent of GDP (minus $628.9 billion) at MYEFO. Net worth is projected to deteriorate to minus 22.3 per cent of GDP at 30 June 2029 before improving over the medium term.

The improvement in net worth and net financial worth over the forward estimates period relative to MYEFO largely reflects an increase in assets held by the Future Fund.

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

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 floods and bushfires. At the same time, the net zero transformation presents new opportunities for Australia's industries, regions 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.

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

Australia's classification approach

The 2025–26 Budget continues the practice introduced in the 2022–23 October Budget of transparently reporting new climate-related spending. It adopts the five-part classification outlined in detail in the 2024–25 Budget:

- Reducing emissions in Australia's energy system and broader economy
- Strengthening net zero industries and skills
- Adapting to climate change and improving climate and disaster resilience
- International climate leadership
- Building Australian Government climate capability

In the 2025–26 Budget, new measures from 2024–25 MYEFO are also reported, to provide a comprehensive update on net zero spending since the 2024–25 Budget.

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

The 2025–26 Budget leverages established delivery vehicles, such as the Clean Energy Finance Corporation and Rewiring the Nation program, to invest in the next horizon of emissions reduction technologies and additional renewable energy capacity. Additional investments in these programs are included as new spending this Budget. The Government has also made significant new allocations from within existing funds, such as the $750 million for green metals, $500 million for clean energy technology manufacturing capabilities and $250 million for low carbon liquid fuels identified from the Future Made in Australia Innovation Fund. These are not included as new spending.

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

Reporting climate-related spending categories as part of the budget process is complementary to the reporting associated with the issuance of green bonds (see Box 3.3).

Box 3.3: Financing climate programs through green bonds

Green bonds help mobilise capital toward public projects to drive Australia's net zero transformation and support Australia's environmental goals.

In June 2024, the Government issued the first Green Treasury Bond. The $7 billion issuance attracted strong demand with more than $22 billion in bids from 105 investor institutions, of which 17 were new to Australian Government syndicated issues. The Australian Office of Financial Management and market participants estimated a green premium of approximately 2 basis points from the inaugural issuance.

The Treasury released the first Green Treasury Bond Allocation and Impact Report in February 2025. This report presents allocation data for eligible projects financed by green bonds in 2022–23 and 2023–24, and the climate and environmental impact of these projects. Green bonds reporting represents a new type of disclosure and increases transparency for the Government's climate and environmental programs.

Of the $7.0 billion raised, $2.5 billion has been allocated to eligible projects in 2022–23, and $2.9 billion has been allocated to eligible projects in 2023–24. The remaining $1.6 billion will be allocated to eligible projects in future years (Chart 3.11).

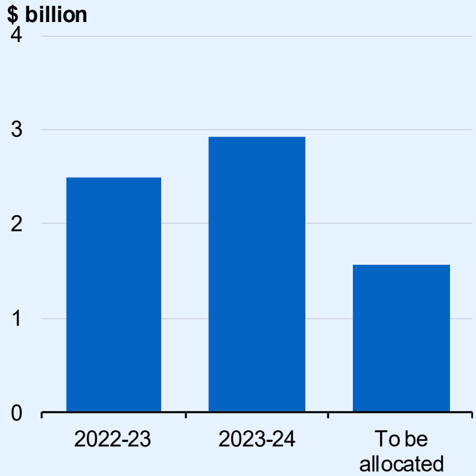
Government programs financed through green bonds deliver electric vehicle chargers through the Driving the Nation Fund, support climate change action in the Indo-Pacific region and protect the Great Barrier Reef (Chart 3.12). Green Treasury Bond proceeds have contributed to a range of climate and environmental impacts, including:

- 4,600 GWh of expected renewable energy generation;
- 103.4 km of electric rail track built or upgraded;
- 5,564 hectares of koala habitat improved and managed.

continued on next page

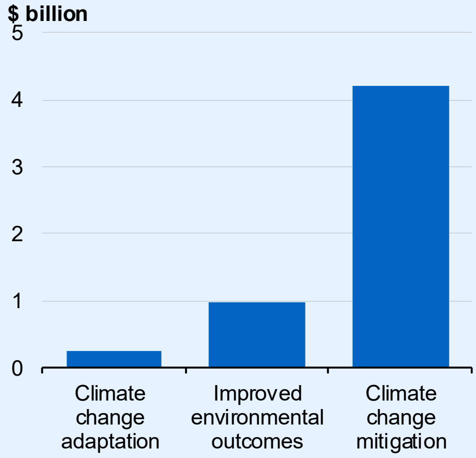
Box 3.3: Financing climate programs through green bonds (continued)

Chart 3.11: Allocation of green bond proceeds by financial years



Source: Treasury

Chart 3.12: Allocation of proceeds by green bond categories



Source: Treasury

New net zero spending measures

Table 3.6 sets out $4.3 billion in new net zero spending commitments over the forward estimates period and $6.9 billion over the medium term, across 2024–25 MYEFO and this Budget. This follows net zero spending commitments of $24.3 billion (over the medium term) in the 2024–25 Budget, climate-related spending of $4.6 billion (to 2030) committed in the 2023–24 Budget and the $24.9 billion (to 2030) committed in the 2022–23 October Budget.

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

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

Table 3.6: New measures

Total*	Forward Estimates ($m)	Medium Term ($m)
Reducing Emissions in Australia's energy system and broader economy	**3,786.6**	**3,791.6**
Enabling a Reliable and Secure Energy Transition[(a)]	40.4	45.3
Rewiring the Nation – recapitalisation[(b)]	1,246.9	1,247.0
Strengthening the Clean Energy Finance Corporation[(c)]	2,000.0	2,000.0
Expansion of Social Housing Energy Performance Initiative	499.3	499.3
Strengthening net zero industries and skills	**166.1**	**2,448.7**
Future Made in Australia – accelerating investment in Australian industries[(d)]	166.1	464.1
Support for Australian Made Metals[(e)]	nfp	1,984.6
Adapting to climate change and improving climate and disaster resilience	**354.0**	**632.5**
Building a Better Future Through Considered Infrastructure Investment[(f)]	354.0	632.5
International climate leadership	**nfp**	**75.0**
Southeast Asia Investment Financing Facility – Investment in FAST-P Green Investments Partnership fund[(g)]	nfp	75.0
Total Net Zero Spending	**4,306.7**	**6,947.8**

* This table summarises the Government's key climate-related spending commitments in the 2024–25 MYEFO and 2025–26 Budget to 30 June 2036 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 the 2024–25 MYEFO and 2025–26 Budget Paper No. 2, but timeframes for figures align with the forward estimates and medium term for the 2025–26 Budget. Spending outlined in these measures for the purposes of this table may differ in some instances from figures reported in the 2024–25 MYEFO and 2025–26 Budget Paper No. 2 due to the exclusions described in the footnotes.

a) The spending outlined in this measure for the purposes of this table excludes funding to support the Australian Energy Market Operator to uplift core digital systems. The cost of this measure will be partially met from savings identified in the Climate Change and Energy and the Environment and Water portfolios.

b) This measure contains $1.2 billion in funding for concessional finance.

c) This measure contains $2.0 billion in funding for concessional finance.

d) The spending outlined in this measure for the purposes of this table excludes funding for the Australian Made Campaign Limited. The cost of this measure will be partially met from savings identified in the Industry, Science, and Resources portfolio and the Climate Change and Energy portfolio.

e) The funding profile for this measure is not for publication due to commercial sensitivities. The spending outlined in this measure for the purposes of this table only includes the Green Aluminium Production Credit and the Green Iron Investment Fund related funding.

f) The spending outlined in this measure for the purposes of this table includes Infrastructure Investment Program projects that support flood resilience, including upgrades to Townson Road, Burdekin Road and Garfield Road West in New South Wales.

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

Appendix A: Other fiscal aggregates

Accrual aggregates

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

Net operating balance estimates

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

The net operating balance is expected to be a deficit of $45.2 billion (1.6 per cent of GDP) in 2024–25 (Table 3.7). It is expected to be a deficit of $35.4 billion (1.2 per cent of GDP) in 2025–26, compared to an expected deficit of $41.4 billion at MYEFO.

Fiscal balance

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

The fiscal balance is expected to be a deficit of $50.6 billion (1.8 per cent of GDP) in 2024–25 (Table 3.7). It is expected to be a deficit of $44.2 billion (1.5 per cent of GDP) in 2025–26, compared to an expected deficit of $49.7 billion at MYEFO.

Table 3.7: Australian Government general government sector accrual aggregates

	Actual	Estimates					
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	Total(a)
	$b	$b	$b	$b	$b	$b	$b
Revenue	**704.5**	**717.6**	**750.3**	**783.6**	**815.4**	**862.5**	**3,929.3**
Per cent of GDP	26.4	25.7	26.1	26.2	25.9	26.0	
Expenses	**685.9**	**762.8**	**785.7**	**806.6**	**842.9**	**889.4**	**4,087.4**
Per cent of GDP	25.7	27.4	27.3	27.0	26.8	26.8	
Net operating balance	**18.6**	**-45.2**	**-35.4**	**-23.0**	**-27.5**	**-26.9**	**-158.0**
Per cent of GDP	0.7	-1.6	-1.2	-0.8	-0.9	-0.8	
Net capital investment	**6.7**	**5.5**	**8.8**	**9.1**	**12.0**	**10.2**	**45.6**
Per cent of GDP	0.2	0.2	0.3	0.3	0.4	0.3	
Fiscal balance	**12.0**	**-50.6**	**-44.2**	**-32.2**	**-39.5**	**-37.1**	**-203.6**
Per cent of GDP	0.4	-1.8	-1.5	-1.1	-1.3	-1.1	

a) Total is equal to the sum of amounts from 2024–25 to 2028–29.

Table 3.8 provides a reconciliation of fiscal balance estimates, including the impact of policy decisions and parameter and other variations on revenue and expenses since MYEFO. The drivers of movements in the fiscal balance estimates are largely the same as for the underlying cash balance.

Table 3.8: Reconciliation of general government sector fiscal balance estimates

	Estimates					
	2024-25	2025-26	2026-27	2027-28	2028-29	Total
	$m	$m	$m	$m	$m	$m
2024-25 Budget fiscal balance	**-29,316**	**-42,604**	**-26,514**	**-22,026**	*	*
Per cent of GDP	-1.1	-1.5	-0.9	-0.7	*	
Changes from 2024-25 Budget to 2024-25 MYEFO						
Effect of policy decisions(a)	-12,660	-8,875	-6,264	-4,179	*	*
Effect of parameter and other variations	-3,911	1,784	-3,570	-7,243	*	*
Total variations	**-16,571**	**-7,091**	**-9,834**	**-11,421**	*	*
2024-25 MYEFO fiscal balance	**-45,887**	**-49,695**	**-36,347**	**-33,448**	*	*
Per cent of GDP	-1.7	-1.7	-1.2	-1.1	*	
Changes from 2024-25 MYEFO to 2025-26 Budget						
Effect of policy decisions(a)(b)						
Revenue	*21*	*-49*	*-3,419*	*-6,292*	*-2,874*	*-12,613*
Expenses	*160*	*7,674*	*4,079*	*4,305*	*4,632*	*20,851*
Net capital investment	*-1*	*122*	*122*	*201*	*18*	*463*
Total policy decisions impact on fiscal balance	-138	-7,845	-7,620	-10,799	-7,525	-33,927
Effect of parameter and other variations(b)						
Revenue	*-706*	*7,100*	*5,949*	*-717*	*	*
Expenses	*3,949*	*-6,622*	*-6,466*	*-6,003*	*	*
Net capital investment	*-33*	*360*	*622*	*584*	*	*
Total parameter and other variations impact on fiscal balance	-4,622	13,362	11,793	4,701	*	*
2025-26 Budget fiscal balance	**-50,647**	**-44,178**	**-32,174**	**-39,545**	**-37,087**	**-203,631**
Per cent of GDP	-1.8	-1.5	-1.1	-1.3	-1.1	

*Data are not available.

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

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

Revenue estimates

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

Total revenue since MYEFO has been revised up by $7.1 billion in 2025–26 and by $1.9 billion over four years from 2024–25 to 2027–28.

Expense estimates

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

Total expenses since MYEFO have been revised up by $1.1 billion in 2025–26 and by $1.1 billion over four years from 2024–25 to 2027–28.

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

Detailed information on expenses can be found in *Statement 5: Expenses and Net Capital Investment.*

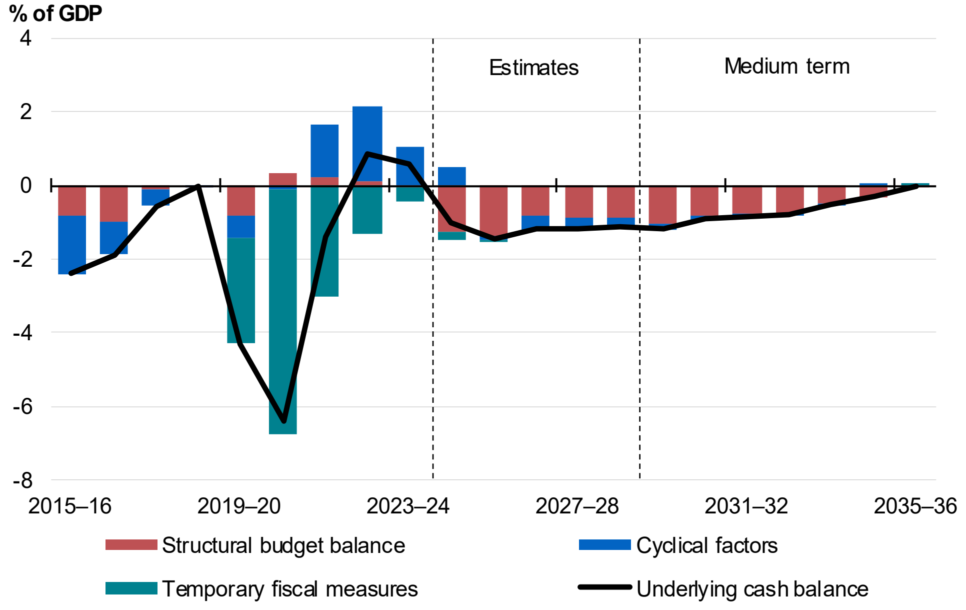
Structural budget balance

The structural budget balance estimate adjusts the underlying cash balance to remove the estimated effects of cyclical factors that have a temporary impact on receipts and payments. These 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 structural budget position is expected to return to deficit in 2024–25 (Chart 3.13). The deficit is expected to reach around 1.4 per cent of GDP in 2025–26. It averages 1.0 per cent of GDP over the forward estimates, a 0.4 percentage point improvement over the same period at the time of the PEFO. Thereafter, the structural budget position is expected to gradually improve towards balance over the medium term. The structural budget balance was estimated to remain in deficit at the end of the medium-term in 2032–33 at the time of the PEFO.

Chart 3.13: 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 alter the structural budget balance estimate in those years.

Statement 4: Revenue

The upgrade to receipts over the forward estimates is much smaller than in recent Budgets. In this Budget, it is around one sixth of the average of the last five budget updates. The upgrade is concentrated in the near term, with upgrades to income tax receipts being partially offset by downgrades to excise and customs duty.

Since MYEFO, tax receipts excluding GST and policy decisions have increased by $6.7 billion in 2025–26 and $9.4 billion over the five years from 2024–25 to 2028–29.

The Government will deliver new personal income tax cuts to every Australian taxpayer from 1 July 2026, adding to the tax cuts that have been rolling out since 1 July 2024.

Primarily driven by the new tax cuts, policy decisions taken since MYEFO decrease tax receipts by $15.1 billion over the five years from 2024–25 to 2028–29.

Higher employment and continuing strength in the labour market is the main driver of the upgrades to tax receipts since MYEFO. This is supported in the near term by temporary strength in mining sector profits, leading to higher company tax receipts.

These upgrades are partly offset by a downgrade to the outlook for excisable tobacco volumes across the forward estimates. Lower non-mining company profits also contribute to lower company tax estimates in the later years.

The revenue outlook continues to be exposed to the underlying economic risks. The global economic outlook remains uncertain and volatile, particularly from the escalation in trade tensions. This uncertainty poses risks for exports and global commodity prices.

The tax-to-GDP ratio is expected to be 23.5 per cent of GDP in 2025–26 and then fall to 23.4 per cent of GDP by the end of the forward estimates, following the delivery of the Government’s new tax cuts for every Australian taxpayer.

Statement contents

Statement 4: Revenue

Overview

Total receipts are expected to be $735.4 billion in 2025–26, growing to $840.8 billion in 2028–29. Since MYEFO, total receipts have been revised up $6.9 billion in 2025–26 and down by $5.8 billion over the five years from 2024–25 to 2028–29.

Tax receipts are the main component of total receipts and are expected to be $676.1 billion in 2025–26, growing to $778.3 billion in 2028–29. Income taxes are the largest contributor to growth in tax receipts. The tax-to-GDP ratio is expected to be 23.5 per cent in 2025–26 and falls to 23.4 per cent of GDP by the end of the forward estimates following the delivery of the Government's new tax cuts for every Australian taxpayer.

More information on total receipts over the five years from 2024–25 to 2028–29 is shown in Table 4.1.

Table 4.1: Australian Government general government receipts

	Actual	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
	$b	$b	$b	$b	$b	$b
Total taxation receipts ($b)	**633.4**	**645.2**	**676.1**	**707.6**	**735.9**	**778.3**
Growth on previous year (%)	5.3	1.9	4.8	4.7	4.0	5.8
Per cent of GDP	23.7	23.1	23.5	23.6	23.4	23.4
Tax receipts excluding GST ($b)	**548.5**	**555.9**	**582.0**	**608.4**	**631.2**	**667.9**
Growth on previous year (%)	5.5	1.4	4.7	4.5	3.7	5.8
Per cent of GDP	20.5	19.9	20.2	20.3	20.0	20.1
Non-taxation receipts ($b)	**55.2**	**58.7**	**59.3**	**58.4**	**61.4**	**62.6**
Growth on previous year (%)	14.5	6.3	1.0	-1.4	5.2	1.8
Per cent of GDP	2.1	2.1	2.1	2.0	2.0	1.9
Total receipts ($b)	**688.6**	**703.9**	**735.4**	**766.0**	**797.4**	**840.8**
Growth on previous year (%)	6.0	2.2	4.5	4.2	4.1	5.5
Per cent of GDP	25.8	25.3	25.5	25.6	25.3	25.3

Tax receipts outlook

Since MYEFO, tax receipts excluding GST and policy decisions have been revised up by $9.4 billion over the five years from 2024–25 to 2028–29, mainly reflecting higher personal income tax and superannuation fund taxes. The upgrade to total tax receipts in this Budget is small and concentrated in the near-term.

Higher employment and continuing strength in the labour market is the main driver of the upgrade to tax receipts. Excluding policy decisions, personal income tax receipts have been upgraded by $9.9 billion and superannuation fund tax receipts by $9.7 billion over the five years from 2024–25 to 2028–29. This is supported in the near term by higher company tax, reflecting temporarily stronger mining sector profits.

These upgrades are partially offset by lower tobacco excise receipts, which have been downgraded by $6.9 billion over five years from 2024–25 to 2028–29 due to a weaker outlook for excisable tobacco volumes. Despite a near-term upgrade, company tax has also been downgraded by $1.9 billion over the five years from 2024–25 to 2028–29 due to lower expected non-mining company profits in later years.

Policy decisions taken since MYEFO decrease tax receipts by $259.1 million in 2025–26 and $15.1 billion over the five years from 2024–25 to 2028–29. Policy decisions in this Budget focus on reforms to provide cost of living relief, improve tax integrity and modernise the tax system. Key policy decisions include:

- *Personal Income Tax – new tax cuts for every Australian taxpayer*
- *Personal Income Tax – increasing the Medicare levy low-income thresholds*
- *Strengthening tax integrity*

For more details on policy decisions, see *Budget Statement 1* and Budget Paper No. 2.

Variations in receipts estimates

Since MYEFO, total receipts have been revised up by $6.9 billion in 2025–26 and revised down by $5.8 billion over the five years from 2024–25 to 2028–29. Table 4.2 reconciles the 2025–26 Budget estimates of total receipts with the 2024–25 Budget and MYEFO.

Table 4.2: Reconciliation of Australian Government general government receipts estimates from the 2024–25 MYEFO and 2024–25 Budget

	Estimates					
	2024-25	2025-26	2026-27	2027-28	2028-29	Total
	$m	$m	$m	$m	$m	$m
Receipts at 2024-25 Budget	**698,446**	**719,353**	**760,010**	**801,811**	*	*
Changes from 2024-25 Budget to 2024-25 MYEFO						
Effect of policy decisions	402	312	399	540	*	*
Effect of parameter and other variations	5,336	8,755	2,977	1,727	*	*
Total variations	**5,739**	**9,066**	**3,376**	**2,267**	*	*
Receipts at 2024-25 MYEFO	**704,184**	**728,419**	**763,386**	**804,078**	**849,179**	**3,849,247**
Changes from 2024-25 MYEFO to 2025-26 Budget						
Effect of policy decisions	21	-103	-3,425	-6,129	-4,542	-14,178
Effect of parameter and other variations	-284	7,036	6,009	-570	-3,797	8,394
Total variations	**-263**	**6,933**	**2,584**	**-6,699**	**-8,339**	**-5,784**
Receipts at 2025-26 Budget	**703,922**	**735,353**	**765,970**	**797,379**	**840,840**	**3,843,463**

* Data is not available.

Since MYEFO, parameter and other variations have increased total receipts by $7.0 billion in 2025–26 and $8.4 billion over the five years from 2024–25 to 2028–29. Policy decisions decrease total receipts by $103.0 million in 2025–26 and $14.2 billion over the five years from 2024–25 to 2028–29. The change to the outlook of total receipts overwhelmingly reflects changes to the outlook of tax receipts.

Tax receipts estimates

Tax receipts have been revised up by $6.4 billion in 2025–26 and down by $6.6 billion over the five years from 2024–25 to 2028–29 since MYEFO.

Table 4.3 reconciles the 2025–26 Budget estimates of tax receipts with the 2024–25 Budget and MYEFO.

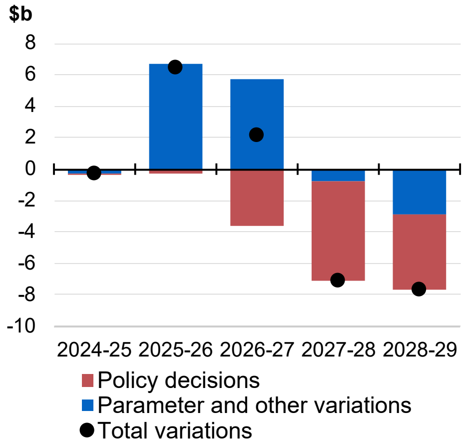
Table 4.3: Reconciliation of Australian Government general government tax receipts estimates from the 2024–25 MYEFO and 2024–25 Budget

	Estimates					
	2024-25	2025-26	2026-27	2027-28	2028-29	Total
	$m	$m	$m	$m	$m	$m
Tax receipts at 2024-25 Budget	**642,542**	**661,583**	**702,278**	**742,299**	*	*
Changes from 2024-25 Budget to 2024-25 MYEFO						
Effect of policy decisions	178	107	271	266	*	*
Effect of parameter and other variations	2,845	7,961	2,872	513	*	*
Total variations	**3,023**	**8,068**	**3,143**	**778**	*	*
Tax receipts at 2024-25 MYEFO	**645,565**	**669,651**	**705,421**	**743,077**	**785,942**	**3,549,655**
Changes from 2024-25 MYEFO to 2025-26 Budget						
Effect of policy decisions	-10	-259	-3,637	-6,381	-4,817	-15,104
Effect of parameter and other variations	-313	6,694	5,772	-757	-2,858	8,538
Total variations	**-323**	**6,435**	**2,135**	**-7,138**	**-7,676**	**-6,566**
Tax receipts at 2025-26 Budget	**645,242**	**676,086**	**707,556**	**735,939**	**778,266**	**3,543,090**

* Data is not available.

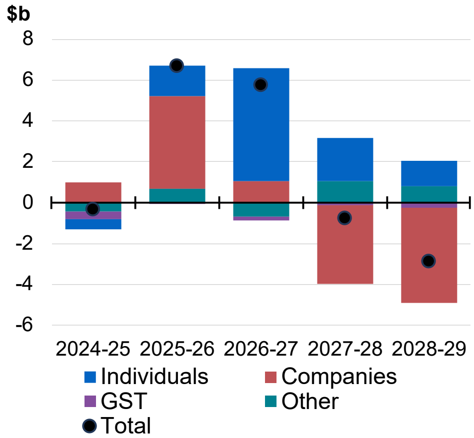
Since MYEFO, parameter and other variations are expected to increase tax receipts by $6.7 billion in 2025–26 and $8.5 billion over the five years from 2024–25 to 2028–29. Policy decisions are estimated to decrease tax receipts by $259.1 million in 2025–26 and $15.1 billion over the five years from 2024–25 to 2028–29.

Chart 4.1: Revisions to total tax receipts since 2024–25 MYEFO



Source: Treasury.

Chart 4.2: Parameter and other variations to total tax receipts since 2024–25 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 4.4.

Table 4.4: Key economic parameters for tax receipts[(a)]

	Outcomes	Forecasts				
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Revenue parameters						
Nominal gross domestic product	4.1	4 1/4	3 1/4	4	5 1/4	5 1/2
Change since 2024-25 MYEFO		*1*	*- 1/4*	*-1*	*- 1/4*	
Compensation of employees[(b)]	7.5	5 3/4	4 1/2	4 1/4	5	5 1/4
Change since 2024-25 MYEFO		*3/4*	*1/4*	*- 1/2*	*- 1/4*	
Corporate gross operating surplus[(c)]	-3.2	- 1/2	-1 1/4	1 1/4	5 1/2	6
Change since 2024-25 MYEFO		*1 1/2*	*- 3/4*	*-2 3/4*	*1/4*	
Non-farm gross mixed income	0.1	2 1/2	8 1/4	7 1/4	7 1/4	6 1/2
Change since 2024-25 MYEFO		*-1 3/4*	*1 1/4*	*- 1/2*	*1/4*	
Property income[(d)]	16.0	6 3/4	2 1/4	4	5	5
Change since 2024-25 MYEFO		*-1 1/4*	*-1 1/4*	*- 1/2*	*1/4*	
Consumption subject to GST	3.7	2 1/4	5	4 1/4	5	4 1/2
Change since 2024-25 MYEFO		*0*	*1/2*	*1/2*	*1*	

a) Current prices, per cent change on previous year. Changes since 2024–25 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 $1.3 billion in 2025–26 and revised down by $6.5 billion over the five years from 2024–25 to 2028–29. Individuals and other withholding taxes have been revised down from 2026–27 with the delivery of the Government's new tax cuts for every Australian taxpayer.

Excluding new policy decisions, individuals and other withholding tax receipts have been revised up by $1.5 billion in 2025–26 and $9.9 billion over the five years from 2024–25 to 2028–29. This reflects a stronger outlook for employment and wages growth.

New tax policy measures announced since MYEFO are expected to decrease individuals and other withholding tax receipts by $179.1 million in 2025–26 and $16.4 billion over the five years from 2024–25 to 2028–29.

Fringe benefits tax

Since MYEFO, fringe benefits tax receipts have been revised up by $50.0 million in 2025–26 and $240.0 million over the five years from 2024–25 to 2028–29. This reflects the stronger outlook for employment.

Company tax

Since MYEFO, company tax receipts have been revised up by $4.5 billion in 2025–26 and revised down by $800.0 million over the five years from 2024–25 to 2028–29.

Excluding new policy decisions, company tax receipts have been revised up by $4.5 billion in 2025–26 and revised down by $1.9 billion over the five years from 2024–25 to 2028–29. The upgrade in the near term reflects a stronger outlook for mining sector profits, reflecting higher near-term commodity prices. Company tax receipts have been downgraded in 2027–28 and 2028–29, driven by a weaker outlook for non-mining sector profits.

New tax policy measures announced since MYEFO are expected to decrease company tax receipts by $32.5 million in 2025–26 and increase company tax receipts by $1.1 billion over the five years from 2024–25 to 2028–29.

Superannuation fund taxes

Since MYEFO, superannuation fund tax receipts have been revised up by $2.4 billion in 2025–26 and $9.7 billion over the five years from 2024–25 to 2028–29. The upgrade to superannuation fund taxes reflects higher-than-expected current year collections, higher contributions due to the strength in employment and an increase in tax from earnings on investments.

Superannuation fund taxes are highly volatile from one year to the next, primarily due to year-to-year changes in tax from earnings on investments and the consequential impact on the timing of tax payments.

Petroleum resource rent tax (PRRT)

Since MYEFO, PRRT receipts have been revised up by $100.0 million in 2025–26 and $750.0 million over the five years from 2024–25 to 2028–29. The upgrade is primarily due to a higher assumed oil price.

Goods and services tax (GST)

Since MYEFO, GST receipts have been revised up by $5.8 million in 2025–26 and revised down by $492.8 million over the five years from 2024–25 to 2028–29.

Excluding new policy decisions, GST receipts have been revised down by $0.3 million in 2025–26 and $895.8 million over the five years from 2024–25 to 2028–29. This primarily reflects weaker-than-expected price pressures in the dwelling construction industry.

New tax policy measures announced since MYEFO are expected to increase GST receipts by $6.1 million in 2025–26 and $403.0 million over the five years from 2024–25 to 2028–29.

Excise and customs duty

Since MYEFO, total excise and customs duty receipts have been revised down by $1.7 billion in 2025–26 and $8.6 billion over the five years from 2024–25 to 2028–29.

Excluding new policy decisions, excise and customs duty receipts have been revised down by $1.7 billion in 2025–26 and $8.5 billion over the five years from 2024–25 to 2028–29. The downgrade overwhelmingly reflects the significant downward revision to tobacco excise receipts. This is due to persistently weaker-than-expected collections and a weaker outlook for excisable tobacco volumes over the forward estimates. The Government has provided further funding in this Budget to combat the trade of illicit tobacco.

Policy decisions are expected to decrease excise and customs duty receipts by $10.0 million in 2025–26 and $125.0 million over the five years from 2024–25 to 2028–29.

The 2025–26 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 down by $140.6 million in 2025–26 and $843.0 million over the five years from 2024–25 to 2028–29. Policy decisions are expected to decrease other tax receipts by $43.6 million in 2025–26 and $95.9 million over the five years from 2024–25 to 2028–29.

Non–tax receipts estimates

Since MYEFO, non-tax receipts are expected to increase by $0.5 billion in 2025–26 and by $2.3 billion over the five years from 2024–25 to 2028–29.

Parameter and other variations are expected to increase non-tax receipts by $0.3 billion in 2025–26 and by $1.4 billion over the five years to 2028–29. This increase is driven by increases in the number and value of funded benefit transfers to the Consolidated Revenue Fund from the Commonwealth Superannuation Corporation, and in anticipated lodgments of unclaimed monies from financial institutions. In addition, non-tax receipts have been revised up by $1.5 billion in 2028–29 to account for the differences between the projection methodology at MYEFO and the forward estimate in this Budget. This increase is partially offset by lower-than-expected Commonwealth Government interest earnings due to an anticipated decrease in short-term interest rates.

Policy decisions are expected to increase non-tax receipts by $0.2 billion in 2025–26, and by $0.9 billion over the five years to 2028–29. This increase is largely driven by the standard non-tax revenue impacts of Pharmaceutical Benefits Scheme listings, which partially offset expenditure impacts of these listings.

Table 4.5: 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	293,600	293,600	0	0.0
Gross other individuals	81,700	80,500	-1,200	-1.5
less: Refunds	39,900	39,200	-700	-1.8
Total individuals and other withholding tax	335,400	334,900	-500	-0.1
Fringe benefits tax	4,910	4,950	40	0.8
Company tax	132,500	133,500	1,000	0.8
Superannuation fund taxes	21,910	22,810	900	4.1
Petroleum resource rent tax	1,350	1,450	100	7.4
Income taxation receipts	**496,070**	**497,610**	**1,540**	**0.3**
Goods and services tax	89,753	89,400	-353	-0.4
Wine equalisation tax	1,120	1,110	-10	-0.9
Luxury car tax	1,170	1,170	0	0.0
Excise and customs duty				
Petrol	7,200	7,250	50	0.7
Diesel	17,440	17,390	-50	-0.3
Other fuel products	2,070	2,040	-30	-1.4
Tobacco	8,750	7,400	-1,350	-15.4
Beer	2,720	2,750	30	1.1
Spirits	3,310	3,280	-30	-0.9
Other alcoholic beverages(a)	1,760	1,770	10	0.6
Other customs duty				
Textiles, clothing and footwear	170	160	-10	-5.9
Passenger motor vehicles	380	380	0	0.0
Other imports	1,560	1,560	0	0.0
less: Refunds and drawbacks	730	870	140	19.2
Total excise and customs duty	44,630	43,110	-1,520	-3.4
Major Bank Levy	1,730	1,770	40	2.3
Agricultural levies	678	735	57	8.4
Visa application charges	4,147	4,129	-18	-0.4
Other taxes	6,267	6,209	-58	-0.9
Indirect taxation receipts	**149,495**	**147,632**	**-1,863**	**-1.2**
Taxation receipts	**645,565**	**645,242**	**-323**	**0.0**
Sales of goods and services	22,039	21,796	-243	-1.1
Interest received	9,968	9,520	-448	-4.5
Dividends and distributions	7,206	7,380	174	2.4
Other non-taxation receipts	19,407	19,984	577	3.0
Non-taxation receipts	**58,620**	**58,680**	**60**	**0.1**
Total receipts	**704,184**	**703,922**	**-263**	**0.0**
Memorandum:				
Total excise	*31,650*	*31,680*	*30*	*0.1*
Total customs duty	*12,980*	*11,430*	*-1,550*	*-11.9*
Capital gains tax(b)	*29,900*	*30,700*	*800*	*2.7*

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

	Estimates		Change on MYEFO	
	MYEFO	Budget		
	$m	$m	$m	%
Individuals and other withholding taxes				
Gross income tax withholding	308,300	310,600	2,300	0.7
Gross other individuals	82,200	79,900	-2,300	-2.8
less: Refunds	42,100	40,800	-1,300	-3.1
Total individuals and other withholding tax	348,400	349,700	1,300	0.4
Fringe benefits tax	5,030	5,080	50	1.0
Company tax	135,900	140,400	4,500	3.3
Superannuation fund taxes	23,210	25,560	2,350	10.1
Petroleum resource rent tax	1,850	1,950	100	5.4
Income taxation receipts	**514,390**	**522,690**	**8,300**	**1.6**
Goods and services tax	94,228	94,234	6	0.0
Wine equalisation tax	1,210	1,200	-10	-0.8
Luxury car tax	1,200	1,200	0	0.0
Excise and customs duty				
Petrol	7,450	7,450	0	0.0
Diesel	17,850	17,850	0	0.0
Other fuel products	2,020	2,020	0	0.0
Tobacco	8,650	7,050	-1,600	-18.5
Beer	2,850	2,780	-70	-2.5
Spirits	3,450	3,380	-70	-2.0
Other alcoholic beverages(a)	1,850	1,830	-20	-1.1
Other customs duty				
Textiles, clothing and footwear	170	170	0	0.0
Passenger motor vehicles	370	380	10	2.7
Other imports	1,600	1,620	20	1.3
less: Refunds and drawbacks	730	730	0	0.0
Total excise and customs duty	45,530	43,800	-1,730	-3.8
Major Bank Levy	1,790	1,850	60	3.4
Agricultural levies	625	669	44	7.1
Visa application charges	4,211	4,199	-12	-0.3
Other taxes	6,467	6,244	-223	-3.5
Indirect taxation receipts	**155,261**	**153,396**	**-1,865**	**-1.2**
Taxation receipts	**669,651**	**676,086**	**6,435**	**1.0**
Sales of goods and services	21,774	21,921	147	0.7
Interest received	9,659	9,389	-269	-2.8
Dividends and distributions	7,129	7,416	286	4.0
Other non-taxation receipts	20,206	20,540	334	1.7
Non-taxation receipts	**58,768**	**59,266**	**498**	**0.8**
Total receipts	**728,419**	**735,353**	**6,933**	**1.0**
Memorandum:				
Total excise	*32,570*	*32,450*	*-120*	*-0.4*
Total customs duty	*12,960*	*11,350*	*-1,610*	*-12.4*
Capital gains tax(b)	*26,100*	*27,600*	*1,500*	*5.7*

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 4.7: Australian Government general government (cash) receipts

	Actual	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m	$m
Individuals and other withholding taxes						
Gross income tax withholding	294,949	293,600	310,600	327,000	346,800	368,700
Gross other individuals	74,199	80,500	79,900	84,900	90,700	97,700
less: Refunds	37,635	39,200	40,800	41,900	44,400	46,100
Total individuals and other withholding tax	331,513	334,900	349,700	370,000	393,100	420,300
Fringe benefits tax	4,632	4,950	5,080	5,110	5,220	5,440
Company tax	141,177	133,500	140,400	144,500	144,000	149,300
Superannuation fund taxes	12,465	22,810	25,560	26,110	26,110	28,860
Petroleum resource rent tax	1,144	1,450	1,950	1,800	1,650	1,450
Income taxation receipts	**490,931**	**497,610**	**522,690**	**547,520**	**570,080**	**605,350**
Goods and services tax	85,031	89,400	94,234	99,309	104,868	110,481
Wine equalisation tax	1,091	1,110	1,200	1,240	1,300	1,350
Luxury car tax	1,253	1,170	1,200	1,270	1,330	1,400
Excise and customs duty						
Petrol	6,941	7,250	7,450	7,600	7,800	8,100
Diesel	16,092	17,390	17,850	18,770	19,470	20,060
Other fuel products	1,999	2,040	2,020	2,070	2,120	2,170
Tobacco	9,730	7,400	7,050	6,800	6,750	6,700
Beer	2,599	2,750	2,780	2,910	2,970	2,990
Spirits	3,208	3,280	3,380	3,430	3,450	3,450
Other alcoholic beverages(a)	1,686	1,770	1,830	1,930	1,950	2,000
Other customs duty						
Textiles, clothing and footwear	159	160	170	180	150	160
Passenger motor vehicles	391	380	380	350	120	120
Other imports	1,501	1,560	1,620	1,680	890	910
less: Refunds and drawbacks	791	870	730	730	730	730
Total excise and customs duty	43,514	43,110	43,800	44,990	44,940	45,930
Major Bank Levy	1,623	1,770	1,850	1,930	2,030	2,140
Agricultural levies	637	735	669	684	691	712
Visa application charges	3,385	4,129	4,199	4,402	4,579	4,696
Other taxes	5,936	6,209	6,244	6,211	6,120	6,208
Indirect taxation receipts	**142,469**	**147,632**	**153,396**	**160,036**	**165,859**	**172,916**
Taxation receipts	**633,400**	**645,242**	**676,086**	**707,556**	**735,939**	**778,266**
Sales of goods and services	19,867	21,796	21,921	22,974	24,192	25,304
Interest received	10,509	9,520	9,389	8,939	9,798	10,109
Dividends and distributions	6,412	7,380	7,416	7,766	8,212	8,946
Other non-taxation receipts	18,397	19,984	20,540	18,736	19,238	18,214
Non-taxation receipts	**55,185**	**58,680**	**59,266**	**58,414**	**61,440**	**62,573**
Total receipts	**688,585**	**703,922**	**735,353**	**765,970**	**797,379**	**840,840**
Memorandum:						
Total excise	*29,761*	*31,680*	*32,450*	*33,810*	*34,860*	*35,900*
Total customs duty	*13,753*	*11,430*	*11,350*	*11,180*	*10,080*	*10,030*
Capital gains tax(b)	*26,400*	*30,700*	*27,600*	*27,600*	*28,900*	*30,200*

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 4.8 provides a reconciliation of the 2025–26 Budget revenue estimates with those at the 2024–25 Budget and MYEFO.

Table 4.8: Reconciliation of Australian Government general government revenue estimates from the 2024–25 MYEFO and the 2024–25 Budget

	Estimates					
	2024-25	2025-26	2026-27	2027-28	2028-29	Total
	$m	$m	$m	$m	$m	$m
Revenue at 2024-25 Budget	**711,505**	**732,740**	**776,239**	**819,628**	*	*
Changes from 2024-25 Budget to 2024-25 MYEFO						
Effect of policy decisions(a)	118	225	429	405	*	*
Effect of parameter and other variations	6,631	10,245	4,361	2,406	*	*
Total variations	**6,749**	**10,470**	**4,790**	**2,810**	*	*
Revenue at 2024-25 MYEFO	**718,253**	**743,211**	**781,029**	**822,438**	*	*
Changes from 2024-25 MYEFO to 2025-26 Budget						
Effect of policy decisions(a)	21	-49	-3,419	-6,292	-2,874	-12,613
Effect of parameter and other variations	-706	7,100	5,949	-717	*	*
Total variations	**-685**	**7,052**	**2,530**	**-7,009**	*	*
Revenue at 2025-26 Budget	**717,568**	**750,262**	**783,559**	**815,429**	**862,506**	**3,929,325**

* 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 $7.1 billion in 2025–26 and down by $5.2 billion over the five years from 2024–25 to 2028–29.

The changes in the individual heads of revenue accrual estimates relative to MYEFO are shown in Tables 4.9 and 4.10, for 2024–25 and 2025–26, respectively. For the 5-year accrual table, the accrual equivalent of Table 4.7, see Budget Statement 9, Note 3.

Additional revenue and receipts historical tables are available online and can be accessed at www.budget.gov.au.

Table 4.9: 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	296,800	296,800	0	0.0
Gross other individuals	87,400	86,200	-1,200	-1.4
less: Refunds	39,900	39,200	-700	-1.8
Total individuals and other withholding tax	344,300	343,800	-500	-0.1
Fringe benefits tax	5,030	5,070	40	0.8
Company tax	135,500	136,500	1,000	0.7
Superannuation fund taxes	21,930	22,830	900	4.1
Petroleum resource rent tax	1,400	1,500	100	7.1
Income taxation revenue	**508,160**	**509,700**	**1,540**	**0.3**
Goods and services tax	94,770	94,420	-350	-0.4
Wine equalisation tax	1,130	1,120	-10	-0.9
Luxury car tax	1,170	1,170	0	0.0
Excise and customs duty				
Petrol	7,050	7,100	50	0.7
Diesel	17,040	16,990	-50	-0.3
Other fuel products	2,040	2,010	-30	-1.5
Tobacco	8,750	7,400	-1,350	-15.4
Beer	2,620	2,650	30	1.1
Spirits	3,310	3,280	-30	-0.9
Other alcoholic beverages(a)	1,760	1,770	10	0.6
Other customs duty				
Textiles, clothing and footwear	170	160	-10	-5.9
Passenger motor vehicles	380	380	0	0.0
Other imports	1,560	1,560	0	0.0
less: Refunds and drawbacks	730	870	140	19.2
Total excise and customs duty	43,950	42,430	-1,520	-3.5
Major bank levy	1,750	1,790	40	2.3
Agricultural levies	682	739	57	8.3
Visa application charges	4,147	4,129	-18	-0.4
Other taxes	7,850	7,710	-140	-1.8
Indirect taxation revenue	**155,449**	**153,508**	**-1,941**	**-1.2**
Taxation revenue	**663,609**	**663,208**	**-401**	**-0.1**
Sales of goods and services	21,067	21,166	98	0.5
Interest	11,046	10,532	-514	-4.6
Dividends and distributions	7,137	7,205	68	0.9
Other non-taxation revenue	15,394	15,458	64	0.4
Non-taxation revenue	**54,644**	**54,360**	**-284**	**-0.5**
Total revenue	**718,253**	**717,568**	**-685**	**-0.1**
Memorandum:				
Total excise	*30,970*	*31,000*	*30*	*0.1*
Total customs duty	*12,980*	*11,430*	*-1,550*	*-11.9*
Capital gains tax(b)	*29,900*	*30,700*	*800*	*2.7*

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

	Estimates		Change on MYEFO	
	MYEFO	Budget		
	$m	$m	$m	%
Individuals and other withholding taxes				
Gross income tax withholding	311,800	314,100	2,300	0.7
Gross other individuals	86,800	84,500	-2,300	-2.6
less: Refunds	42,100	40,800	-1,300	-3.1
Total individuals and other withholding tax	356,500	357,800	1,300	0.4
Fringe benefits tax	5,100	5,150	50	1.0
Company tax	139,000	143,500	4,500	3.2
Superannuation fund taxes	23,230	25,580	2,350	10.1
Petroleum resource rent tax	1,880	1,980	100	5.3
Income taxation revenue	**525,710**	**534,010**	**8,300**	**1.6**
Goods and services tax	99,290	99,300	10	0.0
Wine equalisation tax	1,220	1,210	-10	-0.8
Luxury car tax	1,210	1,210	0	0.0
Excise and customs duty				
Petrol	7,450	7,450	0	0.0
Diesel	17,850	17,850	0	0.0
Other fuel products	2,020	2,020	0	0.0
Tobacco	8,650	7,050	-1,600	-18.5
Beer	2,850	2,780	-70	-2.5
Spirits	3,450	3,380	-70	-2.0
Other alcoholic beverages(a)	1,850	1,830	-20	-1.1
Other customs duty				
Textiles, clothing and footwear	170	170	0	0.0
Passenger motor vehicles	370	380	10	2.7
Other imports	1,600	1,620	20	1.3
less: Refunds and drawbacks	730	730	0	0.0
Total excise and customs duty	45,530	43,800	-1,730	-3.8
Major bank levy	1,810	1,870	60	3.3
Agricultural levies	625	669	44	7.1
Visa application charges	4,211	4,199	-12	-0.3
Other taxes	8,249	8,036	-213	-2.6
Indirect taxation revenue	**162,144**	**160,294**	**-1,850**	**-1.1**
Taxation revenue	**687,854**	**694,304**	**6,450**	**0.9**
Sales of goods and services	21,808	22,256	448	2.1
Interest	11,039	10,619	-419	-3.8
Dividends and distributions	7,155	7,434	279	3.9
Other non-taxation revenue	15,354	15,648	295	1.9
Non-taxation revenue	**55,356**	**55,958**	**602**	**1.1**
Total revenue	**743,211**	**750,262**	**7,052**	**0.9**
Memorandum:				
Total excise	*32,570*	*32,450*	*-120*	*-0.4*
Total customs duty	*12,960*	*11,350*	*-1,610*	*-12.4*
Capital gains tax(b)	*26,100*	*27,600*	*1,500*	*5.7*

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 2024–25 Tax Expenditures and Insights Statement (TEIS) on 17 December 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.4.1 lists the largest measured tax expenditures for 2024–25 and several personal deduction categories. It is derived from the 2024–25 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 2024–25 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.4.1 for comparison purposes.

Table A.4.1: Estimates of large measured tax expenditures and deductions

Tax type affected	Code	Title	Revenue forgone 2024-25 ($m)*	Average growth 2020-21 to 2023-24 (%)	Average projected growth over FEs (%)
Positive tax expenditures and deductions					
Super	C2	Concessional taxation of employer superannuation contributions	29,150	14.2	4.1
CGT	E8	Main residence exemption – discount component	27,000	18.6	8.0
Deductions		Rental deductions	26,500	14.4	6.1
CGT	E7	Main residence exemption	24,500	18.0	7.7
CGT	E15	Discount for individuals and trusts	22,730	27.0	-3.4
Super	C4	Concessional taxation of superannuation earnings	22,200	6.2	13.0
Income	A26	Exemption for National Disability Insurance Scheme amounts	11,420	29.7	8.8
Deductions		Work-related expenses	11,300	10.6	3.7
GST	H25	Food	9,500	6.1	3.6
GST	H17	Health – medical and health services	5,400	5.0	6.5
GST	H14	Education	4,550	6.6	5.4
Income	A27	Exemption of Child Care Assistance payments	4,100	20.8	4.9
Income	B63	Lower tax rate for small companies	3,500	11.1	2.6
GST	H2	Financial supplies – input taxed treatment	3,500	3.7	4.5
FBT	D15	Exemption for public benevolent institutions (excluding hospitals)	2,950	11.5	3.1
Income	B11	Exemption from interest withholding tax on certain securities	2,930	11.5	0.3
Income	A20	Medicare levy exemption for residents with taxable income below the low-income thresholds	2,750	1.9	0.5
Income	A24	Concessional taxation of non-superannuation termination benefits	2,700	-5.5	N/A
Super	C6	Deductibility of life and total and permanent disability insurance premiums provided inside of superannuation	2,340	4.6	4.0
GST	H5	Child care services	2,330	11.2	5.0
Income	B1	Local government bodies income tax exemption	2,060	5.9	1.3
Super	C1	Concessional taxation of capital gains for superannuation funds	2,000	-15.5	11.0
Super	C3	Concessional taxation of personal superannuation contributions	1,800	20.0	3.1
Income	A39	Exemption of Family Tax Benefit payments	1,780	1.6	0.7

* 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.4.1: Estimates of large measured tax expenditures and deductions (continued)

Tax type affected	Code	Title	Revenue forgone 2024-25 ($m)*	Average growth 2020-21 to 2023-24 (%)	Average projected growth over FEs (%)
FBT	D11	Exemption for public and not-for-profit hospitals and public ambulance services	1,750	7.2	2.0
Income	A38	Exemption of certain income support benefits, pensions or allowances	1,700	2.6	-0.6
Other	F6	Concessional rate of excise levied on aviation gasoline and aviation turbine fuel	1,700	27.9	6.0
Income	A18	Exemption of the Private Health Insurance Rebate	1,600	0.0	2.3
GST	H18	Health – residential care, community care and other care services	1,600	4.1	6.6
Deductions		Cost of managing tax affairs and other deductions	1,600	7.2	4.4
Income	A57	Philanthropy – deduction for gifts to deductible gift recipients	1,515	35.6	-21.6
Income	B83	Capital works expenditure deduction	1,430	3.4	3.6
Income	A40	Exemptions of certain veterans' pensions, allowances or benefits, compensation, and particular World War II-related payments for persecution	1,380	20.2	-0.9
GST	H6	Water, sewerage and drainage	1,320	5.2	3.5
CGT	E32	Small business 50 per cent reduction	1,310	16.4	-4.2
Income	B12	Exemption of inbound non-portfolio distributions from income tax	1,120	5.1	-0.7
Income	B5	Reduced withholding tax under international tax treaties	1,080	15.4	8.6
Income	A32	Seniors and pensioners tax offset	1,050	25.7	-5.4
FBT	D21	Application of statutory formula to value car benefits	1,050	28.0	-2.0
Super	C12	Exemption for small business assets held for more than 15 years	1,020	33.1	-6.2
Negative tax expenditures and deductions					
Income	B82	Accelerated depreciation for business entities	-3,900	168.0	N/A
Income	B88	Simplified depreciation rules	-3,700	9.8	N/A
Other	F21	Customs duty	-2,130	5.4	-13.1
Other	F5	Luxury car tax	-1,170	11.0	2.0
Income	A21	Medicare levy surcharge	-1,100	24.8	4.5

* For deductions, 'Revenue forgone' refers to the reduction in tax in relation to the specified income year due to the utilisation of deductions.

Statement 5: 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 2025–26 Budget delivers on the Government's economic plan, which is focused on finishing the fight against inflation, rolling out responsible cost-of-living relief and building a stronger economy and stronger budget. This Budget helps Australians now and builds Australia's future by delivering responsible cost-of-living relief, strengthening Medicare, making it easier to buy and rent a home, investing in every stage of education, and building a stronger economy.

General government sector expenses are expected to be 27.3 per cent of GDP in 2025–26, easing to 26.8 per cent of GDP in 2028–29, reflecting the Government's commitment to build a strong foundation for economic growth.

Significant areas of expenditure in 2025–26 will be in the **social security and welfare** (37.0 per cent of total expenses), **health** (15.9 per cent of total expenses), **education** (6.9 per cent of total expenses) and **defence** (6.6 per cent of total expenses) functions. Together, these functions account for around two thirds of all government expenses in 2025–26.

Real growth in expenses over the period 2025–26 to 2028–29 is expected to average 1.2 per cent per year. Significant contributions to real growth over the period are expected to occur in the **social security and welfare, defence, health** and **education** functions.

Major expense trends over the period 2025–26 to 2028–29 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 aged care, child care and income support, are expected to increase over the period 2025–26 to 2028–29 as more recipients access government services and funding is provided to meet pay increases for critical workers.

Defence: the increase in expenses reflects that, under the *2024 National Defence Strategy* and the *2024 Integrated Investment Program*, the Government will invest in the acceleration of defence capabilities to defend Australia, deter actions against our national interests and respond to regional and global challenges.

Education: the increase in expenses reflects the Government's continued investment to improve education outcomes at all stages, including support for schools, higher education and vocational education programs. Expenditure is driven by more funding to states that have signed bilateral agreements under the Better and Fairer Schools Agreement, and school student enrolment growth, including higher enrolment rates for students with disability. It also reflects increased funding for universities driven by additional Commonwealth supported study places at universities, including support for students from under-represented backgrounds and those studying at regional campuses.

Mining, manufacturing and construction: the increase in expenses reflects the Government's continued investment in Australia's mining, manufacturing and construction industries. This includes expenses for the Critical Minerals Production Tax Incentive, which supports the downstream processing and refining of Australia's critical minerals.

Fuel and energy: the increase in expenses in 2025–26 for renewable energy investments reflects the Government's commitment to build Australia's renewable energy infrastructure through concessional loans made by the Clean Energy Finance Corporation under the Rewiring the Nation Fund. In the 2025–26 Budget, the Government is also extending the Energy Bill Relief Fund to deliver cost-of-living relief to all Australian households and eligible businesses.

Housing and community amenities: expenses reflect the Government's significant and continuing investments in building more homes and liveable communities, and ensuring Australians have access to safe, secure, and affordable housing.

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 5: Expenses and Net Capital Investment

Overview

Australian Government general government sector expenses are expected to increase from $762.8 billion in 2024–25 to $889.4 billion in 2028–29.

Table 5.1.1: Estimates of general government sector expenses

	MYEFO	Revised	Estimates			
	2024-25	2024-25	2025-26	2026-27	2027-28	2028-29
Total expenses ($b)	**758.6**	**762.8**	**785.7**	**806.6**	**842.9**	**889.4**
Real growth on previous year (%)(a)	7.6	8.4	-0.2	0.0	2.1	2.9
Per cent of GDP	27.5	27.4	27.3	27.0	26.8	26.8

a) Real growth is calculated using the Consumer Price Index.

Average annual real growth in expenses over the period 2025–26 to 2028–29 is expected to be 1.2 per cent. As a percentage of GDP, total expenses are expected to be 27.3 per cent in 2025–26 and ease to 26.8 per cent of GDP by 2028–29.

More detail about general government sector expenses is provided in Table 5.3.1.

Table 5.1.2: Estimates of general government sector payments

	MYEFO	Revised	Estimates			
	2024-25	2024-25	2025-26	2026-27	2027-28	2028-29
Total payments ($b)	**731.1**	**731.5**	**777.5**	**801.7**	**834.6**	**877.7**
Real growth on previous year (%)(a)	5.7	6.0	3.0	0.5	1.7	2.6
Per cent of GDP	26.5	26.2	27.0	26.8	26.5	26.4

a) Real growth is calculated using the Consumer Price Index.

Payment estimates are the cash equivalent of the accrual-based expense estimates.

Government payments are expected to increase in both nominal and real terms over the period 2025–26 to 2028–29, with average annual real growth estimated to be 1.9 per cent. As a percentage of GDP, total payments are expected to be 27.0 per cent in 2025–26 and are projected to decrease to 26.4 per cent by 2028–29.

More detail about general government sector payments is provided in Table 5.3.2 and *Statement 3: Fiscal Strategy and Outlook*.

Table 5.2 provides a reconciliation of expense estimates between the 2024–25 Budget and the 2025–26 Budget.

Table 5.2: Reconciliation of expense estimates

	Estimates				
	2024-25	2025-26	2026-27	2027-28	Total
	$m	$m	$m	$m	$m
2024-25 Budget expenses	**734,518**	**767,290**	**793,765**	**829,755**	**3,125,329**
Changes from 2024-25 Budget to 2024-25 MYEFO					
Effect of policy decisions(a)	12,739	8,635	6,188	4,487	32,049
Effect of parameter and other variations	11,390	8,693	9,027	10,404	39,514
Total variations	**24,129**	**17,328**	**15,215**	**14,891**	**71,563**
2024-25 MYEFO expenses	**758,648**	**784,618**	**808,980**	**844,646**	**3,196,892**
Changes from 2024-25 MYEFO to 2025-26 Budget					
Effect of policy decisions(a)	160	7,674	4,079	4,305	16,219
Effect of economic parameter variations					
Total economic parameter variations	-378	-549	-736	-121	-1,785
Unemployment benefits	*-61*	*-463*	*-582*	*-392*	*-1,499*
Prices and wages	*-135*	*-503*	*-342*	*23*	*-957*
Interest and exchange rates	*171*	*422*	*345*	*399*	*1,337*
GST payments to the States	*-353*	*-5*	*-158*	*-151*	*-666*
Public debt interest	-441	-534	-806	-838	-2,618
Program specific parameter variations	1,273	551	1,206	3,431	6,460
Other variations	3,495	-6,090	-6,130	-8,475	-17,199
Total variations	**4,109**	**1,052**	**-2,387**	**-1,697**	**1,076**
2025-26 Budget expenses	**762,756**	**785,670**	**806,594**	**842,949**	**3,197,968**

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

In the 2025–26 Budget, policy decisions are estimated to increase expenses by $16.2 billion over the four years from 2024–25 to 2027–28 compared with the 2024–25 MYEFO.

Economic parameters are estimated to decrease expenses by $1.8 billion over the four years from 2024–25 to 2027–28 compared with the 2024–25 MYEFO, largely reflecting lower projections for unemployment benefits on account of strong labour market outcomes.

Since the 2024–25 MYEFO, program specific parameter variations ($6.5 billion), variations associated with public debt interest (-$2.6 billion), and other variations (-$17.2 billion) have decreased expenses by $13.4 billion over the four years from 2024–25 to 2027–28. More detail about variations in payments, the cash equivalent of accrual-based expenses, can be found in *Statement 3: Fiscal Strategy and Outlook*.

Estimated expenses by function

Estimates of general government sector expenses by function for the period 2024–25 to 2028–29 are set out in Table 5.3. The social security and welfare, health, education and defence functions account for around two thirds of all government expenses in 2025–26 (see Box 5.1). Further details of spending trends in all functions are set out under individual function headings.

Table 5.3: Estimates of expenses by function[(a)]

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
General public services	33,052	31,418	31,695	32,502	32,829
Defence	49,344	51,483	52,567	56,487	61,238
Public order and safety	8,778	9,145	8,045	7,830	7,815
Education	63,503	54,030	56,157	58,395	60,397
Health	117,067	124,803	125,901	130,423	134,767
Social security and welfare	274,901	290,966	299,436	309,531	323,612
Housing and community amenities	18,122	8,952	7,021	5,562	5,125
Recreation and culture	5,859	5,867	5,709	5,974	6,378
Fuel and energy	16,437	19,237	15,079	16,213	18,273
Agriculture, forestry and fishing	4,461	4,427	4,152	3,511	3,156
Mining, manufacturing and construction	5,866	5,522	5,511	5,947	6,663
Transport and communication	15,980	16,557	16,380	16,320	16,484
Other economic affairs	14,063	13,558	12,636	12,263	12,285
Other purposes	135,322	149,706	166,306	181,992	200,374
Total expenses	**762,756**	**785,670**	**806,594**	**842,949**	**889,397**

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 5.1: Where does government spending go in 2025–26?

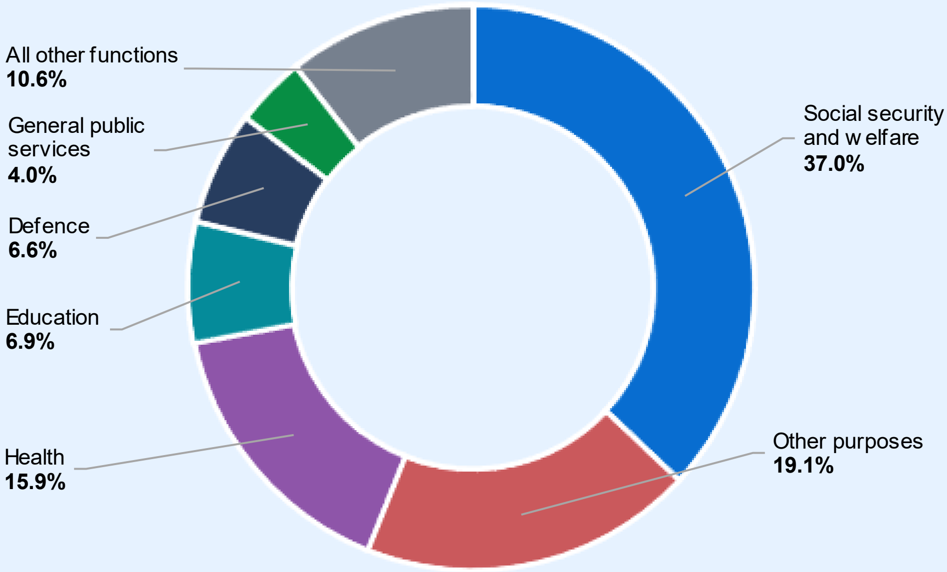
Government spending provides a wide range of services to the community. The most significant component of government spending relates to social security and welfare, with over one third of total expenses providing support to the aged, families with children, people with disabilities, veterans, carers and unemployed people.

Around a sixth of government expenses occur in health, including spending on the Medicare Benefits Schedule and the Pharmaceutical Benefits Scheme.

The Government also provides significant investment in education, supporting government and non-government schools, as well as higher education and vocational education and training.

Defence is another significant component of government expenditure, providing capability to the Australian Defence Force to protect Australia's security and defend our national interests.

Chart 5.1: Expenses by function in 2025–26



Further details of spending trends in all functions are set out under individual function headings.

Program expenses

The top 20 expense programs in 2025–26 are presented in Table 5.3.1. These programs represent more than two thirds of total expenses in 2025–26.

Table 5.3.1: Top 20 programs by expense

		Estimates				
		2024-25	2025-26	2026-27	2027-28	2028-29
Program(a)	**Function**	$m	$m	$m	$m	$m
Revenue assistance to the States and Territories	Other purposes	96,280	100,625	106,358	111,960	117,513
Support for Seniors	SSW	62,035	65,045	67,956	70,737	73,813
National Disability Insurance Scheme(b)	SSW	48,503	52,291	55,074	58,960	63,614
Aged Care Services	SSW	37,168	41,358	44,012	45,630	48,755
Medical Benefits	Health	32,673	35,238	37,575	39,438	41,040
Assistance to the States for Healthcare Services	Health	30,221	33,928	34,247	36,471	38,841
Commonwealth Debt Management	Other purposes	23,940	28,429	33,091	37,501	41,715
Financial Support for People with Disability	SSW	23,355	24,263	25,210	26,102	27,217
Pharmaceutical Benefits	Health	20,885	21,542	21,553	21,613	21,727
Non-Government Schools National Support	Education	19,370	19,975	20,808	21,648	22,509
Support for Families	SSW	17,790	17,902	18,095	18,446	18,672
Job Seeker Income Support	SSW	16,458	16,955	17,257	16,788	17,565
Child Care Subsidy	SSW	15,429	16,242	16,821	17,796	18,446
Financial Support for Carers	SSW	11,732	12,272	12,760	13,362	13,834
Government Schools National Support	Education	11,712	12,233	12,801	13,356	14,000
Fuel Tax Credits Scheme	Fuel and energy	10,151	10,805	11,515	12,254	13,107
Public Sector Superannuation - Benefits(c)	Other purposes; General public services	9,955	10,355	10,496	10,566	10,678
Army Capabilities	Defence	9,819	10,301	11,214	11,561	12,459
Defence Force Superannuation - Benefits(c)	Other purposes; General public services	9,677	10,053	10,624	11,264	11,955
Air Force Capabilities	Defence	9,138	9,454	9,948	10,261	11,203
Sub-total		**516,290**	**549,265**	**577,413**	**605,713**	**638,662**
Other programs		246,466	236,406	229,181	237,235	250,735
Total expenses		**762,756**	**785,670**	**806,594**	**842,949**	**889,397**

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 2025–26 are presented in Table 5.3.2. 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 capital investment but exclude depreciation.

Table 5.3.2: Top 20 programs by payment

		Estimates				
		2024-25	2025-26	2026-27	2027-28	2028-29
Program(a)	**Function**	$m	$m	$m	$m	$m
Revenue assistance to the States and Territories	Other purposes	95,636	100,615	106,365	111,960	117,521
Support for Seniors	SSW	62,150	65,152	68,162	70,968	73,725
National Disability Insurance Scheme(b)	SSW	47,206	50,826	53,976	58,358	63,048
Aged Care Services	SSW	37,152	41,342	42,884	44,321	48,512
Medical Benefits	Health	32,640	35,198	37,535	39,410	40,989
Assistance to the States for Healthcare Services	Health	30,221	33,928	34,247	36,471	38,841
Commonwealth Debt Management	Other purposes	22,666	26,303	28,628	35,092	36,623
Financial Support for People with Disability	SSW	23,421	24,331	25,310	26,313	27,215
Pharmaceutical Benefits	Health	20,755	21,689	21,553	21,611	21,724
Non-Government Schools National Support	Education	19,373	19,976	20,808	21,648	22,509
Support for Families	SSW	17,873	18,096	18,490	18,702	18,962
Job Seeker Income Support	SSW	16,556	17,171	17,467	17,025	17,706
Child Care Subsidy	SSW	15,171	16,134	16,911	17,775	18,415
Army Capabilities	Defence	11,785	12,566	13,404	14,304	14,648
Financial Support for Carers	SSW	11,749	12,301	12,800	13,335	13,840
Government Schools National Support	Education	11,714	12,235	12,803	13,357	14,000
Navy Capabilities	Defence	11,400	11,579	12,596	12,712	14,208
Fuel Tax Credits Scheme	Fuel and energy	10,117	10,704	11,412	12,147	12,983
Public Sector Superannuation - Benefits	General public services	9,820	10,313	10,672	11,062	11,507
Air Force Capabilities	Defence	9,656	9,567	10,473	10,934	12,509
Sub-total		**517,059**	**550,024**	**576,494**	**607,505**	**639,486**
Other programs		214,468	227,451	225,182	227,122	238,208
Total payments		**731,527**	**777,475**	**801,676**	**834,627**	**877,694**

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)
- overall economic and statistical services
- 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 5.4: Summary of expenses – general public services

Sub-function	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Legislative and executive affairs	2,335	1,895	1,803	2,060	1,704
Financial and fiscal affairs	10,364	10,428	10,353	9,849	9,997
Foreign affairs and economic aid(a)	8,760	7,878	8,352	8,965	8,951
General research(b)	4,775	4,527	4,259	4,330	4,425
General services	1,240	1,287	1,300	1,360	1,443
Government superannuation benefits	5,578	5,403	5,627	5,938	6,308
Total general public services	**33,052**	**31,418**	**31,695**	**32,502**	**32,829**

a) A further breakdown of the foreign affairs and economic aid sub-function is provided in Table 5.4.1.
b) A further breakdown of the general research sub-function is provided in Table 5.4.2.

Total general public services expenses are estimated to increase by 4.5 per cent over the period 2025–26 to 2028–29. The largest movement in expenses are for **government superannuation benefits, foreign affairs and economic aid and financial and fiscal affairs.**

Legislative and executive affairs expenses largely reflect the maintenance of parliamentary functions and personnel, and the expenditure profile of the Australian Electoral Commission (AEC). The decrease in expenses from 2024–25 to 2026–27 reflects the reduction in estimated AEC expenses following the federal election in 2024–25. The decrease in expenses from 2027–28 to 2028–29 reflects the reduction in estimated AEC expenses following the federal election expected in 2027–28.

Financial and fiscal affairs expenses are expected to decrease over the period 2025–26 to 2028–29. These expenses include the Government's extension of several Australian Taxation Office compliance programs in the 2025–26 Budget, to ensure multinationals, businesses and individuals are paying the right amount of tax in Australia.

Foreign affairs and economic aid expenses are expected to increase over the period 2025–26 to 2028–29. This largely reflects payment cycles of Australia's contributions under funding arrangements for multilateral funds.

Table 5.4.1 sets out the major components of the **foreign affairs and economic aid** sub-function.

Table 5.4.1: Trends in the major components of the foreign affairs and economic aid sub-function expense

Component(a)	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Foreign aid(b)	5,176	4,247	4,565	5,083	5,082
Diplomacy(c)	1,688	1,718	1,761	1,783	1,823
Payments to international organisations	460	460	460	460	461
Passport services	389	363	423	429	435
International police assistance	276	332	361	398	381
International agriculture research and development	129	135	134	134	135
Consular services	160	151	158	158	160
Finance and insurance services for Australian exporters and investors	259	210	254	289	222
Other	222	261	235	231	252
Total	**8,760**	**7,878**	**8,352**	**8,965**	**8,951**

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, Official Development Assistance reporting, 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 remain broadly stable over the period 2025–26 to 2028–29, with moderate fluctuations reflecting funding allocations to research and research infrastructure programs.

Table 5.4.2 sets out the major components of the **general research** sub-function.

Table 5.4.2: Trends in the major components of general research sub-function expense

Component(a)	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Research – science services and innovation fund	1,753	1,676	1,588	1,593	1,647
Discovery – research and research training	630	630	649	669	685
Science and technology solutions	510	547	525	540	541
Linkage – cross sector research partnerships	398	406	436	449	460
Supporting science and commercialisation	467	317	293	315	287
Research capacity	822	764	595	586	624
Other	195	187	174	179	180
Total	**4,775**	**4,527**	**4,259**	**4,330**	**4,425**

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, the Australian Public Service Commission, and Comcare. **General services** expenses are estimated to increase over the period 2025–26 to 2028–29. This largely reflects the impact of insurance claims expenditure.

Expenses for **government superannuation benefits** are estimated to increase over the period 2025–26 to 2028–29. The higher estimated expenses in 2024–25 primarily reflect the use of different discount rates. In accordance with accounting standards, superannuation expenses for 2024–25 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 4.2 and 4.8 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 2025–26 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:

- Australian military operations
- National defence, through strategic policy advice and the delivery of capabilities to achieve an integrated and focused force, harnessing effects across the maritime, land, air, space, and cyber domains.

The defence function does not include expenses incurred by the Department of Veterans' Affairs, superannuation payments to retired military personnel, related nominal superannuation interest, and housing assistance provided through Defence Housing Australia. These expenses are reported in the social security and welfare, general public services, other purposes, and housing and community amenities functions, respectively.

Table 5.5: Summary of expenses – defence

Sub-function	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Defence	49,344	51,483	52,567	56,487	61,238
Total defence	**49,344**	**51,483**	**52,567**	**56,487**	**61,238**

Total expenses for the **defence** sub-function are estimated to increase by 18.9 per cent over the period 2025–26 to 2028–29. This growth reflects the funding required to deliver the *2024 National Defence Strategy* and *2024 Integrated Investment Program* and includes the Government's previous commitment of an additional $50.3 billion over ten years from 2024–25, and $7.7 billion per year ongoing, to prioritise Defence capabilities that support an integrated, focused force that is positioned to safeguard Australia's security and prosperity.

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 5.6: Summary of expenses – public order and safety

Sub-function	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Courts and legal services	1,811	2,003	1,925	1,961	1,974
Other public order and safety(a)	6,967	7,142	6,120	5,869	5,842
Total public order and safety	**8,778**	**9,145**	**8,045**	**7,830**	**7,815**

a) A further breakdown of the other public order and safety sub-function is provided in Table 5.6.1.

Total expenses for public order and safety are estimated to decrease by 14.5 per cent over the period 2025–26 to 2028–29, largely due to a reduction in expenses for **other public order and safety.**

Courts and legal services expenses are expected to remain relatively stable over the period 2025–26 to 2028–29, with a slight increase in expenditure in 2025–26 for the Administrative Review Tribunal and migration-related legal matters in accordance with demand. These expenses include the Government's investment in a new National Access to Justice Partnership in the 2024–25 MYEFO, including a commitment to ongoing funding.

The profile of **other public order and safety** expenses is largely a result of three factors. First, from 2025–26, funding is currently scheduled to end for some National Partnership Payments for public order and safety. This funding will be considered for extension by the Government in a future economic update. 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 2025–26, the supplementary increase to border protection funding is $267.0 million, bringing total funding in 2025–26 to $2.0 billion. Third, the Government's investment through the 2025–26 Budget measure *Illicit Tobacco Compliance and Enforcement Package – direct and targeted enforcement to counter profits from illicit tobacco* contributes to the expenses in 2025–26 and 2026–27.

Table 5.6.1 sets out the major components of the **other public order and safety** sub-function.

Table 5.6.1: Trends in the major components of the other public order and safety sub-function expense

Component(a)	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Policing and law enforcement	5,047	5,117	4,562	4,381	4,360
Border Protection	1,920	2,025	1,558	1,488	1,482
Total	**6,967**	**7,142**	**6,120**	**5,869**	**5,842**

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 schools.

Table 5.7: Summary of expenses – education

Sub-function	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Higher education	11,515	12,139	12,531	12,985	13,494
Vocational and other education	2,638	2,671	2,743	2,723	2,407
Schools	31,082	32,208	33,609	35,003	36,509
Non-government schools	*19,370*	*19,975*	*20,808*	*21,648*	*22,509*
Government schools	*11,712*	*12,233*	*12,801*	*13,356*	*14,000*
School education – specific funding	956	874	841	832	813
Student assistance	16,972	5,794	6,114	6,544	6,873
General administration	340	344	320	308	302
Total education	**63,503**	**54,030**	**56,157**	**58,395**	**60,397**

Total education expenses are estimated to increase by 11.8 per cent over the period 2025–26 to 2028–29, reflecting the Government's ongoing investment in schools, higher education, and vocational education and training programs.

Higher education expenses are estimated to increase over the period 2025–26 to 2028–29, primarily driven by growth in funding for Commonwealth supported study places at universities, including funding to better support students from under-represented backgrounds and those studying at regional campuses.

Vocational and other education expenses are estimated to decrease over the period 2025–26 to 2028–29. This reflects the profile of Government investment in vocational education and training under the five-year *National Skills Agreement*, which commenced on 1 January 2024, and is currently due to end on 31 December 2028.

Non-government schools and **government schools** expenses are both estimated to increase over the period 2025–26 to 2028–29 due to an increase in the number of students that are eligible to attract a 'student with disability' loading. Increases in expenses are also due to growth in general non-government school student enrolments and the Commonwealth increasing funding for government schools through bilateral agreements under the new Better and Fairer Schools Agreement.

Student assistance expenses are estimated to increase over the period 2025–26 to 2028–29, primarily driven by growth in student numbers. This follows a peak in expenses in 2024–25 resulting from the one-off 20 per cent reduction on the outstanding balance of student loan debts announced in the 2024–25 MYEFO measure *Building Australia's Future – A fairer deal for students.*

Health

The health function 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 5.8: Summary of expenses – health

Sub-function	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Medical services and benefits(a)	42,027	44,832	47,291	49,408	51,231
Pharmaceutical benefits and services(b)	22,036	22,586	22,591	22,593	22,728
Assistance to the states for public hospitals	30,221	33,928	34,247	36,471	38,841
Hospital services(c)	1,180	1,226	1,237	1,266	1,161
Health services	15,152	15,422	14,530	14,744	14,835
General administration	5,105	5,425	4,697	4,658	4,695
Aboriginal and Torres Strait Islander health	1,345	1,383	1,309	1,283	1,275
Total health	**117,067**	**124,803**	**125,901**	**130,423**	**134,767**

a) A further breakdown of the medical services and benefits sub-function is provided in Table 5.8.1.
b) A further breakdown of the pharmaceutical benefits and services sub-function is provided in Table 5.8.2.
c) The hospital services sub-function predominantly reflects Commonwealth funding to the states and territories for veterans' hospital services.

Expenses for the health function are expected to increase by 8.0 per cent over the period 2025–26 to 2028–29. The largest movement in expenses for the health function is estimated to occur in **medical services and benefits** and **assistance to the states for public hospitals**. Expenses for the remaining sub-functions are expected to remain relatively stable over the period 2025–26 to 2028–29.

Medical services and benefits expenses, which primarily consist of Medical Benefits and Private Health Insurance expenses, comprise 35.9 per cent of total estimated health expenses for 2025–26. These expenses are expected to increase over the period 2025–26 to 2028–29, primarily driven by growth in the Medical Benefits program as a result of the 2025–26 Budget measure *Strengthening Medicare*, as well as ongoing growth in the use of medical services.

Table 5.8.1 sets out the major components of the **medical services and benefits** sub-function.

Table 5.8.1: Trends in the major components of the medical services and benefits sub-function expense

Component(a)	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Medical benefits	32,673	35,238	37,575	39,438	41,040
Private health insurance	7,602	7,835	8,005	8,208	8,410
General medical consultations and services	719	731	712	742	741
Dental services(b)	365	326	325	325	324
Other	668	702	675	696	716
Total	**42,027**	**44,832**	**47,291**	**49,408**	**51,231**

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 5.8.

Pharmaceutical benefits and services expenses, primarily the Pharmaceutical Benefits Scheme (PBS), comprise 18.1 per cent of total estimated health expenses for 2025–26. The Government is investing more than $3.2 billion over five years from 2024–25 through a range of 2025–26 Budget measures to ensure ongoing affordable access to medicines. This includes new and amended listings on the PBS, reducing the general patient PBS co-payment to $25 and improving access to medicines through the 2025–26 Budget measure *Improving Access to Medicines and Pharmacy Programs.*

Table 5.8.2 sets out the major components of the **pharmaceutical benefits and services** sub-function.

Table 5.8.2: Trends in the major components of the pharmaceutical benefits and services sub-function expense

Component(a)	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Pharmaceutical benefits, services and supply	20,900	21,560	21,566	21,613	21,727
Immunisation	756	636	633	581	598
Veterans' pharmaceutical benefits	381	390	392	398	403
Total	**22,036**	**22,586**	**22,591**	**22,593**	**22,728**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

The Government's contribution to public hospitals is reported through the **assistance to the states for public hospitals** sub-function. Hospital services covered by this sub-function include all admitted services, programs that deliver hospital services in the home, and emergency department services. Expenses for this sub-function are expected to increase over the period 2025–26 to 2028–29, reflecting the Government's agreement with the states and territories to extend the 2020–2025 National Health Reform Agreement Addendum for one year in 2025–26, and provide additional funding in 2025–26 to help cut elective surgery waiting lists, reduce waiting times in emergency departments, and manage ambulance ramping.

Health services include expenses associated with the delivery of medical research, mental health, blood and blood products, disbursements from the Medical Research Future Fund, preventive health, and health protection. Expenses are expected to decrease over the period 2025–26 to 2028–29, reflecting the currently scheduled end date of some national partnership agreements, and preventive health and chronic disease measures which will be considered for extension in a future economic update. The decrease in expenses is partially offset by increases in estimated expenses for blood and blood products.

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. Expenses are expected to decrease over the period 2025–26 to 2028–29, largely reflecting the completion of ICT projects to deliver essential enhancements to critical aged care digital systems, and time-limited funding to support implementation of aged care reform.

Expenses for **Aboriginal and Torres Strait Islander health** are expected to increase from 2024–25 to 2025–26, reflecting the Government's commitment to Closing the Gap for First Nations peoples' health and wellbeing. Expenses are expected to marginally decrease over the period 2025–26 to 2028–29, due to the currently scheduled end date of some measures which will be considered for extension in a future economic update.

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 5.9: Summary of expenses – social security and welfare

Sub-function	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Assistance to the aged(a)	102,448	109,463	114,444	118,849	125,076
Assistance to veterans and dependants	10,724	10,301	9,422	9,971	9,940
Assistance to people with disabilities(b)	85,606	90,884	95,037	100,309	106,568
Assistance to families with children(c)	48,873	52,486	53,486	54,077	55,129
Assistance to the unemployed and the sick	16,458	16,955	17,257	16,788	17,565
Other welfare programs	1,760	1,927	1,812	1,711	1,714
Assistance for Indigenous Australians nec	3,386	3,460	3,357	3,241	3,031
General administration	5,646	5,489	4,621	4,585	4,589
Total social security and welfare	**274,901**	**290,966**	**299,436**	**309,531**	**323,612**

a) A further breakdown of the assistance to the aged sub-function is provided in Table 5.9.1.
b) A further breakdown of the assistance to people with disabilities sub-function is provided in Table 5.9.2.
c) A further breakdown of the assistance to families with children sub-function is provided in Table 5.9.3.

Expenses in social security and welfare are estimated to increase by 11.2 per cent over the period 2025–26 to 2028–29. The largest movements in expenses are expected to occur in **assistance to people with disabilities**, **assistance to the aged** and **assistance to families with children**. The remaining sub-functions are estimated to remain broadly stable over the period 2025–26 to 2028–29.

Assistance to the aged expenses are estimated to increase over the period 2025–26 to 2028–29, primarily driven by increases in expenditure in the Support for Seniors and Aged Care Services programs.

The Support for Seniors program is estimated to increase over the period 2025–26 to 2028–29, 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 program are the expanding ageing population, rising demand for aged care services, and increased funding for aged care workers' wages due to the Fair Work Commission's Aged Care Work Value case decisions. This growth in estimated expenses is also due to the implementation of aged care reforms, including the new Support at Home program from 1 July 2025. The growth in estimated expenses is partially offset by increases in means-tested contributions for people entering residential aged care and a new participant contribution framework for the Support at Home program.

Table 5.9.1 sets out the major components of the **assistance to the aged** sub-function.

Table 5.9.1: Trends in the major components of the assistance to the aged sub-function expense

Component(a)	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Support for seniors	62,035	65,045	67,956	70,737	73,813
Aged care services	37,168	41,358	44,012	45,630	48,755
Veterans' community care and support	1,155	1,179	1,069	1,135	1,254
Aged care quality	628	453	302	236	240
Access and information	918	859	747	770	808
National Partnership Payments –					
Assistance to the aged	199	175	148	139	0
Other	344	395	209	204	206
Total	**102,448**	**109,463**	**114,444**	**118,849**	**125,076**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Assistance to veterans and dependants expenses are estimated to decrease slightly over the period 2025–26 to 2028–29, reflecting a reduction in expenses for income support and compensation payments to veterans due to a forecast reduction in the volume of claims. This follows an increase in the volume of claims lodged in 2024–25 and the processing of outstanding claims following the clearance of the claims backlog due to the Government's investments in the Department of Veterans' Affairs. Expenses are projected to peak in 2024–25 and remain elevated in 2025–26, before decreasing 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 2025–26 to 2028–29, reflecting an increase in the number of people with disability participating in the NDIS and increases in individual support costs, and continued growth in Disability Support Pension recipient numbers and average payment rates along with the gradual resolution of the claims backlog.

Table 5.9.2 sets out the major components of the **assistance to people with disabilities** sub-function.

Table 5.9.2: Trends in the major components of the assistance to people with disabilities sub-function expense

Component(a)	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
National Disability Insurance Scheme(b)	48,503	52,291	55,074	58,960	63,614
National Disability Insurance Scheme – quality and safeguards	160	182	182	107	111
Financial support for people with disability	23,355	24,263	25,210	26,102	27,217
Financial support for carers	13,578	14,143	14,570	15,139	15,626
National Partnership Payments – Assistance to people with disabilities	10	4	1	0	0
Total	**85,606**	**90,884**	**95,037**	**100,309**	**106,568**

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 2025–26 to 2028–29. This increase primarily reflects increases in the Child Care Subsidy and the 2024–25 MYEFO measures *Building Australia's Future – delivering pay rises for early educators* and *Building Australia's Future – Early Childhood Education and Care Reforms*.

Assistance to families with children expenses are expected to increase due to higher Parental Leave Pay expenses, including an increase in both the number of recipients and the average payment rates due to recent legislative changes to the Paid Parental Leave Scheme. On 20 March 2024, amendments were made to the *Paid Parental Leave Amendment (More Support for Working Families) Act 2024* to provide an additional two weeks of payment to Parental Leave Pay each year in July 2025 and July 2026. On 1 October 2024, amendments were made to the *Paid Parental Leave Amendment (Adding Superannuation for a More Secure Retirement) Act 2024* to include a superannuation payment on government-funded Paid Parental Leave Scheme payments for births and adoptions on or after 1 July 2025.

Table 5.9.3 sets out the major components of the **assistance to families with children** sub-function.

Table 5.9.3: Trends in the major components of the assistance to families with children sub-function expense

Component(a)	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Family assistance	21,176	22,184	22,938	23,493	24,097
Child care subsidy	15,429	16,242	16,821	17,796	18,446
Parents income support	7,891	8,192	8,545	8,717	8,902
Child support	2,004	2,048	2,084	2,116	2,150
Support for the child care system	1,119	2,367	1,613	526	327
Families and children	954	1,145	1,181	1,123	893
Family relationship services	275	285	284	287	293
Other	23	23	20	19	20
Total	**48,873**	**52,486**	**53,486**	**54,077**	**55,129**

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 slightly over the period 2025–26 to 2028–29, primarily driven by growth in the expected number of JobSeeker Payment recipients, as the current close-to-historic low unemployment rate is expected to modestly increase.

Expenses for **assistance for Indigenous Australians nec** (not elsewhere classified) 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 2025–26 Budget measures *Northern Territory Remote Aboriginal Investment – future arrangements* and *Closing the Gap – further investments* and the 2024–25 Budget measure *Remote Jobs and Economic Development Program* deliver on the Government's commitment to improve outcomes for First Nations people in remote Australia.

Housing and community amenities

The housing and community amenities function includes expenses for the Government's contribution to the *National Agreement on Social Housing and Homelessness*, other Australian Government housing programs, the expenses of Defence Housing Australia (DHA), urban and regional development programs and environmental protection initiatives.

Table 5.10: Summary of expenses – housing and community amenities

Sub-function	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Housing	12,039	4,402	4,066	3,742	3,527
Urban and regional development	3,521	2,062	1,088	474	414
Environment protection	2,562	2,488	1,866	1,345	1,185
Total housing and community amenities	**18,122**	**8,952**	**7,021**	**5,562**	**5,125**

Expenses for housing and community amenities are expected to decrease by 42.7 per cent over the period 2025–26 to 2028–29, primarily driven by a decrease in expenses for **urban and regional development** and **environment protection**.

Housing expenses include the provision of housing for the general public and people with special needs, DHA expenses and the Government's contribution of $9.3 billion over five years from 2024–25 for the *National Agreement on Social Housing and Homelessness*, which supports states and territories to provide social housing and homelessness services. Expenses are estimated to decrease from 2025–26 to 2028–29, primarily driven by expected timing of grant payments under the National Housing Infrastructure Facility and a change in accounting treatment of grant funding under the Housing Australia Future Fund Facility (HAFFF) and National Housing Accord Facility (NHAF).

The Government has committed to a significant investment in housing through Rounds 1 and 2 of the HAFFF and NHAF. In accordance with accounting standards, Housing Australia reflects its liability for all future availability payments under the HAFFF and NHAF as expenditure at the point it enters into contracts. This will occur in 2024–25 for Rounds 1 and 2, resulting in $6.4 billion being recognised in 2024–25 and no longer being reflected in future years (payments will continue to be made over the 25-year period). Remaining Housing Australia Future Fund disbursements are allocated across the forward estimates as funding for future housing funding rounds will be recognised in the same way, once the parameters for each funding round are established.

Expenses for **urban and regional development** comprise urban development, services to territories, and regional development programs. Expenses are estimated to decrease over the period 2024–25 to 2028–29, primarily reflecting the profile of funding for the Priority Community Infrastructure Program, the Investing in Our Communities Program, the Growing Regions Program, and the conclusion of the final grants under the Community Development Grants Programme.

Environment protection expenses comprise a variety of initiatives, including the protection and conservation of the environment, water and waste management, pollution abatement and environmental research. Expenses are estimated to decrease over the period 2025–26 to 2028–29, primarily due to the deferral of construction for the Paradise Dam and Big Rocks Weir projects and the Hughenden Irrigation Scheme until beyond 2028–29, and the planned termination of the Critical Inputs to Clean Energy Industries program from 2026–27.

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 5.11: Summary of expenses – recreation and culture

Sub-function	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Broadcasting(a)	1,781	1,834	1,867	1,886	1,925
Arts and cultural heritage	2,348	2,085	2,085	2,095	2,127
Sport and recreation	937	1,140	993	1,221	1,539
National estate and parks	793	809	764	771	788
Total recreation and culture	**5,859**	**5,867**	**5,709**	**5,974**	**6,378**

a) A further breakdown of the broadcasting sub-function is provided in Table 5.11.1.

Total expenses under the recreation and culture function are estimated to increase by 8.7 per cent over the period 2025–26 to 2028–29. This is primarily driven by expenses in **sport and recreation**, which are linked to the Government's investment in venue infrastructure for the 2032 Brisbane Olympic and Paralympic Games.

Broadcasting expenses reflect the five-year funding terms for the Australian Broadcasting Corporation and Special Broadcasting Services Corporation that commenced on 1 July 2023.

Table 5.11.1 sets out the major components of the **broadcasting** sub-function.

Table 5.11.1: Trends in the major components of the broadcasting sub-function expense

Component(a)	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
ABC general operational activities	1,071	1,089	1,111	1,134	1,157
SBS general operational activities	425	452	459	449	458
ABC transmission and distribution services	207	213	216	222	226
SBS transmission and distribution services	78	80	81	82	83
Total	**1,781**	**1,834**	**1,867**	**1,886**	**1,925**

a) The entry for each component includes eliminations for inter-agency transactions within that component.

Expenses under **arts and cultural heritage** are estimated to decrease from 2024–25 to 2025–26 and remain broadly stable over the period 2025–26 to 2028–29. The expenditure reflects estimated payments under the Australian Screen Production Incentives and Digital Game Production Offset programs.

Sport and recreation expenses are estimated to increase over the period 2025–26 to 2028–29 reflecting the Government's investment in venue infrastructure for the 2032 Brisbane Olympic and Paralympic Games.

National estate and parks expenses are estimated to remain broadly stable over the period 2025–26 to 2028–29. The expenditure reflects the Government's ongoing investment in

Australia's national terrestrial and marine parks, including funding committed in the 2025–26 Budget measure *Protecting Australia's Iconic National Parks – continuing delivery*.

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 5.12: Summary of expenses – fuel and energy

Sub-function	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Fuel and energy(a)	16,437	19,237	15,079	16,213	18,273
Total fuel and energy	**16,437**	**19,237**	**15,079**	**16,213**	**18,273**

a) A further breakdown of the fuel and energy sub-function is provided in Table 5.12.1.

Total fuel and energy expenses are estimated to decrease by 5.0 per cent over the period 2025–26 to 2028–29.

Table 5.12.1 sets out the major components of the **fuel and energy** sub-function.

Table 5.12.1: Trends in the major components of the fuel and energy sub-function expense

Component(a)	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Fuel Tax Credits Scheme	10,151	10,805	11,515	12,254	13,107
Resources and energy	5,012	3,077	1,033	956	2,052
Renewable energy	825	4,951	2,208	2,711	2,838
Other	450	403	324	292	275
Total	**16,437**	**19,237**	**15,079**	**16,213**	**18,273**

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 2025–26 to 2028–29. This largely reflects an expected increase in the use of fuels that are eligible for the Fuel Tax Credits Scheme.

Resources and energy expenses are expected to fluctuate over the period 2024–25 to 2028–29. The 2025–26 Budget measure *Energy Bill Relief Fund Extension* is expected to increase expenses in 2025–26, reflecting the Government's focus on providing immediate cost-of-living relief.

Expenses for the **renewable energy** component are expected to increase in 2025–26, before decreasing in 2026–27 and returning to a stable trend, 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 Rewiring the Nation Program, established in the 2022–23 October Budget and recapitalised in the 2024–25 MYEFO.

Agriculture, forestry and fishing

The agriculture, forestry and fishing function includes expenses to support assistance to primary producers, forestry, fishing, land and water resources management, biosecurity services, and contributions to research and development.

Table 5.13: Summary of expenses – agriculture, forestry and fishing

Sub-function	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Wool industry	62	62	73	79	84
Grains industry	292	305	318	330	340
Dairy industry	58	58	58	57	58
Cattle, sheep and pig industry	272	279	277	279	274
Fishing, horticulture and other agriculture	630	590	531	478	424
General assistance not allocated to specific industries	50	54	50	51	52
Rural assistance	394	413	379	384	333
Natural resources development	1,313	1,265	1,181	571	304
General administration	1,391	1,400	1,284	1,283	1,287
Total agriculture, forestry and fishing	**4,461**	**4,427**	**4,152**	**3,511**	**3,156**

Total expenses for agriculture, forestry and fishing are estimated to decrease by 28.7 per cent over the period 2025–26 to 2028–29. The expected decrease largely reflects the reduction in **natural resources development** primarily due to the schedule of water reform activities to deliver the Murray–Darling Basin Plan 2012 by the 31 December 2027 deadline set out in the *Water Amendment (Restoring Our Rivers) Act 2023*.

Mining, manufacturing and construction

The mining, manufacturing and construction function 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 5.14: Summary of expenses – mining, manufacturing and construction

Sub-function	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Mining, manufacturing and construction(a)	5,866	5,522	5,511	5,947	6,663
Total mining, manufacturing and construction	**5,866**	**5,522**	**5,511**	**5,947**	**6,663**

a) A further breakdown of the mining, manufacturing and construction sub-function is provided in Table 5.14.1.

Total expenses for mining, manufacturing and construction are expected to increase by 20.7 per cent over the period 2025–26 to 2028–29, reflecting the Government's increased support for the Australian mining, manufacturing, and construction industries.

Table 5.14.1 sets out the major components of the **mining, manufacturing and construction** sub-function.

Table 5.14.1: Trends in the major components of the mining, manufacturing and construction sub-function expense

Component(a)	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Research and development tax incentive	4,748	4,547	4,601	4,775	5,010
Growing business investment	386	261	205	154	87
Northern Australia Infrastructure Facility	121	234	282	235	223
Other	611	480	422	783	1,343
Total	**5,866**	**5,522**	**5,511**	**5,947**	**6,663**

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 2025–26 to 2028–29 due to increases in the number and value of expected claims from eligible companies.

Expenses under the **growing business investment** component are expected to decrease over the period 2025–26 to 2028–29, due to the currently scheduled end date of some measures which will be considered for extension in a future economic update.

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 remain stable over the period 2025–26 to 2028–29, reflecting concessional loan discount expenses associated with the expected commitment of concessional loans.

Expenses under the **other** component are expected to increase over the period 2025–26 to 2028–29, largely driven by the Critical Minerals Production Tax Incentive, commencing from 2027–28.

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 the Government's investment in road and rail transport through the Infrastructure Investment Program. This function also includes expenditure for communications activities and support for the digital economy through the Department of Infrastructure, Transport, Regional Development, Communications and the Arts, and the Australian Communications and Media Authority.

Table 5.15: Summary of expenses – transport and communication

Sub-function	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Communication	1,922	1,945	1,810	1,776	1,767
Rail transport	4,112	3,086	2,805	3,187	3,420
Air transport	488	479	384	298	297
Road transport	8,568	10,135	10,552	10,225	10,180
Sea transport	509	563	543	546	551
Other transport and communication	381	349	285	287	269
Total transport and communication	**15,980**	**16,557**	**16,380**	**16,320**	**16,484**

Total expenses under this function are estimated to remain relatively stable from 2025–26 to 2028–29, with movements in the function largely reflecting the timing of priority infrastructure projects under the Infrastructure Investment Program.

Communication expenses are estimated to decrease over the period 2025–26 to 2028–29, primarily reflecting the funding profile for the Better Connectivity Plan for Regional and Rural Australia.

Rail transport expenses are estimated to decrease from 2024–25 to 2025–26 and fluctuate over the period 2025–26 and 2028–29, reflecting the delivery schedules of major rail infrastructure projects, including projects under the METRONET program and Melbourne Airport Rail Link.

Air transport expenses primarily relate to activities of the Civil Aviation Safety Authority and aviation related initiatives. Total expenses are estimated to decrease over the period 2025–26 to 2028–29 due to the completion of preparatory work for the Western Sydney International (Nancy-Bird Walton) Airport, finalisation of investigations for per- and polyfluoroalkyl substances (PFAS) at airports, and the timing of expenditure associated with regional aviation programs.

Road transport expenses are estimated to increase from 2024–25 to 2025–26 and remain relatively stable over the period 2025–26 to 2028–29. The expenditure profile reflects continued investment in priority road infrastructure projects and realignment of funding to more accurately reflect project delivery schedules. Through the 2025–26 Budget measure *Building a Better Future Through Considered Infrastructure Investment*, the Government is providing $17.1 billion over 10 years from 2024–25 towards priority road and rail projects.

Total expenses for **other transport and communication** are estimated to decrease over the period 2025–26 to 2028–29, primarily reflecting the timeline of departmental activities to support the delivery of priority infrastructure and transport initiatives and the expected conclusion of the Regional Roads Australia Mobile Program.

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 5.16: Summary of expenses – other economic affairs

Sub-function	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Tourism and area promotion	197	206	194	194	192
Total labour and employment affairs	6,104	5,854	5,521	5,397	5,508
Vocational and industry training	*2,599*	*2,261*	*1,875*	*1,787*	*1,832*
Labour market assistance to job seekers and industry	*2,395*	*2,502*	*2,572*	*2,524*	*2,601*
Industrial relations	*1,111*	*1,091*	*1,074*	*1,085*	*1,075*
Immigration(a)	3,963	3,895	3,452	3,341	3,311
Other economic affairs nec(b)	3,799	3,603	3,469	3,332	3,274
Total other economic affairs	**14,063**	**13,558**	**12,636**	**12,263**	**12,285**

a) A further breakdown of the immigration sub-function is provided in Table 5.16.1.
b) A further breakdown of the other economic affairs nec sub-function is provided in Table 5.16.2.

Total expenses for other economic affairs are estimated to decrease by 9.4 per cent over the period 2025–26 to 2028–29 largely reflecting forecast reductions in expenses for **immigration** and **vocational and industry training**.

Vocational and industry training expenses are estimated to decrease over the period 2025–26 to 2028–29, primarily reflecting the continuing transition in apprenticeship incentives from their peak during the COVID-19 pandemic. This includes the cessation of the temporary Boosting Apprenticeship Commencements wage subsidy, which is closed to new applicants, and the scheduled step-down in ongoing priority apprenticeship incentives from 1 January 2026. The decrease is partially offset by additional support the Government is providing to apprentices and their employers through the 2025–26 Budget measure *Building Australia's Future – Increased Support for Apprentices*, which includes targeted incentives to boost apprenticeship commencements in critical construction occupations to be introduced from 1 July 2025.

Labour market assistance to job seekers and industry expenses are estimated to increase over the period 2025–26 to 2028–29, reflecting the Government's commitment to strengthen Australia's employment services system and improve outcomes for individuals accessing employment services more broadly.

Industrial relations expenses are estimated to slightly decrease over the period 2025–26 to 2028–29, largely due to the cessation of components in the 2024–25 Budget measure *Workplace Relations*. 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) Act 2024.*

The **immigration** sub-function includes the provision of migration and citizenship services, the management of unlawful non-citizens, regional cooperation, and refugee and humanitarian assistance. **Immigration** expenses are expected to decrease over the period 2025–26 to 2028–29, primarily reflecting forecast reductions in the transitory population in the offshore processing centre, and persons accessing migrant and humanitarian services.

Table 5.16.1 sets out the major components of the **immigration** sub-function.

Table 5.16.1: Trends in the major components of the immigration sub-function expense

Component(a)	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Management of unlawful non-citizens	1,819	1,919	1,618	1,636	1,660
Citizenship, visas and migration	1,003	1,016	933	895	853
Regional co-operation and refugee and humanitarian assistance	1,141	960	902	810	798
Total	**3,963**	**3,895**	**3,452**	**3,341**	**3,311**

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 2025–26 to 2028–29, reflecting a decrease in departmental expenses for the Department of Industry, Science, and Resources and the Australian Securities and Investments Commission (ASIC).

The departmental expense projections for the Department of Industry, Science and Resources over the period 2025–26 to 2028–29 reflect the 2025–26 Budget measure *Investing in the Future of Science*. This includes time-limited funding to the National Measurement Institute in 2025–26 to address critical remediation works and sustain reliable Australian measurement capability to underpin the Government's *Future Made in Australia* agenda.

The decrease in departmental expenses for ASIC over the period 2025–26 to 2028–29 is mainly driven by the funding profile of the stabilisation and uplift of business registers component of the 2025–26 Budget measure *Treasury Portfolio – additional resourcing*. This will provide funding to deliver the second tranche of stabilisation and uplift of ASIC's business registers, with expenses reducing due to completion of the current phase of work and termination of other measures over the period.

Table 5.16.2 sets out the major components of the **other economic affairs nec** sub-function.

Table 5.16.2: Trends in the major components of the other economic affairs nec sub-function expense

Component(a)		Estimates			
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Promotion of Australia's export and other international economic interests	448	381	369	360	350
Operating costs for:					
Department of Industry, Science and Resources	797	750	641	627	587
Australian Securities and Investments Commission	865	858	906	779	782
Bureau of Meteorology	617	536	547	550	554
IP Australia	264	274	284	293	302
Australian Competition and Consumer Commission	318	297	250	246	223
Australian Prudential Regulation Authority	270	268	259	259	257
Other	220	241	214	219	218
Total	**3,799**	**3,603**	**3,469**	**3,332**	**3,274**

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 5.17: Summary of expenses – other purposes

Sub-function	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Public debt interest	23,940	28,429	33,091	37,501	41,715
Interest on Commonwealth Government's behalf	*23,940*	*28,429*	*33,091*	*37,501*	*41,715*
Nominal superannuation interest	14,241	15,198	15,685	16,084	16,517
General purpose inter-government transactions	97,382	104,363	109,946	115,684	121,377
General revenue assistance – states and territories	*96,280*	*100,625*	*106,358*	*111,960*	*117,513*
Local government assistance	*1,102*	*3,738*	*3,588*	*3,724*	*3,863*
Natural disaster relief	1,506	874	612	338	126
Contingency reserve	-1,747	842	6,972	12,385	20,639
Total other purposes	**135,322**	**149,706**	**166,306**	**181,992**	**200,374**

Total expenses for other purposes are estimated to increase by 33.8 per cent over the period 2025–26 to 2028–29.

The main drivers of the increase in other purposes expenses are **general purpose inter-government transactions**, **public debt interest** and the **contingency reserve**.

Public debt interest expenses are expected to increase over the period 2025–26 to 2028–29, largely reflecting higher debt servicing costs.

The increase in **nominal superannuation interest** expenses from 2024–25 to 2025–26 primarily reflects the use of updated discount rates. In accordance with accounting standards, superannuation expenses for 2024–25 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 4.2 and 4.8 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 and are expected to increase over the period 2025–26 to 2028–29. Nearly all these expenses relate to general revenue assistance, largely comprised of payments of GST entitlements provided to state and territory governments on an 'untied' basis. Payments to state and territory governments tied to specific purposes are reported under the relevant functions in this Statement. Further information on general revenue assistance to the states and territories can be found in Budget Paper No. 3, *Federal Financial Relations.*

Expenses for **natural disaster relief** reflect financial support provided by the Australian Government to states and territories under the 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 2025–26 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. In the 2025–26 Budget, a provision of $1.2 billion has been included in the **contingency reserve** sub-function to meet the disaster recovery costs associated with recent natural disasters, including ex-Tropical Cyclone Alfred.

The **contingency reserve** is estimated to increase expenses by $40.8 billion over the period 2025–26 to 2028–29. Nearly two thirds 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 2025–26 Budget includes a provision of:

- nil in the Budget year 2025–26
- half of a percentage point of total general government sector expenses in the first forward year 2026–27 ($3.5 billion)
- 1 per cent of general government sector expenses in the second forward year 2027–28 ($7.3 billion)
- 2 per cent of general government sector expenses in the third forward year 2028–29 ($15.3 billion).

The drawdown of the conservative bias allowance decreased expenses by $1.7 billion in 2025–26, $1.7 billion in 2026–27, $3.6 billion in 2027–28 and $2.9 billion in 2028–29. This is consistent with long standing practice and does not represent a saving or offset to spending measures.

The contingency reserve also includes a provision to reflect expected increased contributions to the states and territories for the future National Health Reform Agreement Addendum, Disability Foundational Supports and the Better and Fairer Schools Agreement.

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 policy changes that may impact the budget estimates, including the continuation of terminating measures
- a provision for underspends in the current financial year reflecting the tendency for budgeted expenses for some entities or functions not to be met.

General government net capital investment

Net capital investment is broadly defined as the sale and acquisition of non-financial assets, less depreciation expenses. It provides a measure of the overall growth in capital assets (including buildings and infrastructure, specialist military equipment, and computer software) after taking into account depreciation and amortisation as previously acquired assets age.

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

Australian Government general government sector net capital investment is expected to grow from $8.8 billion in 2025–26 to $10.2 billion in 2028–29. This growth, along with the significant increase from 2024–25 to 2025–26, primarily reflects capability investments prioritised in the *2024 National Defence Strategy* and *2024 Integrated Investment Program*.

Details of movements are further explained in the following section.

Table 5.18: Estimates of total net capital investment

	MYEFO	Revised	Estimates			
	2024-25	2024-25	2025-26	2026-27	2027-28	2028-29
Total net capital investment ($m)	**5,493**	**5,459**	**8,771**	**9,140**	**12,025**	**10,196**
Per cent of GDP	0.2	0.2	0.3	0.3	0.4	0.3

Reconciliation of net capital investment since the 2024–25 Budget

A reconciliation of the net capital investment estimates, showing the effect of policy decisions and parameter and other variations since the 2024–25 Budget, is provided in Table 5.19.

Table 5.19: Reconciliation of net capital investment estimates

	Estimates				
	2024-25	2025-26	2026-27	2027-28	Total
	$m	$m	$m	$m	$m
2024-25 Budget net capital investment	**6,303**	**8,055**	**8,988**	**11,899**	**35,244**
Changes from 2024-25 Budget to 2024-25 MYEFO					
Effect of policy decisions(a)	38	466	504	97	1,105
Effect of parameter and other variations	-848	-232	-1,095	-756	-2,932
Total variations	**-810**	**234**	**-591**	**-659**	**-1,827**
2024-25 MYEFO net capital investment	**5,493**	**8,288**	**8,396**	**11,240**	**33,417**
Changes from 2024-25 MYEFO to 2025-26 Budget					
Effect of policy decisions(a)	-1	122	122	201	444
Effect of parameter and other variations	-33	360	622	584	1,534
Total variations	**-33**	**482**	**744**	**786**	**1,978**
2025-26 Budget net capital investment	**5,459**	**8,771**	**9,140**	**12,025**	**35,395**

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 2025–26 is $0.7 billion higher when compared to the estimate for 2025–26 in the 2024–25 Budget. This is driven by an increase of $0.6 billion from policy decisions and an increase of $0.1 billion due to parameter and other variations.

Net capital investment estimates by function

Estimates for Australian Government general government sector net capital investment by function for the period 2024–25 to 2028–29 are provided in Table 5.20.

Table 5.20: Estimates of net capital investment by function

		Estimates			
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
General public services	283	582	795	1,421	-411
Defence	5,915	7,029	8,612	11,192	11,671
Public order and safety	202	102	-61	-46	-243
Education	46	30	-2	1	-3
Health	-268	294	-36	-90	-57
Social security and welfare	1	-458	-555	-566	-508
Housing and community amenities	206	227	218	56	33
Recreation and culture	442	286	30	33	-125
Fuel and energy	22	-3	-9	-6	-5
Agriculture, forestry and fishing	615	680	483	75	52
Mining, manufacturing and construction	-36	-22	-23	-38	-53
Transport and communication	-2,063	-22	-69	-43	-7
Other economic affairs	48	-34	-310	-23	-244
Other purposes	46	80	69	58	96
Total net capital investment	**5,459**	**8,771**	**9,140**	**12,025**	**10,196**

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 2025–26 to 2028–29 reflects funding for capability investments prioritised in the *2024 National Defence Strategy* and *2024 Integrated Investment Program.*

- **General public services** – the increase in net capital investment from 2025–26 to 2027–28 followed by the decrease in 2028–29 largely reflects the timing of estimated renewal of property leases that are due to expire and the timing of building and equipment purchases and refurbishment.

- **Social security and welfare** – the decrease in net capital investment over the period 2025–26 to 2028–29 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 from 2024–25 to 2026–27 and decrease in 2027–28 and 2028–29 largely reflects 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 over the period 2025–26 to 2028–29 primarily reflects the expected completion of capital investments at the Australian War Memorial, the anticipated timing of projects under the 2024–25 Budget measure *Australian Institute of Sport Site Redevelopment,* various projects being delivered by the Director of National Parks and capital projects 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 spectrum auctions.

- **Other economic affairs** – the profile of net capital investment over the period 2025–26 to 2028–29 primarily reflects forecast renewal of the Department of Home Affairs' property leases.

Table 5.21 reports the acquisition of non-financial assets by function before taking into account depreciation or amortisation.

Table 5.21: Australian Government general government sector purchases of non-financial assets by function

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
General public services	2,156	2,264	2,444	3,062	1,253
Defence	14,130	14,876	17,047	19,734	21,056
Public order and safety	1,056	966	789	820	625
Education	66	54	21	24	22
Health	275	297	108	52	79
Social security and welfare	982	503	365	307	341
Housing and community amenities	666	638	740	643	571
Recreation and culture	952	812	561	564	421
Fuel and energy	34	12	4	7	8
Agriculture, forestry and fishing	741	802	597	181	143
Mining, manufacturing and construction	15	35	36	24	9
Transport and communication	147	96	48	73	88
Other economic affairs	864	784	522	808	591
Other purposes	51	85	74	63	101
General government purchases of non-financial assets	**22,133**	**22,224**	**23,355**	**26,362**	**25,308**

Appendix A: Expense by function and sub-function

Table A.5.1: Estimates of expenses by function and sub-function

	Actual	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m	$m
General public services						
Legislative and executive affairs	2,125	2,335	1,895	1,803	2,060	1,704
Financial and fiscal affairs	10,666	10,364	10,428	10,353	9,849	9,997
Foreign affairs and economic aid	7,141	8,760	7,878	8,352	8,965	8,951
General research	3,947	4,775	4,527	4,259	4,330	4,425
General services	1,359	1,240	1,287	1,300	1,360	1,443
Government superannuation benefits	6,325	5,578	5,403	5,627	5,938	6,308
Total general public services	**31,563**	**33,052**	**31,418**	**31,695**	**32,502**	**32,829**
Defence	**45,103**	**49,344**	**51,483**	**52,567**	**56,487**	**61,238**
Public order and safety						
Courts and legal services	1,827	1,811	2,003	1,925	1,961	1,974
Other public order and safety	5,912	6,967	7,142	6,120	5,869	5,842
Total public order and safety	**7,739**	**8,778**	**9,145**	**8,045**	**7,830**	**7,815**
Education						
Higher education	10,788	11,515	12,139	12,531	12,985	13,494
Vocational and other education	2,237	2,638	2,671	2,743	2,723	2,407
Schools	29,122	31,082	32,208	33,609	35,003	36,509
Non-government schools	*18,021*	*19,370*	*19,975*	*20,808*	*21,648*	*22,509*
Government schools	*11,101*	*11,712*	*12,233*	*12,801*	*13,356*	*14,000*
School education – specific funding	1,122	956	874	841	832	813
Student assistance	4,434	16,972	5,794	6,114	6,544	6,873
General administration	308	340	344	320	308	302
Total education	**48,011**	**63,503**	**54,030**	**56,157**	**58,395**	**60,397**
Health						
Medical services and benefits	38,593	42,027	44,832	47,291	49,408	51,231
Pharmaceutical benefits and services	19,430	22,036	22,586	22,591	22,593	22,728
Assistance to the states for public hospitals	27,855	30,221	33,928	34,247	36,471	38,841
Hospital services(a)	1,136	1,180	1,226	1,237	1,266	1,161
Health services	14,018	15,152	15,422	14,530	14,744	14,835
General administration	4,334	5,105	5,425	4,697	4,658	4,695
Aboriginal and Torres Strait Islander health	1,224	1,345	1,383	1,309	1,283	1,275
Total health	**106,589**	**117,067**	**124,803**	**125,901**	**130,423**	**134,767**

Table A.5.1: Estimates of expenses by function and sub-function (continued)

	Actual	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m	$m
Social security and welfare						
Assistance to the aged	94,849	102,448	109,463	114,444	118,849	125,076
Assistance to veterans and dependants	11,002	10,724	10,301	9,422	9,971	9,940
Assistance to people with disabilities	78,996	85,606	90,884	95,037	100,309	106,568
Assistance to families with children	44,107	48,873	52,486	53,486	54,077	55,129
Assistance to the unemployed and the sick	14,859	16,458	16,955	17,257	16,788	17,565
Other welfare programs	1,622	1,760	1,927	1,812	1,711	1,714
Assistance for Indigenous Australians nec	2,853	3,386	3,460	3,357	3,241	3,031
General administration	4,896	5,646	5,489	4,621	4,585	4,589
Total social security and welfare	**253,184**	**274,901**	**290,966**	**299,436**	**309,531**	**323,612**
Housing and community amenities						
Housing	3,979	12,039	4,402	4,066	3,742	3,527
Urban and regional development	1,430	3,521	2,062	1,088	474	414
Environment protection	1,574	2,562	2,488	1,866	1,345	1,185
Total housing and community amenities	**6,982**	**18,122**	**8,952**	**7,021**	**5,562**	**5,125**
Recreation and culture						
Broadcasting	1,689	1,781	1,834	1,867	1,886	1,925
Arts and cultural heritage	2,041	2,348	2,085	2,085	2,095	2,127
Sport and recreation	597	937	1,140	993	1,221	1,539
National estate and parks	761	793	809	764	771	788
Total recreation and culture	**5,088**	**5,859**	**5,867**	**5,709**	**5,974**	**6,378**
Fuel and energy	**12,988**	**16,437**	**19,237**	**15,079**	**16,213**	**18,273**
Agriculture, forestry and fishing						
Wool industry	51	62	62	73	79	84
Grains industry	235	292	305	318	330	340
Dairy industry	55	58	58	58	57	58
Cattle, sheep and pig industry	252	272	279	277	279	274
Fishing, horticulture and other agriculture	464	630	590	531	478	424
General assistance not allocated to specific industries	44	50	54	50	51	52
Rural assistance	326	394	413	379	384	333
Natural resources development	851	1,313	1,265	1,181	571	304
General administration	1,275	1,391	1,400	1,284	1,283	1,287
Total agriculture, forestry and fishing	**3,554**	**4,461**	**4,427**	**4,152**	**3,511**	**3,156**

Table A.5.1: Estimates of expenses by function and sub-function (continued)

	Actual	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m	$m
Mining, manufacturing and construction	**5,123**	**5,866**	**5,522**	**5,511**	**5,947**	**6,663**
Transport and communication						
Communication	1,654	1,922	1,945	1,810	1,776	1,767
Rail transport	2,852	4,112	3,086	2,805	3,187	3,420
Air transport	368	488	479	384	298	297
Road transport	8,380	8,568	10,135	10,552	10,225	10,180
Sea transport	503	509	563	543	546	551
Other transport and communication	284	381	349	285	287	269
Total transport and communication	**14,041**	**15,980**	**16,557**	**16,380**	**16,320**	**16,484**
Other economic affairs						
Tourism and area promotion	192	197	206	194	194	192
Total labour and employment affairs	6,094	6,104	5,854	5,521	5,397	5,508
Vocational and industry training	*2,999*	*2,599*	*2,261*	*1,875*	*1,787*	*1,832*
Labour market assistance to job seekers and industry	*2,164*	*2,395*	*2,502*	*2,572*	*2,524*	*2,601*
Industrial relations	*931*	*1,111*	*1,091*	*1,074*	*1,085*	*1,075*
Immigration	3,367	3,963	3,895	3,452	3,341	3,311
Other economic affairs nec	3,838	3,799	3,603	3,469	3,332	3,274
Total other economic affairs	**13,490**	**14,063**	**13,558**	**12,636**	**12,263**	**12,285**
Other purposes						
Public debt interest	22,504	23,940	28,429	33,091	37,501	41,715
Interest on Commonwealth Government's behalf	*22,504*	*23,940*	*28,429*	*33,091*	*37,501*	*41,715*
Nominal superannuation interest	13,375	14,241	15,198	15,685	16,084	16,517
General purpose inter-government transactions	94,607	97,382	104,363	109,946	115,684	121,377
General revenue assistance – states and territories	*91,305*	*96,280*	*100,625*	*106,358*	*111,960*	*117,513*
Local government assistance	*3,301*	*1,102*	*3,738*	*3,588*	*3,724*	*3,863*
Natural disaster relief	1,913	1,506	874	612	338	126
Contingency reserve	0	-1,747	842	6,972	12,385	20,639
Total other purposes	**132,399**	**135,322**	**149,706**	**166,306**	**181,992**	**200,374**
Total expenses	**685,857**	**762,756**	**785,670**	**806,594**	**842,949**	**889,397**

a) The hospital services sub-function predominantly reflects Commonwealth funding to the states and territories for veterans' hospital services.

Statement 6: Debt Statement

Gross debt and net debt are expected to be significantly lower than estimated at the 2022 Pre-election Economic and Fiscal Outlook (PEFO) in every year of the forward estimates.

By the end of 2024–25, gross debt is expected to be 11.1 percentage points of GDP ($177 billion) lower than estimated at PEFO. Gross debt is estimated to be 35.5 per cent of GDP at the end of 2025–26, 9.2 percentage points lower than estimated at the PEFO and 0.5 percentage points lower than estimated at the 2024–25 MYEFO. Gross debt is expected to peak at 37.0 per cent of GDP in 2029–30, 7.9 percentage points lower than the peak at the PEFO, before falling to 31.9 per cent in 2035–36.

Net debt in 2024–25 is expected to be 13.1 percentage points of GDP ($267 billion) lower than estimated at the PEFO.

Interest payments on Australian Government Securities are estimated to be $26.3 billion in 2025–26, increasing to $36.6 billion by 2028–29. Over the 5-years to 2028–29, total interest payments on AGS are expected to be $3.3 billion lower than estimated at MYEFO.

Statement contents

Statement 6: Debt Statement

The Debt Statement provides information on Government gross debt, net debt, Australian Government Securities (AGS) issuance and interest costs.

Australian Government Securities issuance

The Australian Government finances its activities either through receipts or borrowing. When receipts fall short of payments, the Government borrows by issuing AGS.

The Australian Office of Financial Management (AOFM) is responsible for issuing AGS and managing the Government's financing activities. The AOFM exercises operational independence in the execution of its duties. Further details on the AOFM's operations can be found on the AOFM website at www.aofm.gov.au.

Estimates of AGS on issue

Estimates of AGS on issue are published in both face value and market value terms in this Statement.

- The **face value** of AGS on issue (also referred to as gross debt) is the amount the Government pays back to investors at maturity, independent of fluctuations in market prices.[1] 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.

1 For Treasury Indexed Bonds (TIBs), the final repayment amount paid to investors includes an additional amount to reflect the impact of inflation over the life of the security. This additional amount is not included in the calculation of face value.

Gross debt is estimated to be $1,022 billion (35.5 per cent of GDP) in 2025–26, increasing to $1,223 billion (36.8 per cent of GDP) in 2028-29. Gross debt relative to GDP is expected to be lower than at the 2024–25 MYEFO from 2024–25 to 2026–27 and higher than MYEFO in 2027–28 and 2028–29.

The decline in gross debt relative to GDP in the first 3-years of the forward estimates since MYEFO reflects improvements in the headline cash balance and upward revisions to nominal GDP. The increase in gross debt relative to GDP in 2027–28 and 2028-29 since MYEFO is primarily driven by downward revisions to nominal GDP in these years.

Table 6.1: Estimates of AGS on issue subject to the Treasurer's Direction(a)(b)

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$b	$b	$b	$b	$b
Face value – end-of-year	940	1,022	1,092	1,161	1,223
Per cent of GDP	33.7	35.5	36.5	36.9	36.8
Face value – within-year peak(c)	944	1,022	1,094	1,174	1,235
Per cent of GDP(c)	33.9	35.5	36.6	37.3	37.2
Month of peak(c)	*Oct-24*	*Jun-26*	*Mar-27*	*Apr-28*	*Mar-29*
Market value – end-of-year	884	968	1,044	1,118	1,189
Per cent of GDP	31.7	33.6	34.9	35.5	35.8

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 estimated value and timing of within year peaks of AGS on issue are subject to considerable uncertainty.

Source: AOFM

Changes in AGS on issue since the 2024–25 MYEFO

The total face value of AGS on issue is expected to remain broadly unchanged at the end of the 4-years to 2027–28 compared to the 2024–25 MYEFO. The decrease in face value of AGS on issue in 2025–26 and 2026–27 compared to MYEFO primarily reflects cumulative improvements in the headline cash balance.

Table 6.2: Estimates of AGS on issue subject to the Treasurer's Direction – reconciliation from the 2024–25 MYEFO to the 2025–26 Budget

	2024-25	2025-26	2026-27	2027-28
	$b	$b	$b	$b
Total face value of AGS on issue subject to the Treasurer's Direction as at 2024-25 MYEFO	**940**	**1,028**	**1,100**	**1,161**
Factors affecting the change in face value of AGS on issue from 2024-25 MYEFO to 2025-26 Budget(a)				
Cumulative receipts decisions	0.0	0.1	3.5	9.6
Cumulative receipts variations	0.3	-6.8	-12.8	-12.2
Cumulative payment decisions	0.2	7.3	11.5	16.1
Cumulative payment variations	0.2	-4.8	-9.1	-14.7
Cumulative change in net investments in financial assets(b)	-1.7	-2.0	-3.8	-4.7
Other contributors	1.1	-0.3	3.0	5.9
Total face value of AGS on issue subject to the Treasurer's Direction as at 2025-26 Budget	**940**	**1,022**	**1,092**	**1,161**

a) Cumulative impact of decisions and variations from 2024–25 to 2027–28. 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 6.3 provides a breakdown of the AGS on issue by type of security as at 11 March 2025.

Table 6.3: Breakdown of current AGS on issue

	On issue as at 11 March 2025	
	Face value	Market value
	$m	$m
Treasury Bonds	869,349	806,890
Treasury Indexed Bonds	41,085	51,335
Treasury Notes	41,500	41,216
Total AGS subject to Treasurer's Direction(a)	**951,934**	**899,441**
Other stock and securities	5	5
Total AGS on issue	**951,939**	**899,446**

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.

Treasury Bonds

As at 11 March 2025, there were 30 Treasury Bond lines on issue, with a weighted average term to maturity of 6.4 years and the longest maturity extending to June 2054.

One Treasury Bond line is the Green Treasury Bond maturing in June 2034. The Government issued its first Green Treasury Bond in June 2024. Green Treasury Bonds provide financing or refinancing for specific government programs that drive Australia's net zero transformation and support Australia's environmental goals. The inaugural *Green Treasury Bond Allocation and Impact Report* was published in February 2025. The report outlines the allocation of Green Treasury Bond proceeds issued in 2023–24 to eligible government programs in 2022–23 and 2023–24 and the associated climate and environmental impacts.

Table 6.4: Treasury Bonds on issue

Coupon Per cent	Maturity	On issue as at 11 March 2025 $m	Timing of interest payments[a]		
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	39,400	Twice yearly	21-Apr	21-Oct
2.75	21-Nov-27	36,000	Twice yearly	21-Nov	21-May
2.25	21-May-28	35,300	Twice yearly	21-May	21-Nov
2.75	21-Nov-28	40,500	Twice yearly	21-Nov	21-May
3.25	21-Apr-29	40,200	Twice yearly	21-Apr	21-Oct
2.75	21-Nov-29	38,700	Twice yearly	21-Nov	21-May
2.50	21-May-30	40,200	Twice yearly	21-May	21-Nov
1.00	21-Dec-30	40,200	Twice yearly	21-Dec	21-Jun
1.50	21-Jun-31	41,500	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	29,700	Twice yearly	21-Nov	21-May
4.50	21-Apr-33	26,700	Twice yearly	21-Apr	21-Oct
3.00	21-Nov-33	25,400	Twice yearly	21-Nov	21-May
3.75	21-May-34	24,200	Twice yearly	21-May	21-Nov
4.25	21-Jun-34	8,200	Twice yearly	21-Jun	21-Dec
3.50	21-Dec-34	23,200	Twice yearly	21-Dec	21-Jun
2.75	21-Jun-35	22,650	Twice yearly	21-Jun	21-Dec
4.25	21-Dec-35	14,300	Twice yearly	21-Dec	21-Jun
4.25	21-Mar-36	15,800	Twice yearly	21-Mar	21-Sep
3.75	21-Apr-37	17,000	Twice yearly	21-Apr	21-Oct
3.25	21-Jun-39	10,800	Twice yearly	21-Jun	21-Dec
2.75	21-May-41	15,600	Twice yearly	21-May	21-Nov
3.00	21-Mar-47	14,200	Twice yearly	21-Mar	21-Sep
1.75	21-Jun-51	20,200	Twice yearly	21-Jun	21-Dec
4.75	21-Jun-54	8,600	Twice yearly	21-Jun	21-Dec

a) Where the timing of an interest payment falls on a non-business day, the payment will occur on the following business day.

Source: AOFM.

Treasury Indexed Bonds

As at 11 March 2025, there were seven Treasury Indexed Bond (TIB) lines on issue, with a weighted average term to maturity of 8.8 years and the longest maturity extending to February 2050.

Table 6.5: Treasury Indexed Bonds on issue

Coupon Per cent	Maturity	On issue as at 11 March 2025 $m	Timing of interest payments[a]				
3.00	20-Sep-25	4,042	Quarterly	20-Sep	20-Dec	20-Mar	20-Jun
0.75	21-Nov-27	7,250	Quarterly	21-Nov	21-Feb	21-May	21-Aug
2.50	20-Sep-30	7,292	Quarterly	20-Sep	20-Dec	20-Mar	20-Jun
0.25	21-Nov-32	5,650	Quarterly	21-Nov	21-Feb	21-May	21-Aug
2.00	21-Aug-35	6,400	Quarterly	21-Aug	21-Nov	21-Feb	21-May
1.25	21-Aug-40	5,900	Quarterly	21-Aug	21-Nov	21-Feb	21-May
1.00	21-Feb-50	4,550	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 11 March 2025, there were nine Treasury Note lines on issue. Treasury Notes do not pay a coupon.

Table 6.6: Treasury Notes on issue

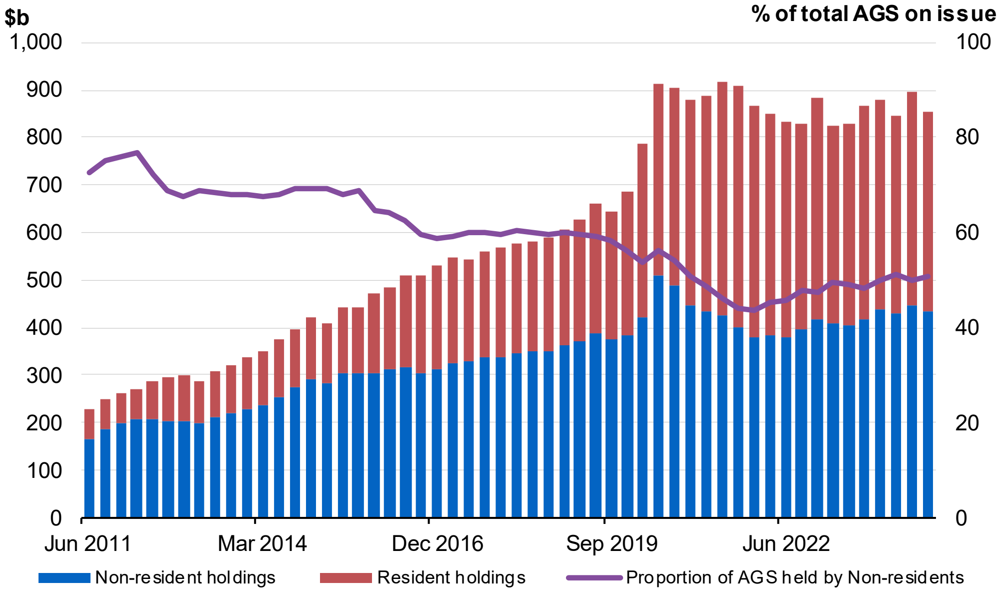
Maturity	On issue as at 11 March 2025 $m	Timing of interest payment	
14-Mar-25	5,000	At maturity	14-Mar
28-Mar-25	4,000	At maturity	28-Mar
11-Apr-25	5,000	At maturity	11-Apr
9-May-25	7,500	At maturity	9-May
23-May-25	7,500	At maturity	23-May
13-Jun-25	4,500	At maturity	13-Jun
27-Jun-25	4,000	At maturity	27-Jun
11-Jul-25	2,000	At maturity	11-Jul
25-Jul-25	2,000	At maturity	25-Jul

Source: AOFM.

Non-resident holdings of AGS on issue

In the December 2024 quarter, the proportion of non-resident holdings of AGS was 51 per cent (Chart 6.1). This proportion is down from historical highs of 77 per cent in 2012. While the value of non-resident holdings of AGS has increased significantly over this time, the proportion has fallen since the rate of buying by non-resident investors has not matched the rate of issuance. In addition, the Reserve Bank of Australia's bond purchase operations in 2020 and 2021 reduced the amount of AGS available to other investors, including non-residents.

Chart 6.1: Non-resident holdings of AGS



Note: Data refer to the repo-adjusted market value of holdings.
Source: ABS Catalogue Number 5203.0 and the Australian Office of Financial Management.

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 6.7: Liabilities and assets included in net debt

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Liabilities included in net debt					
Deposits held	418	418	418	418	418
Government securities(a)	883,713	968,449	1,043,956	1,117,991	1,189,011
Loans	32,385	33,885	34,485	34,546	34,215
Lease liabilities	18,584	17,689	16,773	16,634	15,573
Total liabilities included in net debt	**935,100**	**1,020,440**	**1,095,631**	**1,169,589**	**1,239,216**
Assets included in net debt					
Cash and deposits	73,008	73,579	70,329	68,147	61,359
Advances paid	66,347	77,939	91,972	104,560	115,397
Investments, loans and placements	239,767	248,576	257,052	282,806	294,224
Total assets included in net debt	**379,122**	**400,095**	**419,353**	**455,513**	**470,980**
Net debt	**555,978**	**620,345**	**676,278**	**714,076**	**768,236**

a) Government securities are presented at market value.

Changes in net debt since the 2024–25 MYEFO

Net debt is expected to be higher in each year of the forward estimates compared to the 2024–25 MYEFO. This reflects a change in Future Fund investments, loans and placements and the impact of lower yields on AGS.

Table 6.8: Net debt – reconciliation from the 2024–25 MYEFO to the 2025–26 Budget

	2024-25	2025-26	2026-27	2027-28
	$b	$b	$b	$b
Net debt as at 2024-25 MYEFO	**540.0**	**609.3**	**669.2**	**708.6**
Changes in financing requirement	-0.6	-6.9	-8.4	-1.6
Impact of yields on AGS	4.4	4.1	3.3	2.8
Asset and other liability movements	12.1	13.8	12.3	4.3
Cash and deposits	*-0.7*	*0.3*	*-2.1*	*-3.9*
Advances paid	*1.0*	*1.3*	*2.0*	*2.3*
Investments, loans and placements	*11.1*	*11.2*	*11.5*	*5.1*
Other movements	*0.7*	*1.0*	*0.8*	*0.8*
Total movements in net debt from 2024-25 MYEFO to 2025-26 Budget	**15.9**	**11.0**	**7.1**	**5.5**
Net debt as at 2025-26 Budget	**556.0**	**620.3**	**676.3**	**714.1**

Interest on AGS

Estimates of the interest payments and expense of AGS on issue include the cost of AGS already on issue and future AGS issuance.

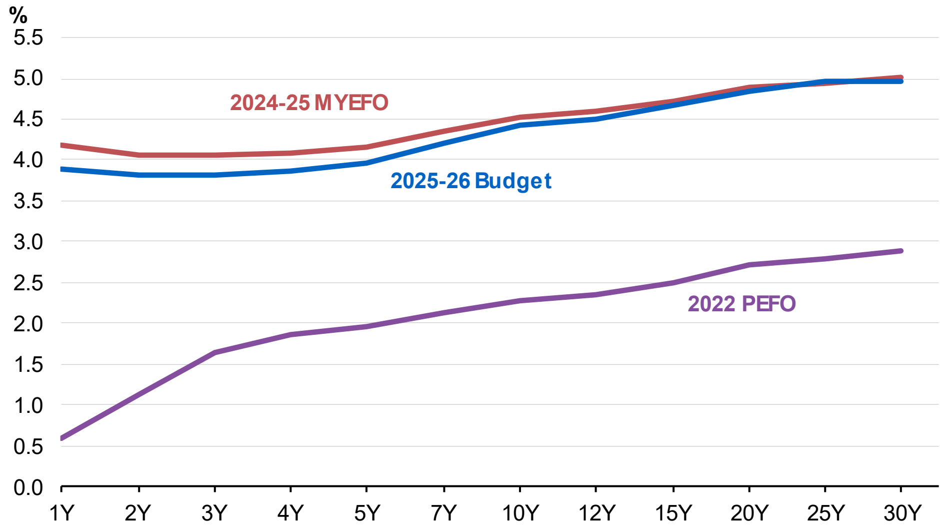
- The cost of AGS already on issue reflects the actual yield at the time of issuance.
- The expected cost of future AGS issuance is based on a recent average of daily spot rates across the yield curve at the time of a budget estimates update.

Interest payments on AGS are estimated to be lower across each year of the forward estimates compared to the 2024–25 MYEFO.

Chart 6.2 shows the yield curve assumptions underpinning the 2022 PEFO, 2024–25 MYEFO and the 2025–26 Budget. Yields are generally lower now compared to MYEFO and remain significantly higher than at the PEFO. Since MYEFO, yields have remained volatile, reflecting heightened global economic uncertainty.

The assumed weighted average cost of borrowing in this update has decreased to 4.3 per cent for future issuance of Treasury Bonds over the forward estimates, broadly reflecting global trends in movements of yields. This is lower than the assumed weighted average yield of 4.4 per cent at the 2024–25 MYEFO and higher than the weighted average yield of 2.2 per cent at the 2022 PEFO.

Chart 6.2: Yield curve assumptions from 2024–25 to 2028–29



Source: AOFM.

By the end of the forward estimates total interest payments are estimated to be $38.2 billion, of which $36.6 billion relates to AGS on issue (Table 6.9). Compared to the 2024–25 MYEFO, total interest payments as a share of GDP are estimated to remain broadly unchanged across the forward estimates.

Interest receipts as a share of GDP are estimated to remain broadly unchanged across each year of the forward estimates compared to the 2024–25 MYEFO.

Net interest payments as a share of GDP are estimated to remain unchanged in 2025–26 at 0.6 per cent, and across all years of the forward estimates, compared to the 2024–25 MYEFO.

Table 6.9: Interest payments, interest receipts and net interest payments(a)

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Interest payments on AGS	22,666	26,303	28,628	35,092	36,623
Per cent of GDP	0.8	0.9	1.0	1.1	1.1
Interest payments(b)	24,413	27,885	30,159	36,724	38,224
Per cent of GDP	0.9	1.0	1.0	1.2	1.2
Interest receipts	9,520	9,389	8,939	9,798	10,109
Per cent of GDP	0.3	0.3	0.3	0.3	0.3
Net interest payments(c)	14,893	18,495	21,221	26,926	28,115
Per cent of GDP	0.5	0.6	0.7	0.9	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) Interest payments include interest payments on AGS, loans and other borrowing, as well as interest payments on lease liabilities.
c) Net interest payments are equal to the difference between interest payments and interest receipts.

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.

Table 6.10 shows changes in interest expense, interest income and net interest expense over the forward estimates.

Table 6.10: Interest expense, interest income and net interest expense[(a)]

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Interest expense on AGS	23,914	28,419	33,081	37,491	41,705
Per cent of GDP	0.9	1.0	1.1	1.2	1.3
Total interest expense(b)	31,157	38,696	40,350	45,082	48,448
Per cent of GDP	1.1	1.3	1.3	1.4	1.5
Interest income	10,532	10,619	10,662	11,739	12,242
Per cent of GDP	0.4	0.4	0.4	0.4	0.4
Net interest expense(c)	20,624	28,076	29,688	33,343	36,207
Per cent of GDP	0.7	1.0	1.0	1.1	1.1

a) Interest expense is an accrual measure, with the relevant amount recognised in the period in which the expense is incurred, but not necessarily paid.

b) Interest expense includes interest expense on AGS, loans and other borrowing, as well as interest expense on lease liabilities and other financing costs (including debt not expected to be repaid (DNER)).

c) Net interest expense is equal to the difference between interest expenses and interest income.

Statement 7: Forecasting Performance and Sensitivity Analysis

Economic and fiscal forecasts and projections in the Budget are underpinned by a range of assumptions and judgements based on the best available information at the time of preparation. In practice, economic and fiscal circumstances can evolve in ways that differ from expectations.

This statement assesses:

1. The performance of past forecasts based on the variance between forecasts and actuals.

2. The uncertainty around current forecasts using confidence interval analysis.

3. The sensitivity of current forecasts to changes in key assumptions:

   – Iron ore prices

   – Yields on Australian Government Securities.

The fiscal impact of key developments and Australia's climate change outlook are considered in *Budget Statement 3: Fiscal Strategy and Outlook*.

Forecasts are based on assumptions and judgements. Forecast accuracy depends on whether assumptions and judgements prove to be correct, and the reliability of the modelled economic and fiscal relationships.

Statement contents

Statement 7: Forecasting Performance and Sensitivity Analysis

Assessing past forecasting performance

This section assesses the variance between historical forecasts and outcomes (forecast errors) for real and nominal GDP, tax receipts, non-tax receipts, payments and the underlying cash balance.

Forecasts are prepared using a range of techniques:

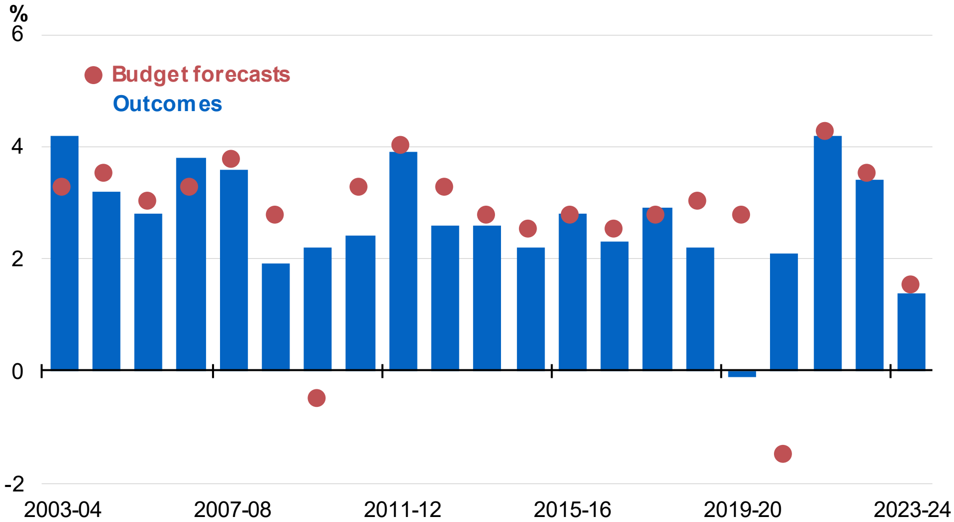
- Macroeconomic forecasts are prepared consistent with a national accounting framework using econometric models, analysis and professional judgement.
- Tax receipts forecasts are generally prepared using a 'base plus growth' methodology. The last outcome for each head of revenue is the base to which growth rates are applied, using appropriate economic parameters. Forecasts are then updated to include costings of new policy.
- Payments forecasts are generally prepared through analysis of payment program data, costings for new policies and historical trends in programs, in consultation with relevant agencies.

Economic forecasting performance

Real GDP forecasts incorporate technical assumptions for exchange rates, interest rates and commodity prices. The forecasts are informed by a macroeconomic model and incorporate long-term trend assumptions, and judgements about how domestic and international developments might affect Australia's economy.

Real GDP grew by 1.4 per cent in 2023–24, which is broadly consistent with the 1½ per cent growth forecast at the 2023–24 Budget (Chart 7.1).

Chart 7.1: Comparison of forecasts and outcomes for real GDP growth



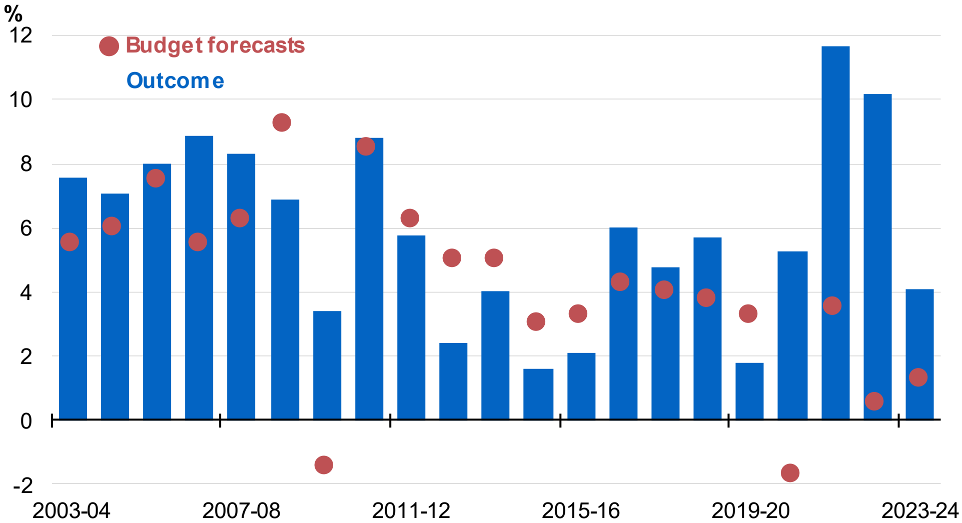
Note: Outcome is as published in the December quarter 2024 National Accounts. Forecast is that published in the Budget for that year. For 2022–23, the forecast is from the March 2022–23 Budget.

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

Price movements underpinning nominal GDP forecasts create greater uncertainty compared with real GDP forecasts. Price uncertainty relates to domestic prices and wages, exchange rates, prices of imported goods, and world prices for Australia's exports including commodities. Since the early 2000s, nominal GDP forecast errors have largely reflected volatility in global commodity prices. Recent years have experienced higher-than-usual volatility in commodity export prices, which generally remained above assumed conservative anchor prices and glide paths for an extended period, partly due to the ongoing tensions in the Middle East and Ukraine.

Nominal GDP grew by 4.1 per cent in 2023–24 rather than the 1¼ per cent growth forecast at the 2023–24 Budget (Chart 7.2). This underestimation of nominal GDP growth largely reflected higher-than-expected commodity prices.

Chart 7.2: Comparison of forecasts and outcomes for nominal GDP growth



Note: Outcome is as published in the December quarter 2024 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 *2023–24 Final Budget Outcome.*

Total receipts

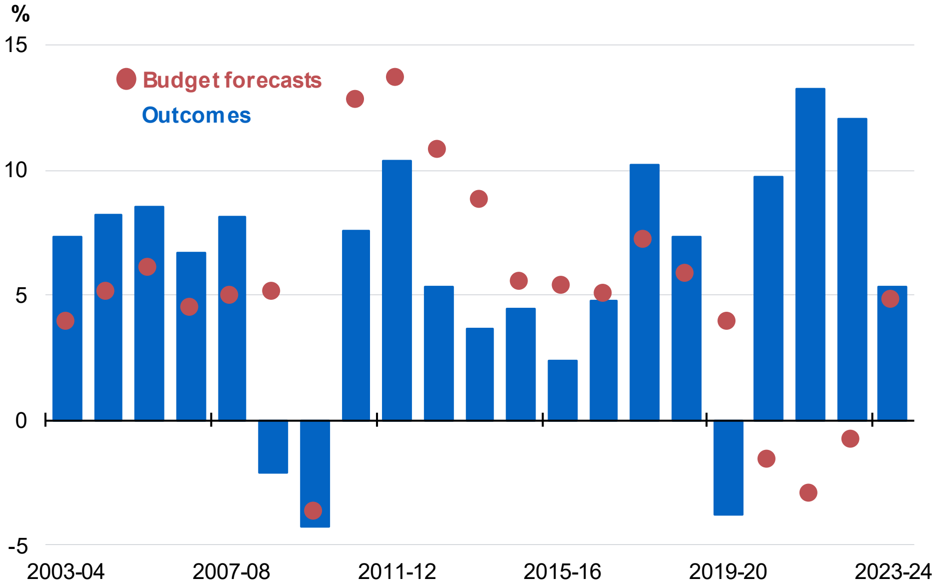
Total receipts are comprised of tax and non-tax receipts (for example, dividends from investment funds). Tax receipts account for over 90 per cent of total receipts and are therefore the main driver of forecasting performance.

Total receipts grew 6.0 per cent in 2023–24 rather than the 5.1 per cent increase forecast at the 2023–24 Budget. Total receipts were $20.4 billion higher than forecast.

Tax receipts

Tax receipts grew 5.3 per cent in 2023–24 rather than the 4.8 per cent increase forecast at the 2023–24 Budget (Chart 7.3). Tax receipts were $17.1 billion higher than forecast. This outcome reflected higher-than-expected company tax receipts and gross income tax withholding receipts partially offset by weaker-than-expected excise and customs duty receipts and superannuation fund taxes.

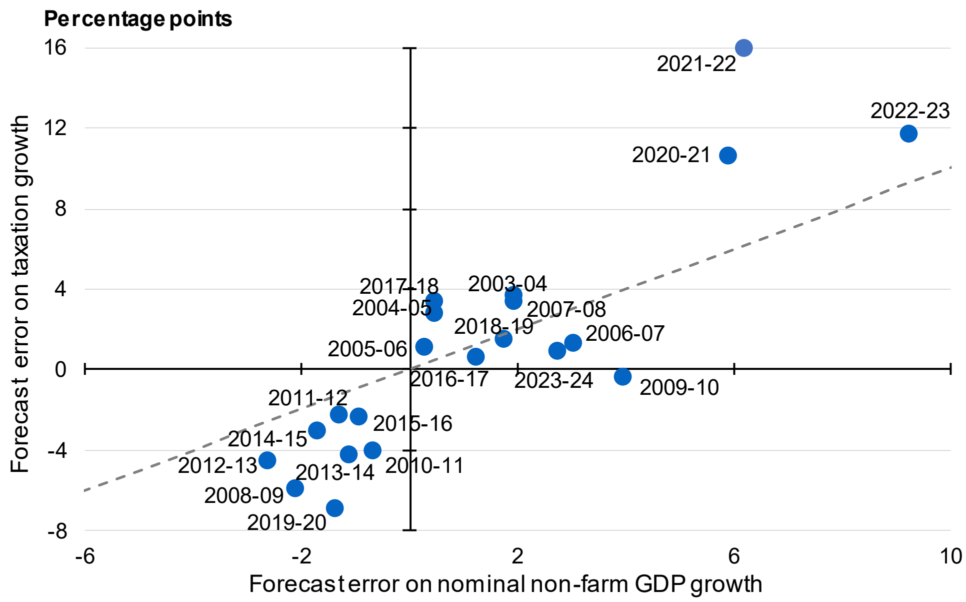
Chart 7.3: Comparison of forecasts and outcomes for tax receipts growth



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 7.4).

Chart 7.4: Forecast errors for nominal non-farm GDP and tax receipts growth[(a)]



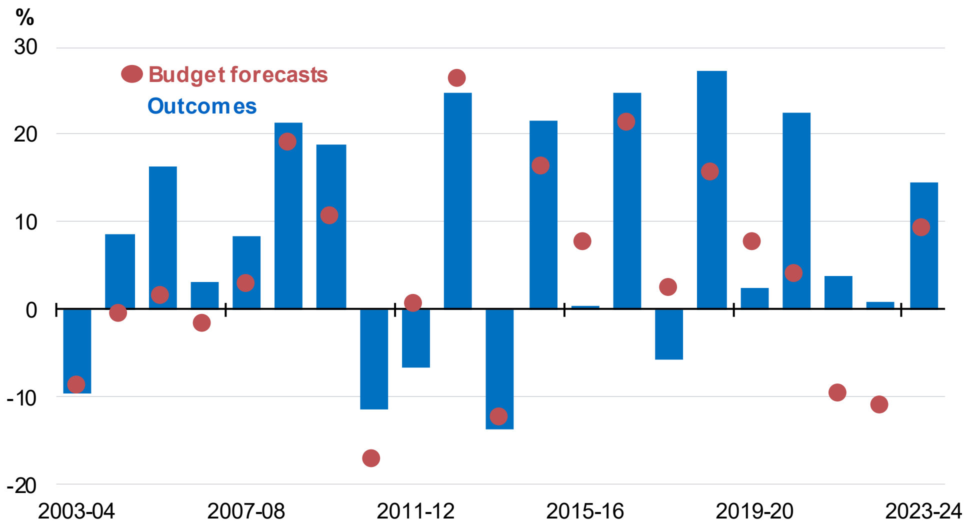
a) Excludes capital gains tax.
Source: ABS Australian National Accounts: National Income, Expenditure and Product; and Treasury.

Non-tax receipts

Forecast variances in non-tax receipts are generally driven by financial market volatility which impacts investment earnings and resource royalties.

Non-tax receipts grew by 14.5 per cent in 2023–24 rather than the 9.1 per cent forecast at the 2023–24 Budget (Chart 7.5). Non-tax receipts were $3.3 billion higher in 2023–24 than forecast in the 2023–24 Budget. This increase largely reflects 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 other Australian Government Investment Funds. The sale of non-financial assets through the 3.4/3.7 GHz Spectrum Auctions also contributed to the increases in non-tax receipts.

Chart 7.5: Comparison of forecasts and outcomes for non-tax receipts growth



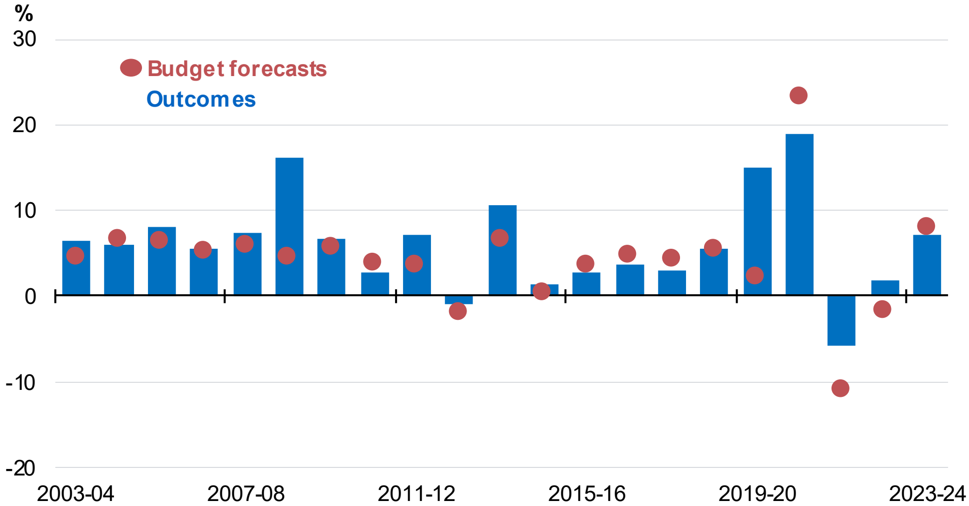
Source: Budget papers and Treasury.

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 7.2 per cent in 2023–24 rather than the 8.0 per cent forecast at the 2023–24 Budget (Chart 7.6). Payments were $9.3 billion lower in 2023–24 than forecast in the 2023–24 Budget. This decrease largely reflects delays in milestone payments under National Partnership Payment programs. Decreases to payments also resulted from a decline in the expected number of recipients and average payment rates across a number of programs including Student Payments and Family Tax Benefits, reflecting strong labour market performance. In addition, lower than projected demand for medical services contributed to a decrease in payments under the Medical Benefits program.

Chart 7.6: Comparison of forecasts and outcomes for payments growth



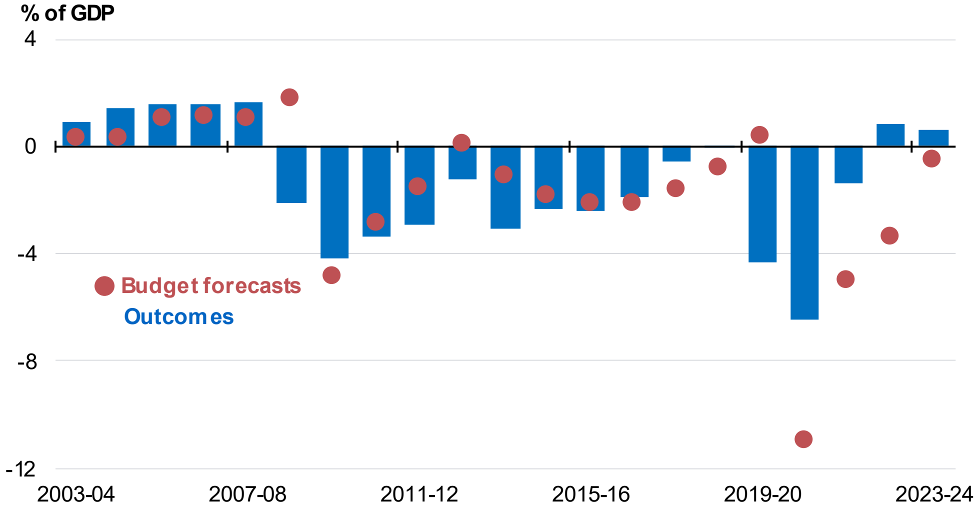
Source: Budget papers and Treasury.

Underlying cash balance

Underlying cash balance forecasting performance is driven by the forecast errors of total receipts and payments.

The underlying cash surplus was 0.6 per cent of GDP in 2023–24 rather than the forecast deficit of 0.5 per cent of GDP (Chart 7.7). The underlying cash balance was $29.7 billion higher than forecast. The better-than expected underlying cash balance outcome in 2023–24 largely reflected higher-than-expected receipts ($20.4 billion) and lower-than-expected payments ($9.3 billion).

Chart 7.7: Comparison of forecasts and outcomes for underlying cash balance

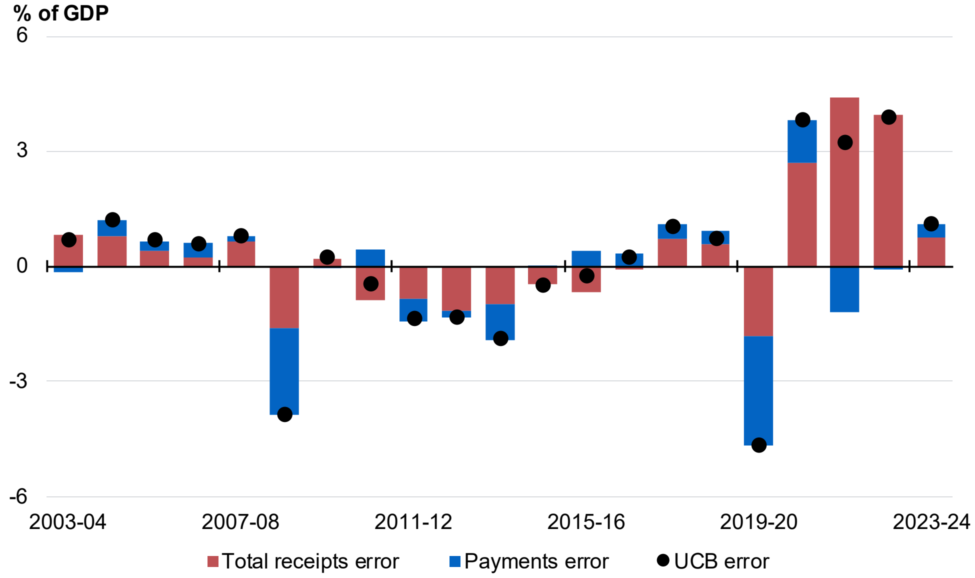


Source: Budget papers and Treasury.

In the past two decades, outside major downturns, the underlying cash balance forecast error largely reflected forecast errors of total receipts (Chart 7.8).

Large forecast errors for payments in 2008–09 and 2019–20 reflected unexpected Government payment assistance during the Global Financial Crisis and COVID–19. Overestimates of receipts tend to coincide with underestimates of payments during economic shocks, magnifying underlying cash balance forecast errors.

Chart 7.8: 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.[2] 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.

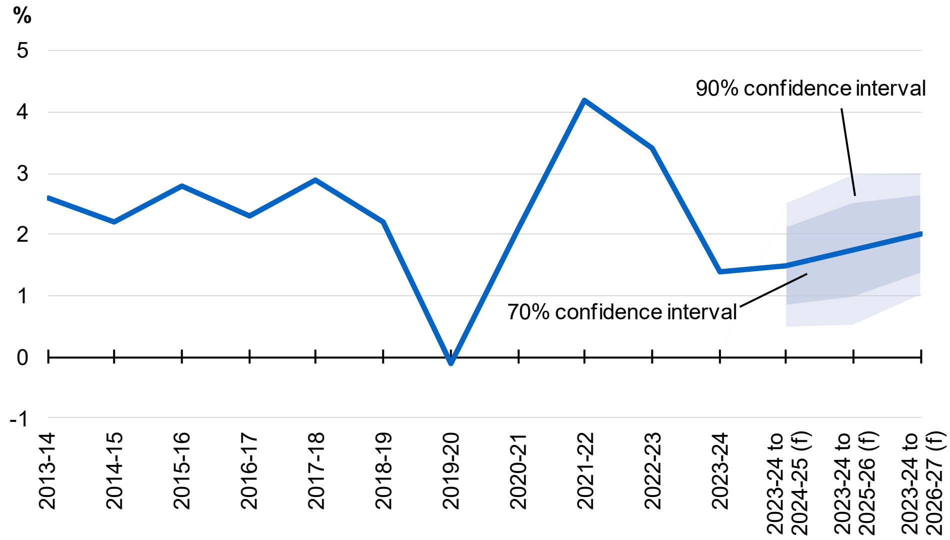
Future forecast errors may not have the same distribution as historical forecast errors. The large forecast errors in 2019–20 and 2020–21, related to the COVID–19 pandemic, are an example of events not previously captured in the historical error sample. Large disruptive events are difficult to predict and could occur again in the future.

2 See Treasury Working Paper: *Estimates of uncertainty around budget forecasts (2013).*

Economic uncertainty based on historical forecast errors

Average annualised growth in real GDP in the three years to 2026–27 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 7.9).

Chart 7.9: Confidence intervals around real GDP growth rate forecasts

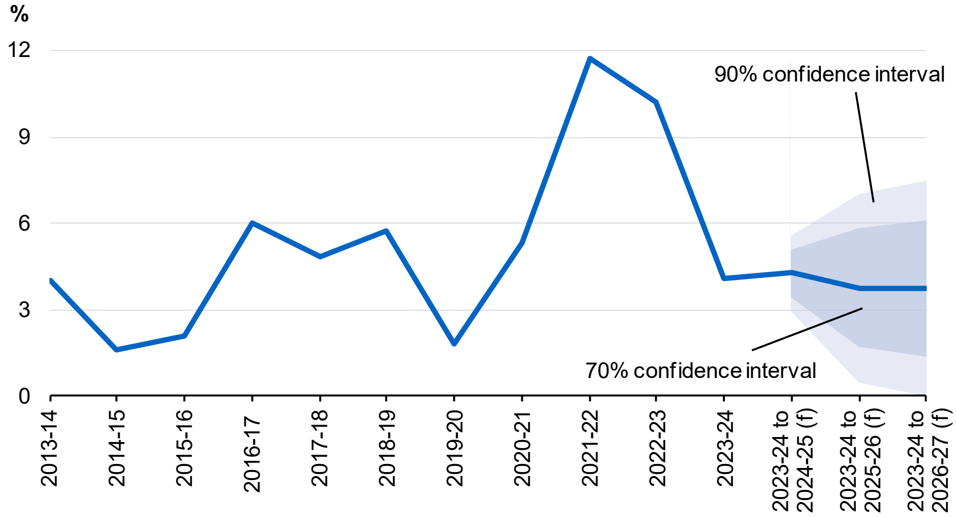


Note: The line shows the outcomes and the 2025–26 Budget forecasts. Annual growth rates are reported for the outcomes. Average annualised growth rates from 2023–24 are reported for 2024–25 onwards. Confidence intervals are based on the root mean squared errors (RMSEs) of Budget forecasts from 1998–99 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 2026–27 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 zero to 7½ per cent (Chart 7.10).

Chart 7.10: Confidence intervals around nominal GDP growth rate forecasts



Note: The line shows the outcomes and the 2025–26 Budget forecasts. Annual growth rates are reported for the outcomes. Average annualised growth rates from 2023–24 are reported for 2024–25 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

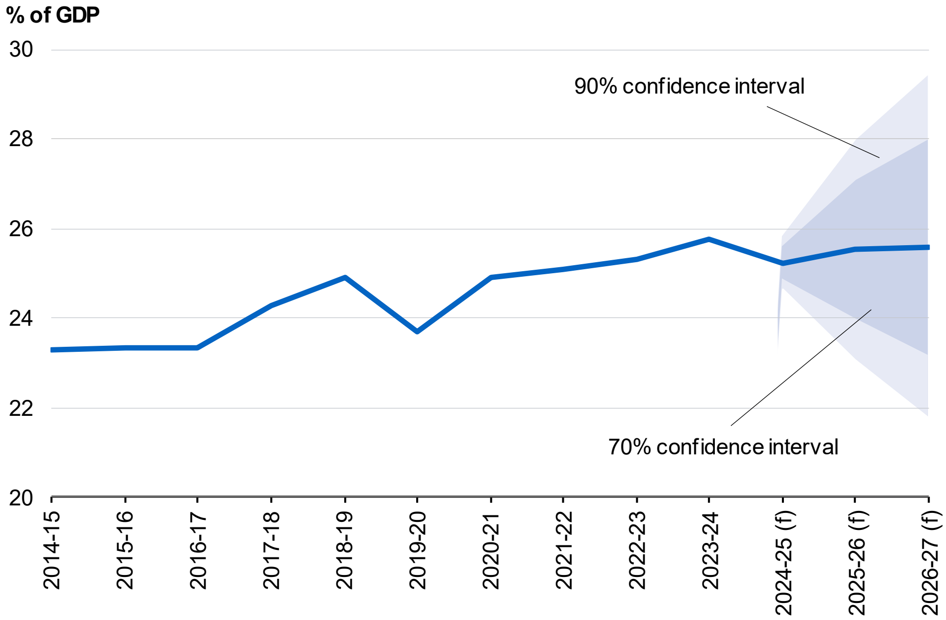
Fiscal estimates are based on economic and demographic forecasts as well as estimates of spending and revenue measures.

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 25.5 per cent of GDP in 2025–26, with the 70 per cent confidence interval ranging from 24.0 per cent to 27.1 per cent of GDP. The 90 per cent confidence interval ranges from 23.1 per cent to 28.0 per cent in 2025–26. The uncertainty around receipts forecasts increases with time (Chart 7.11).

Chart 7.11: Confidence intervals around total receipts forecasts[(a)]



a) Includes Future Fund earnings from 2020–21 onwards.

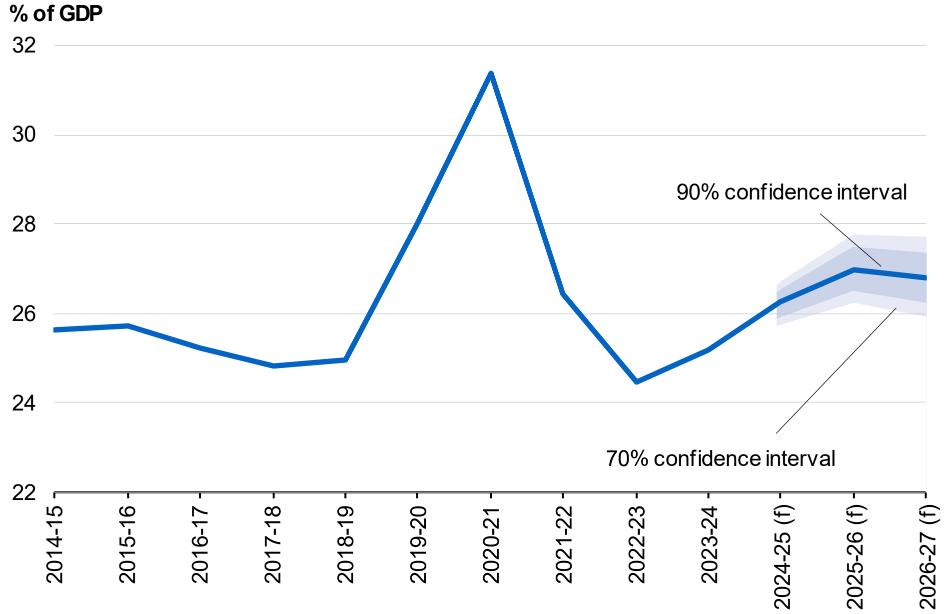
Note: The central line shows outcomes and the 2025–26 Budget forecasts. Confidence intervals use Root Mean Square Errors (RMSE) for Budget forecasts from the 1999–2000 Budget onwards. (f) are forecasts.

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 27.0 per cent of GDP in 2025–26, with the 70 per cent confidence interval ranging from 26.5 per cent to 27.5 per cent of GDP. The 90 per cent confidence interval ranges from 26.2 per cent to 27.8 per cent in 2025–26 (Chart 7.12).

Chart 7.12: Confidence intervals around payments forecasts[(a)]



a) Includes GST payments.

Note: The central line shows outcomes and the 2025–26 Budget forecasts. Confidence intervals use Root Mean Square Errors (RMSE) for Budget forecasts from the 1999–2000 Budget onwards. (f) are forecasts.

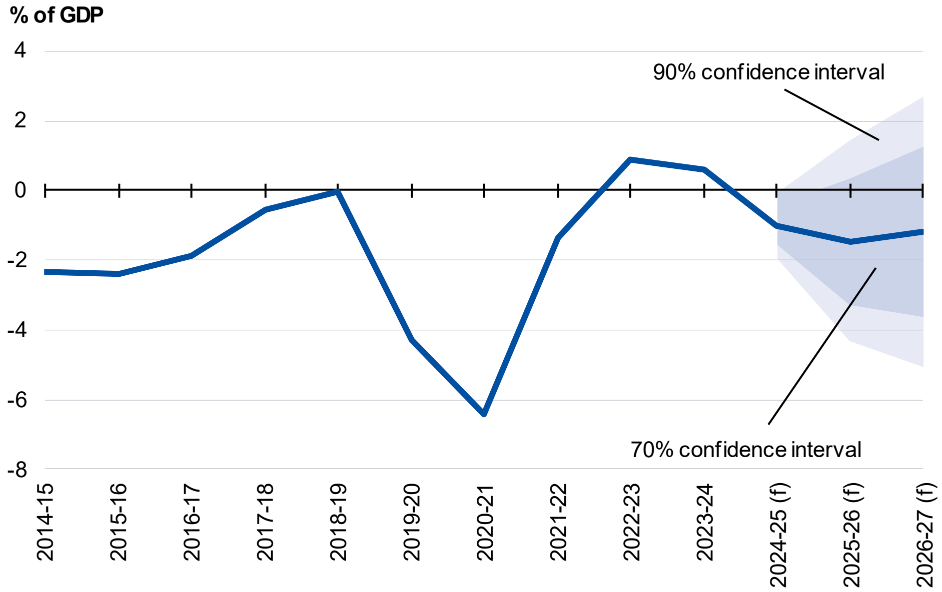
Source: Budget papers and Treasury.

Underlying cash balance

The underlying cash deficit in 2025–26 is expected to be 1.5 per cent of GDP, with the 70 per cent confidence interval ranging from a deficit of 3.3 per cent to a surplus of 0.3 per cent of GDP. The 90 per cent confidence interval ranges from a deficit of 4.3 per cent to a surplus of 1.4 per cent in 2025–26.

The uncertainty around underlying cash balance forecasts reflects forecast errors in receipts and payments which increase further out in time (Chart 7.13).

Chart 7.13: Confidence intervals around the underlying cash balance forecasts



Note: The central line shows outcomes and the 2025–26 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 21 per cent of the total value of goods and services exports in 2023–24. See *Budget Statement 2: Economic Outlook* for more information on the commodity price assumptions incorporated into the economic outlook.

Iron ore prices are volatile and sensitive to global market developments. Table 7.1 considers the impact of a permanent US$10 per tonne increase and decrease in the iron ore spot price on nominal GDP and tax receipts relative to the Budget baseline forecast.

Table 7.1: Scenario analysis of a US$10 per tonne movement in iron ore prices

	US$10/tonne FOB[(a)] increase				US$10/tonne FOB decrease			
	2025-26	2026-27	2027-28	2028-29	2025-26	2026-27	2027-28	2028-29
Nominal GDP ($billion)	5.2	2.7	5.6	10.4	-5.2	-2.7	-5.6	-10.4
Tax receipts ($billion)	0.4	0.5	0.5	2.1	-0.4	-0.5	-0.5	-2.1

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. A US$10 per tonne increase in the iron ore price increases nominal GDP by around $5.2 billion in 2025–26, rising to around $10.4 billion in 2028–29.

The economic response to a permanent change in the price of iron ore is derived from a generic terms of trade shock using a forward-looking macroeconomic model. Higher iron ore export prices lead to a higher terms of trade, which leads directly to higher output prices and nominal GDP. The volume of output and exports in the mining sector increase in response to higher iron ore prices. However, an appreciation in the exchange rate leads to a substitution to imports which partially offsets the increase in exports and GDP. This change in the exchange rate also acts to reduce domestic inflation through lower import prices.

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 $0.4 billion in 2025–26 and $0.5 billion in both 2026–27 and 2027-28, before increasing to $2.1 billion in 2028–29. An increase in iron ore prices increases mining company profits and therefore company tax receipts. This builds over time as tax receipts incorporate the full impact of the iron ore price increase on nominal GDP and due to the lag between when profits are realised and tax is paid by companies. The lower domestic prices result in lower individuals and other withholding taxes and indirect tax receipts, partially offsetting the increase in company tax receipts.

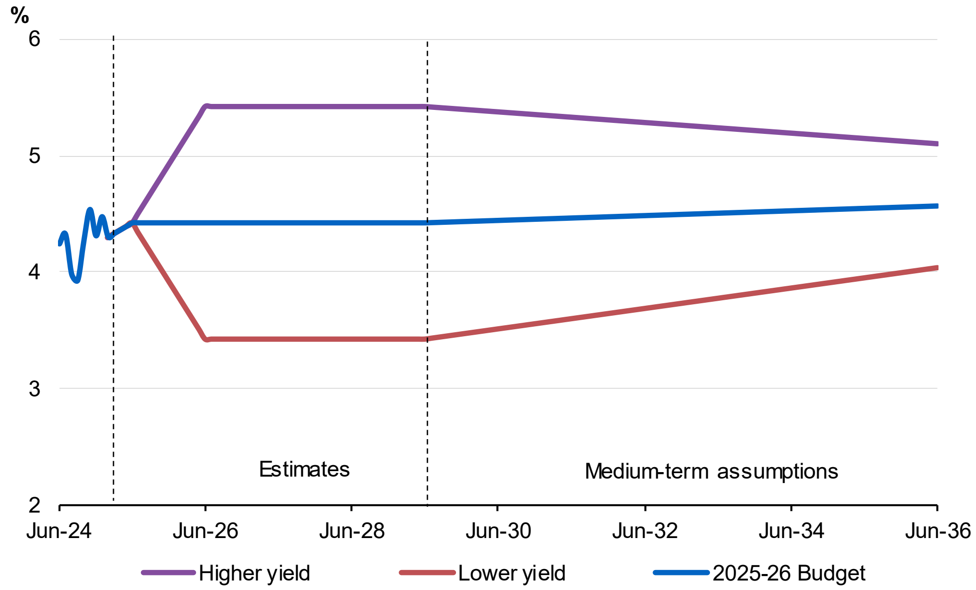
Movements in yields

Government borrowing costs are sensitive to yields on Australian Government Securities and the level of debt. See *Budget Statement 6: 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.
- 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 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 2026. Yields are then held constant over the remainder of the forward estimates to 2028–29, before linearly converging to the long-run yield assumption of nominal GDP growth over 15 years. The lower yield sensitivity is symmetric (Chart 7.14). Other economic parameters are assumed to remain unchanged from baseline forecasts to isolate the direct impact on fiscal aggregates.

Chart 7.14: Baseline and alternative movements in the 10-year bond yield



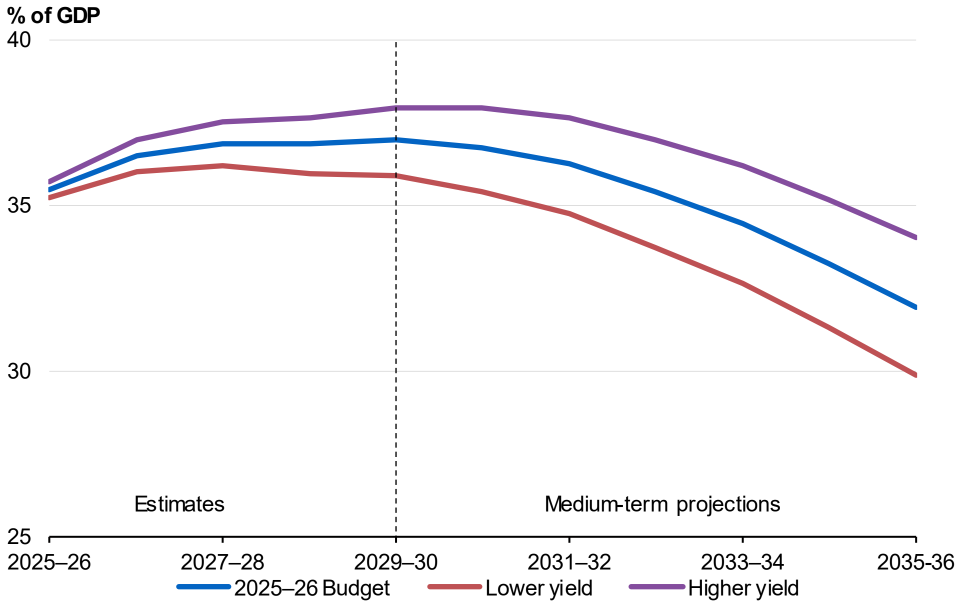
Source: Treasury.

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 2035–36 and increases gross debt by 2.1 percentage points of GDP at 30 June 2036 (Chart 7.15).

The lower yield assumption results in an improvement to the underlying cash balance of 0.2 percentage points of GDP by 2035–36. Under the lower yield assumption, cumulative improvements to the underlying cash balance reduce gross debt by 2.1 percentage points of GDP at 30 June 2036.

Chart 7.15: Gross debt



Source: Australian Office of Financial Management and Treasury.

Statement 8: 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. Details of Government loans estimated to exceed $200 million at 30 June 2025 are included at the conclusion of this Statement.

Statement contents

Statement 8: Statement of Risks

Overview

The forward estimates of revenue and expenses in the 2025–26 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 changes to the outlook for domestic and global growth and inflation, volatility in global commodity prices, impacts from rising trade tensions, 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 2025–26 Budget are based on a range of economic and other parameters that are consistent with the domestic and international outlook detailed in *Statement 2: Economic Outlook*. Economic outcomes that differ from the parameters used in the Budget represent a material risk to the Budget estimates. *Statement 7: Forecasting Performance and Sensitivity Analysis* examines the impact on receipts and payments of altering some of the key economic assumptions underlying the Budget estimates.

Expenditure can differ from forecasts for program specific reasons. Forecasts of payments for demand-driven programs, such as payments related to Aged Care, Child Care or the National Disability Insurance Scheme, are highly dependent on estimates of the number of expected participants or beneficiaries and estimates of the cost of providing services to different cohorts of participants. These can be affected by administrative decisions associated with these programs. Decisions made by courts, tribunals and other legal/statutory bodies (such as through the Fair Work Commission) can also affect the cost of activities funded by the Government.

Revenue forecasting relies heavily on the observed relationships between the economy, tax bases and tax revenues. Such relationships may shift over time as the economy changes, presenting risk to the estimates. For example, the ability of entities to use tax losses to offset profits may continue to pose heightened challenges in estimating the profile for company and resource tax receipts. Revenue forecasts also incorporate costings for new policies that typically involve a degree of uncertainty.

The estimates and projections of revenue are also subject to general risks that can affect taxation collections. These risks include the ability of the tax system to keep pace with changes in the business environment, the potential for tax avoidance, pending court decisions and Australian Taxation Office rulings, and the uncertain outcomes of compliance programs. The manifestation of these risks may result in a shift in the composition of taxation collected from the various tax bases or a change in the size of the tax base.

Many agencies rely on external revenue to fund the delivery of some of their services. Estimates included in the 2025–26 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 2025–26 Budget include the impact of all policy decisions, including those that remain unlegislated. This includes the impact of policy decisions that have been made but where negotiations remain underway or implementation details are still being finalised. There are risks to the fiscal position where legislation is not passed in time, where negotiations deliver outcomes that go beyond the funding offer or where final implementation details affect the timing or quantum of expected payments.

The risks associated with climate change

Over time, climate change is expected to have a significant impact on the Budget, both in terms of risks and opportunities. The 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.

This Statement sets out specific risks where they may have an impact on the Budget in the Budget year or over the forward estimates period. Some of these risks, such as those associated with 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.

Specialist Investment Vehicles

Successive Australian Governments have established Specialist Investment Vehicles (SIVs) to achieve policy outcomes. These include the National Reconstruction Fund Corporation, 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 legislative framework. 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 the impact of those risks associated with the investments exceed or are expected to exceed the materiality threshold of $20 million in any one year, or $50 million over the forward estimates.

Specific risks to the Budget

The Budget is subject to contingent liabilities. Many of these reflect indemnities, including those relating to the Department of Defence, the Future Fund Management Agency and Future Fund Board of Guardians, and the Reserve Bank of Australia. The Australian Government has also issued guarantees, including those relating to guarantee schemes for the banking and financial sector, payments by Export Finance Australia, and the superannuation liabilities of the Commonwealth Bank prior to its sale. Other significant contingent liabilities relate to uncalled capital subscriptions and credit facilities to international financial institutions and legal cases concerning the Australian Government. The Government has robust and conservative strategies in place to reduce its potential exposure to these contingent liabilities.

Table 8.1 outlines how fiscal risks, assets and liabilities, and contingent assets and liabilities, are disclosed in the Budget.

Table 8.2 summarises fiscal risks, contingent liabilities and contingent assets with a possible impact on the forward estimates greater than the materiality threshold of $20 million in any one year, or $50 million over the forward estimates period. Risks that are new or that have materially changed are detailed by portfolio after Table 8.2.

The Australian Government's annual consolidated financial statements and the annual financial statements of departments and other Government entities also set out information on contingent liabilities and contingent assets.

The Government also makes direct loans for policy purposes. All loans contain some element of credit risk (that is, they will not be repaid in full) although, in many cases, this risk is small. Details of Government loans estimated to exceed $200 million at 30 June 2025 are included at the conclusion of this Statement.

Table 8.1: 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 8.2: 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	Removed
Attorney-General's	**Status**
Significant but remote contingency	
Indemnities relating to the Air Security Officer Capability	Unchanged
Contingent liabilities – unquantifiable	
Investor-state claims against the Australian Government	Modified
Native Title costs	Unchanged
Contingent assets – unquantifiable	
Civil penalty relating to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* – The Star Pty Limited and The Star Entertainment QLD Limited	Unchanged
Civil penalty relating to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* – Entain Group Pty Ltd	New
Climate Change, Energy, the Environment and Water	**Status**
Fiscal Risk	
Snowy Hydro Limited	Unchanged
Significant but remote contingencies	
Snowy Hydro Limited – Board Members' indemnity	Unchanged
Snowy Hydro Limited – Termination of the Equity Subscription Agreements	Unchanged
Underwriting of Transmission Projects	Removed
Contingent liabilities – unquantifiable	
Gorgon liquefied natural gas and carbon dioxide storage project – long-term liability	Unchanged
Liability for costs incurred in a national liquid fuel emergency	Unchanged
Marinus Link Project – Shareholders' agreement	Unchanged
Murray-Darling Basin Reform – risk assignment	Unchanged
Remediation of Jabiru Township	Unchanged
United States Strategic Petroleum Reserve Lease Agreement – indemnity under certain conditions	Unchanged
Contingent liabilities – quantifiable	
Capacity Investment Scheme	Modified
Underwriting of the Marinus Link Project	Unchanged
Defence	**Status**
Fiscal Risks	
Implementation of the nuclear-powered submarine program	Unchanged
Major operations of the Australian Defence Force in 2025-26	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 8.2: 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 liability – unquantifiable	
Indemnity provided to the Administrator of the Construction and General Division of the Construction, Forestry and Maritime Employees Union	New
Contingent liabilities – quantifiable	
Parent Pathways service	New
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	Modified
Future Fund Management Agency and Future Fund Board of Guardians – indemnity	Unchanged
Googong Dam	Unchanged
Indemnities for the Reserve Bank of Australia and private sector banks	Unchanged
Indemnities relating to other former asset sales, privatisations and information technology outsourcing projects	Unchanged
Kenbi Land Claim No. 37, Cox Peninsula, Northern Territory	New
Foreign Affairs and Trade	**Status**
Fiscal Risk	
Export Finance Australia – National Interest Account	Modified
Contingent liabilities – quantifiable	
Export Finance Australia	Unchanged
Papua New Guinea Rugby League Franchise	Unchanged
Health and Aged Care	**Status**
Fiscal Risk	
Fair Work Commission decision – Aged Care Work Value Case	Removed
Aged Care	New
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	Unchanged

Table 8.2: Summary of fiscal risks, contingent liabilities and contingent assets in the Statement of Risks[(a)] (continued)

Health and Aged Care	Status
Contingent liabilities – unquantifiable (continued)	
mRNA manufacturing facility – indemnities	Unchanged
Contingent asset – unquantifiable	
Legal action seeking compensation	Unchanged
Home Affairs	**Status**
Fiscal Risk	
Regional processing arrangements	Unchanged
Contingent liabilities – unquantifiable	
Australian victims of terrorism overseas payment	Unchanged
Commonwealth Community Safety Order Scheme – Federation Funding Agreement – indemnity	Unchanged
Disaster Recovery	Modified
Facilities, garrison, transferee arrivals and receptions, and health services in the Republic of Nauru – liability limit	Unchanged
Immigration detention services by state and territory governments – liability limit	Unchanged
Immigration detention services contract (Secure Journeys) – liability limit	Unchanged
Immigration detention services contract (Serco) – liability limit	Unchanged
Industry, Science and Resources	**Status**
Fiscal Risks	
Government support for Whyalla Steelworks	New
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	Modified
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	Unchanged
Infrastructure Investment Program project slippage adjustment	Modified
Inland Rail – delivery	Unchanged
Regional Express Holdings Limited (Administrators Appointed) (Rex)	New
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
NBN Co Limited – Termination of the Equity Funding Agreement	New

Table 8.2: Summary of fiscal risks, contingent liabilities and contingent assets in the Statement of Risks[(a)] (continued)

Infrastructure, Transport, Regional Development, Communications and the Arts	Status
Significant but remote contingencies (continued)	
Telstra Financial Guarantee	Unchanged
Tripartite deeds relating to the sale of federal leased airports	Unchanged
WSA Co Limited – Board Members' indemnities	Unchanged
WSA Co Limited – Sydney Metro – Western Sydney Airport indemnity	Unchanged
WSA Co Limited – Termination of the Equity Subscription Agreement	Unchanged
Contingent liabilities – unquantifiable	
Australian Maritime Safety Authority – ship-sourced pollution incident costs	Modified
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 – quantifiable	
Indigenous Land and Sea Corporation – Voyages Indigenous Tourism Australia	Modified
Social Services	**Status**
Fiscal Risk	
National Disability Insurance Scheme	Modified
Contingent liabilities– unquantifiable	
Income apportionment and debt pause	Modified
Prygodicz v Commonwealth	Unchanged
Contingent asset – quantifiable	
National Redress Scheme	Modified
Treasury	**Status**
Fiscal Risks	
Guarantee for Australia and New Zealand Banking Group Limited's Pacific liabilities	New
Guarantee for the Asian Development Bank's Innovative Finance Facility	Modified
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*	Unchanged
Reserve Bank of Australia – Guarantee	Modified

Table 8.2: Summary of fiscal risks, contingent liabilities and contingent assets in the Statement of Risks[(a)] (continued)

Treasury (continued)	Status
Contingent liabilities – quantifiable	
Compensation scheme of last resort	Removed
Establishment of a cyclone and related flooding reinsurance pool	Unchanged
Guarantees for housing	Unchanged
Indemnities for specialised external advisers during the COVID-19 pandemic	Unchanged
Small and Medium Enterprise (SME) Guarantee Scheme and SME Recovery Loan Scheme	Unchanged
Terrorism insurance – commercial cover	Unchanged
Australian Taxation Office – tax disputes	Modified
International financial institutions – uncalled capital subscriptions	Modified
International Monetary Fund – 16th General Review of Quota	Modified
International Monetary Fund – New Arrangements to Borrow & 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 the modified and new 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 15 national cost-shared emergency responses. Since the 2024–25 Budget, the Australian Government has provided an additional $249.6 million for High Pathogenicity Avian Influenza (HPAI) H7 and H5N1 preparedness and response activities, including $95.0 million across the agriculture, environment and health portfolios to manage the increased risk of an incursion of HPAI H5N1. A new national agreement is being developed to manage cross-sectoral governance and cost-sharing agreements.

The Australian, state and territory governments have developed a draft Aquatic Emergency Animal Disease Deed (the Deed) covering aquatic emergency animal diseases and have consulted prospective industry signatories. If the Deed is finalised, liabilities for the Australian Government could increase. The extent of these liabilities will depend on which parties sign the Deed and what emergency aquatic incursions occur that would be subject to the Deed arrangements.

Attorney-General's

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

Investor-state claims against the Australian Government

On 28 March 2023, the Commonwealth received a notice of arbitration from Singapore registered company Zeph Investments Pte Ltd (Zeph) concerning a dispute about the *Iron Ore Processing (Mineralogy Pty Ltd) Agreement Amendment Act 2020 (WA)*. Zeph raised this claim under Chapter 11 (Investment) of the *Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area* (AANZFTA).

Subsequently, the Commonwealth received three further notices of arbitration from Zeph. The first concerns a dispute about exploration permits held by Waratah Coal Pty Ltd (Waratah) in the Galilee Basin of Queensland. The second concerns a dispute about a coal mine proposed by Waratah in the Galilee Basin. The third concerns a dispute about a coal-fired power station proposed by Waratah in the Galilee Basin. Zeph raised each of these claims under Chapter 11 (Investment) of the AANZFTA.

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.

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.

Contingent asset – unquantifiable

Civil penalty relating to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* – The Star Pty Limited and The Star Entertainment QLD Limited

On 30 November 2022, the Australian Transaction Reports and Analysis Centre applied to the Federal Court of Australia for a civil penalty order against The Star Pty Limited and The Star Entertainment QLD Limited for alleged serious contraventions of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) including failures to properly assess money laundering and terrorism financing risks, and failures to undertake appropriate customer due diligence. The matter remains ongoing and any potential penalties are unquantifiable at this time.

Civil penalty relating to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* – Entain Group Pty Ltd

On 16 December 2024, the Australian Transaction Reports and Analysis Centre (AUSTRAC) applied to the Federal Court of Australia for a civil penalty order against Entain Group Pty Ltd (Entain) for alleged serious and systemic non-compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act).

AUSTRAC alleges that Entain failed to comply with obligations under the AML/CTF Act, including failures to develop and maintain a compliant anti-money laundering program and failure to properly assess money laundering and terrorism financing risks. The outcome of this matter is unknown, including whether any penalties will be imposed by the Court and, if so, the quantum of any penalties.

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 some 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.

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 financial support 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 Murray-Darling Basin Plan 2012 through water recovery. On 1 July 2019, the Sustainable Diversion Limits took effect. The *Water Act 2007* provides a risk assignment framework in which entitlement holders with reductions in water allocations, or changes in the reliability of water allocations (where the gap has not been bridged and an accredited water resource plan is in place), may be eligible for a payment from the Commonwealth.

The total cost of the operation of the risk assignment framework cannot be quantified at this time and remains a fiscal risk until the gap between the Baseline Diversion Limit and Sustainable Diversion Limits is fully bridged.

Remediation of Jabiru Township

The Australian Government, the Northern Territory Government, Gundjeihmi Aboriginal Corporation and Energy Resources of Australia Ltd signed a Memorandum of Understanding in 2019. The Memorandum of Understanding underpins the transfer of ownership of Jabiru to the Traditional Owners and related make good and rehabilitation arrangements. On 26 June 2021, the Australian Government officially returned ownership of Jabiru to the Traditional Owners. Before the handover, the Australian Government signed a Remediation and Indemnity Deed between representatives of the Traditional Owners in Jabiru and the Northern Land Council.

Under these agreements, the Australian Government's responsibilities include renewal or upgrading of some essential services infrastructure (stormwater, landfill and roads), managing contamination in Jabiru Lake, management or removal of hazardous materials and chemicals, replacing asbestos tiled roofs and improving housing stock, and other ecological remediation. Expenditure for the rehabilitation work will be shared between the Australian Government, Northern Territory Government and Energy Resources Australia.

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 liabilities – quantifiable

Capacity Investment Scheme

The Australian Government has announced six projects through the South Australia and Victoria tender to enter into underwriting agreements under the Capacity Investment Scheme. These underwritings are expected to generate 3.62 gigawatt hours (GWh) in storage capacity.

The Australian Government announced a further 19 projects to enter into underwriting agreements through CIS Tender 1 – National Electricity Market (NEM) Generation, providing storage capacity of 3.56 GWh and generating 6.38 gigawatts of renewable energy to the NEM.

The Australian Government has also announced four projects to enter into underwriting agreements through CIS Tender 2 – Wholesaler Electricity Market Dispatchable, in Western Australia. The projects have a combined capacity of around 2.6 GWh in storage capacity.

Under the terms of these underwriting agreements, once the projects are built and operational, if the annual revenue earned by a project is below the agreed revenue floor, the Australian Government will pay the project operator 90 per cent of the revenue shortfall up to the agreed annual cap for 15 years. If annual revenue earned by a project exceeds the agreed ceiling, the project operator pays the Australian Government 50 per cent of revenue above the ceiling up to the agreed cap.

The Australian Government's maximum liability and estimated payments under these agreements are not for publication due to commercial sensitivities. While estimated payments are not for publication, they are reflected in the forward estimates from 2026–27. Final payments will depend on future electricity prices and the resulting impact on project revenues.

Any additional specific risks associated with this program will be reflected in the Statement of Risks once further contracts are finalised and if it is determined that they meet the materiality thresholds for inclusion.

Underwriting of the Marinus Link Project

The Australian Government has underwritten up to A$165.75 million for the Cancellation Fee payable for the Cable Engineering, Procurement, and Construction (EPC) Contract for the Marinus Link project (signed 31 July 2024).

The condition for this underwriting agreement to be called on relates to agreement to proceed with the project not being reached and the associated notices to proceed not being issued to the cable contractors by 31 August 2025.

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 2025–26

The 2025–26 estimates for the Department of Defence (Defence) include the cost of major operations of the Australian Defence Force in 2025–26 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

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 (PFAS) substances
- claims received following reviews into the Australian Defence Force and Defence culture.

Claims may also arise from the disposal of assets to third parties where such assets contain hazardous materials, or components that have the potential to cause injury.

Remote contingencies

As at 30 June 2024, Defence carried 412 instances of quantifiable remote contingent liabilities valued at $7.95 billion and 592 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

Defence has made a financial provision for the estimated costs involved in remediating contaminated land on the Defence estate where a legal or constructive obligation has arisen. For cases where these obligations do not exist, or these contingencies are unquantified, a provision has not been made.

Contingent liability – quantifiable

Claims against the Department of Defence

The Department of Defence (Defence) has 15 instances of non-remote, quantifiable contingent liabilities in respect of claims against Defence valued at $17.9 million.

The estimated figure is determined by 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.

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 liability – unquantifiable

Indemnity provided to the Administrator of the Construction and General Division of the Construction, Forestry and Maritime Employees Union

The Commonwealth intends to enter into a deed of indemnity with the Administrator of the Construction and General Division (and its branches) of the Construction, Forestry and Maritime Employees Union. The indemnity is to ensure that, in the event relevant provisions in *the Fair Work (Registered Organisations) Act 2009* and/or the *Fair Work (Registered Organisations) (CFMEU Construction and General Division Administration) Determination 2024* (which contain an indemnity) are found to be invalid, the Administrator and persons acting under his direction have continued indemnity in certain circumstances. The proposed indemnity is uncapped for certain liabilities (although subject to compliance with its terms) and currently unquantifiable as the potential liability cannot be accurately estimated at present.

Contingent liabilities – quantifiable

Parent Pathways service

Parent Pathways is a voluntary pre-employment service which commenced on 1 November 2024. Parent Pathways supports parents and carers of children under six to work towards their employment and education goals, while valuing the important role of caring for children.

Participants can access financial assistance through the Individual and Pooled Funds. The Individual Fund provides participants with financial assistance to build their skills and capabilities and to attend appointments or activities. A notional amount of $1,250 is credited to each participant's Individual Fund on their commencement in the service. Every 12 months unused credits will lapse, and a new $1,250 credit will be applied to the participant's Individual Fund. The Pooled Fund supplements the Individual Fund and supports a broad range of purchases for participants who are in most need of assistance. When a participant commences, $600 is allocated to the provider's Pooled Fund.

As the service has only recently commenced, providers are forecast to spend less than the value of the available credits, creating a surplus of credits that present a contingent liability. As at 31 December 2024, there was $11.7 million in unspent credits in the Individual and Pooled Fund notional banks.

ParentsNext program

ParentsNext supported 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 program ceased on 31 October 2024.

Under the program, providers accumulated one-off credits which accrued 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 a surplus of credits that present a contingent liability. As at 31 December 2024, there was $80.8 million in unspent Participation Fund credits in the Participation Fund notional bank. The surplus of credits will decline as providers seek reimbursement for funds expended before the ParentsNext program ceased on 31 October 2024.

The new voluntary pre-employment service for parents, Parent Pathways, commenced on 1 November 2024.

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. This will reduce to $1,500 from 1 July 2025 as part of the 2024–25 Budget measure *Employment Services Reform – Supporting Jobseekers Through Paid Employment Pathways Package – Real Jobs, Real Wages*. The Employment Fund credit remains at $1,600 for Broome Employment Services and Yarrabah Employment Services as these two services have different policy and program settings.

- Participants in Workforce Australia Online attract an Employment Fund credit, credited after a participant has been in Digital Services for two months. The credit amount reduced from $300 to $250 in June 2024 as part of the 2024–25 Budget measure *Employment Services Reform – Supporting Jobseekers Through Paid Employment Pathways Package – Real Jobs, Real Wages*. New credits have been paused for the duration of the 2025 calendar year as part of the 2024–25 MYEFO measure *Temporarily Pausing Workforce Australia Online Employment Fund Credits.*

Currently, Employment Fund expenditure is expected to be less than the value of the available credits, creating an accumulating surplus of credits that present a contingent liability. As at 31 December 2024, there was $670.9 million in unspent Employment Fund Credits in the Workforce Australia Employment Fund notional bank (this includes Workforce Australia Online Employment Fund, Workforce Australia Services Employment Fund, Broome Employment Services Employment Fund and Yarrabah Employment Services Employment Fund).

Finance

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 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 property at Lucas Heights in New South Wales, none of the properties with potential remediation issues has had a provision for remediation recognised, as neither the conditions for legal nor constructive obligations have been met, nor is a reliable estimate of the obligation currently possible.

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

Kenbi Land Claim No. 37, Cox Peninsula, Northern Territory

On 5 December 2024, the Department of Finance, on behalf of the Commonwealth, finalised the transfer of the final Commonwealth parcels of land under Kenbi Land Claim No. 37 at

Cox Peninsula, Northern Territory to the traditional owners. The Transfer of Deed Arrangement was agreed to and signed by the Commonwealth, the Northern Territory Government, the Northern Land Council and the Kenbi Land Trust, and included provisions of two uncapped indemnities and three warranties.

Under section 60 of the *Public Governance, Performance and Accountability Act 2013,* the uncapped indemnities and warranties were granted by the Minister for Finance for the contingent liabilities that may arise from the Commonwealth's historic use and ownership of the site, including potential future health claims, resulting from contamination of the site.

Foreign Affairs and Trade

Fiscal Risk

Export Finance Australia – National Interest Account

There are five financing facilities under Export Finance Australia's National Interest Account.

The Australian Infrastructure Financing Facility for the Pacific (AIFFP) started operation on 1 July 2019. The AIFFP can provide up to $4.0 billion in facilities, including up to $1.0 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 41 infrastructure projects in 11 countries. As at 31 January 2025, the maximum loan exposure is $1.1 billion, of which $224.7 million was drawn down.

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 Australian 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 $2.63 billion to support five projects under the facility. As at 31 January 2025, $248.8 million was 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 (approximately A$4.8 billion as at 31 January 2025). To date, three loans under the DEF have been agreed for a total signing value of A$228 million. As at 31 January 2025, A$167.9 million was outstanding.

The COVID-19 Export Capital Facility was announced on 15 April 2020, with a maximum aggregate exposure of $500.0 million. The COVID-19 Export Capital Facility expired in April 2021. As at 31 January 2025, $0.045 million was 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. In the 2024–25 MYEFO, the Australian Government agreed to provide US$50.0 million (approximately A$73.2 million as at 22 September 2024) to support one project under the SEAIFF. As at 31 January 2025, no funds had been drawn down.

The *Export Finance and Insurance Corporation Act 1991* has been amended to enable Export Finance Australia to finance domestic projects in the national interest where they are consistent with the Future Made in Australia National Interest Framework. The Government will be able to consider supporting projects on the National Interest Account through financing including debt or equity, where projects are unable to progress solely through commercial financing.

Contingent liabilities – quantifiable

Export Finance Australia

The 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 31 January 2025, the Government's total contingent liability was $7.5 billion, comprising Export Finance Australia's liabilities to third parties ($6.4 billion) and Export Finance Australia's overseas investment insurance, contracts of insurance and guarantees ($1.1 billion). Of the total contingent liability, $3.8 billion relates to Export Finance Australia's Commercial Account and $3.7 billion relates to the National Interest Account.

Papua New Guinea National Rugby League Franchise

The Australian Government has agreed to support the Australian Rugby League Commission and NRL Bid 25 Limited to establish and support the operation of the Papua New Guinea National Rugby League franchise.

The support will include contingent liabilities for the Commonwealth. Details of these liabilities are not provided as they include commercial-in-confidence sensitivities.

Health and Aged Care

Fiscal Risk

Aged Care

The Australian Government is the principal funder of aged care services, including residential aged care and in-home aged care services.

The *Aged Care Act 2024* will commence on 1 July 2025 and provides the legislative basis for the Government's reforms to aged care services, including the establishment of the Support at Home program to deliver improved and more targeted in-home care services, and a new framework for participant contributions for residential aged care and in-home aged care services to create a more equitable and sustainable aged care system.

As with other new demand-driven programs, there is greater potential for the estimated costs of the aged care programs to be subject to adjustments to reflect observed changes in actual payments. The estimated costs for the Support at Home program will depend on successful implementation, demand for the new program, the level of services that care recipients are assessed as eligible for, the services they choose to access and the amount that care recipients contribute towards their costs. The observed impact of the changes to the contribution arrangements for care recipients in residential aged care may also impact on the estimated costs for residential aged care.

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 relate 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 2023–24, the Department of Health and Aged Care waived no statutory debts, however 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 Commonwealth is engaged in legal action against Otsuka to recover compensation for losses associated with the delayed listing of generic brands of aripiprazole on the Pharmaceutical Benefits Scheme. The Commonwealth is claiming that this is due to interim injunctions granted to Otsuka in unsuccessful patent litigation, which had the effect of delaying statutory and price disclosure related price reductions for this drug.

Home Affairs

Fiscal Risk

Regional processing arrangements

Under a Memorandum of Understanding between Australia and the Republic of Nauru on the Enduring Regional Processing Capability in the Republic of Nauru, the Australian Government supports the Government of Nauru to provide support and services to 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.

Commonwealth Community Safety Order Scheme – Federation Funding Agreement – indemnity

The Department of Home Affairs has negotiated arrangements for the Community Safety Order scheme and has, on behalf of the Commonwealth, entered into a Federation Funding Agreement (FFA) with New South Wales (NSW) ending on 30 June 2025. The FFA provides for delivery of services including evidence collection, specialist legal support, accommodation (in prison) and case management support for offenders in the community.

The accommodation component of the services is governed by a housing agreement that stipulates baseline detention under a Community Safety Detention Order. The housing agreement indemnifies NSW, and each of its employees, officers and agents, for all costs reasonably sustained or incurred in the operation of the housing agreement.

Disaster Recovery

The 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 meets the thresholds set out in the DRFA.

The forward estimates for the DRFA include preliminary estimates of costs for past events, based on the best information available at the time of preparation. Preliminary estimates of the cost of disaster relief and recovery and the timing of expenditure are subject to change. The total cost of relief and recovery from past events may not be completely realised for several years.

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.

The full impact of the ex-Tropical Cyclone Alfred in Queensland and New South Wales in early March 2025 is unknown. Any assistance provided under the DRFA, AGDRP or DRA may have further impacts on expenditure that are currently unquantifiable.

Facilities, garrison, transferee arrivals and reception, and health services in the Republic of Nauru – 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 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 (Secure Journeys) – liability limit

The Department of Home Affairs entered into a new contract with Secure Journeys Pty Ltd (Secure Journeys) commencing on 11 December 2024, to deliver immigration detention services at facilities in Australia on behalf of the Australian Government. The contract limits Secure Journeys' total liability to the Commonwealth under the contract to a maximum of $300 million. The limitation of liability does not apply to specific events defined under the contract – including loss arising from claims in relation to death, or bodily injury, disease or illness (including mental illness) of any person; statutory penalties; and breach of Commonwealth or State privacy legislation.

Immigration detention services contract (Serco) – 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 at facilities in Australia on behalf of the Australian Government. 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. This liability limit will operate simultaneously with a new immigration detention services contract until completion of transition activities.

Industry, Science and Resources

Fiscal Risks

Government support for Whyalla Steelworks

On 19 February 2025, the South Australian Government appointed an administrator to OneSteel Manufacturing Pty Ltd (OneSteel). On 20 February 2025, the Australian and South Australian Governments announced joint support of $2.4 billion to stabilise and secure the longer-term future of the Whyalla Steelworks, including up to $1.9 billion for the transformation of the Steelworks. The Australian Government's funding contribution for immediate on the ground support and the administration process are reflected in the 2025–26 Budget, as is the commitment of up to $500 million of the Green Iron Investment Fund to support the longer-term transformation of the Steelworks. The Australian Government has also committed to make additional financing contributions, subject to commercial negotiations, as part of the $1.9 billion joint commitment to the long-term transformation of the steelworks. Further funding to support an extension of the administration process could also be considered if necessary, but this would be subject to a future decision of government so is unable to be quantified at this time.

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, 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.

Petrofac Limited, the parent company of Petrofac, is experiencing financial difficulties and is pursuing a financial restructure to resolve its solvency issues. So far, delivery of Phase One decommissioning of the Northern Endeavour has remained largely unaffected by this financial situation, however solvency issues could increase project delivery risks and potentially lead to delays and increase costs. The Australian Government continues to work with Petrofac to anticipate and minimise any potential impacts to program delivery.

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

The Minister for Industry and Science has renewed a Deed of Indemnity between the Australian Government and ANSTO under which the Government formally agreed to indemnify ANSTO and ANSTO officers from any loss or liability arising from claims caused by ionising radiation. This Deed will remain in place until March 2035.

Australian Nuclear Science and Technology Organisation – legacy waste management to final disposal

ANSTO has accumulated, and will continue to accumulate, radioactive 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 radioactive waste will be the responsibility of the Australian Radioactive Waste Agency. 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

2009 Maralinga Nuclear Test Site Handback Deed, the Australian Government has indemnified the Maralinga Tjarutja people and the South Australian Government in respect of claims arising from test site contamination.

Land 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 2023–24 financial year, Australia Post reported a full financial year pre-tax loss of $88.5 million. This is Australia Post's second 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 is monitoring the implementation of these reforms to assess whether they are achieving 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.

Infrastructure Investment Program project slippage adjustment

The Infrastructure Investment Program includes a slippage adjustment to take account of historical experience, including the timing of states claiming payments against milestones and the complexity of delivery. In the 2025–26 Budget, the adjustment is set at $1.7 billion in 2024–25, $1.7 billion in 2025–26, $1.5 billion in 2026–27 and $0.4 billion in 2027–28, and is unwound over 2028–29 to 2033–34.

As the adjustment does not affect the Australian Government's commitments to individual states and territories, there is an equivalent financial risk to the Australian Government should the states and territories meet all current project milestones. A similar adjustment was implemented in the 2024–25 MYEFO.

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.

Significant project delivery risks will remain, including securing jurisdictional support, cost and scheduling pressures, pre-existing land and contamination, and realising revenues.

Regional Express Holdings Limited (Administrators Appointed) (Rex)

The Australian Government has provided a loan of up to $80.0 million to fund the operations of Regional Express Holdings Limited (Rex) during the convening period of the voluntary administration, until 30 June 2025, and has acquired $50.0 million of debt owed by Rex to become the major secured creditor.

On 12 February 2025, the Australian Government announced it would work with the Administrators of Rex to support the sale of the business as a going concern, following a competitive sales process. The Australian Government will negotiate with shortlisted bidders to support a successful market-led outcome. In the event there is no sale, the Government will undertake work on contingency options in consultation with relevant states, including preparations necessary for potential Australian Government acquisition of Rex. Further financial support, including to support the competitive sale process or in potential contingency options, would be subject to a future decision of government.

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.

NBN Co Limited – Termination of the Equity Funding Agreement

The Australian Government is required to cover all costs and liabilities that may be incurred by NBN Co if the Commonwealth terminates the Equity Funding Agreement between the Commonwealth and NBN Co.

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 31 December 2024, NBN Co had liabilities covered by the Guarantee estimated at $11.2 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 marine 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. Where a polluter is not identified, or excess costs cannot be recovered from shipowners, AMSA bears the liability.

AMSA has established a pollution response financial capability to provide funds for clean-up expenditure (which may be across a range of concurrent incidents) pending recoveries. This is backed by liquid investment reserves of $10 million, and supported by a commercial line-of-credit of $40 million.

The Australian Government meets costs that cannot be recovered and exceeds AMSA's pollution response financial capability. 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 accurately quantified at this time.

For Commonwealth-owned airports that are leased on a long-term basis, Airport Lessee Companies are responsible for environmental management of their airport sites. Airport leases indemnify the Commonwealth in relation to damages or injury to the environment, including in respect of costs and claims arising due to such damages or injury. However, these leases do not indemnify Airservices, as it is a corporate Commonwealth entity. The Commonwealth is not indemnified for 16 airports (which are privately or local government owned) in the Program's scope because the Commonwealth is not a party to any lease deed at these airports. The costs of potential long-term management options cannot be quantified at this time.

A number of Airport Lessee Companies have requested that Airport Environment Officers (AEOs) issue remedial orders to Airservices for PFAS contamination under the Airports (Environment Protection) Regulations 1997. Two Environmental Remedial Orders (EROs) have been issued to Airservices, directing it to undertake specified remedial work at Launceston and Canberra airports, within a set timeframe. AEOs are also actively considering regulatory action at Brisbane, Moorabbin and Sydney Airports.

Brisbane Airport Corporation has commenced legal proceedings in the Queensland Supreme Court against Airservices concerning legacy PFAS contamination from Airservices' use of firefighting foams containing PFAS at the airport. 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) Government provides services to the Jervis Bay Territory under a Memorandum of Understanding. The Australian Government has provided certain indemnities for the ACT Government authorities and officials in relation to the delivery of services to the Jervis Bay Territory.

The likelihood of an event occurring that may result in a liability for the Australian Government has been assessed as remote and the risks are currently mitigated through the training and professional qualifications of the staff of these agencies and the existence of systems, processes and standards for the delivery of services.

Prime Minister and Cabinet

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 ($112.5 million) and the Northern Australia Infrastructure Facility ($27.5 million). The Indigenous Land and Sea Corporation is the guarantor for each of these facilities.

The Indigenous Land and Sea Corporation has initiated a sale of Voyages, including the Ayers Rock Resort. The Indigenous Land and Sea Corporation awaits the receipt of binding offers to determine whether sale proceeds will be sufficient to repay debt facilities in full.

Social Services

Fiscal Risk

National Disability Insurance Scheme

The National Disability Insurance Scheme (NDIS) provides financial support to Australians with permanent and significant disability to build capacity, increase independence and establish stronger connections with their community.

As with other demand driven programs, the estimated costs for the Scheme are subject to adjustments to reflect observed changes in actual payments. Scheme projections are liable to change as significant reform initiatives are implemented and the Scheme continues to mature. Reform initiatives may lead to revisions to forecasts of the number of Scheme participants, the funds allocated in participant support packages, the payments by participants from those funds for supports, and the resourcing required by the National Disability Insurance Agency to effectively administer the Scheme.

National Cabinet 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.

The *National Disability Insurance Scheme Amendment (Getting the NDIS Back on Track No. 1) Act 2024* (the amending Act) commenced on 3 October 2024. Changes in the amending Act and subsequent amendments to NDIS rules and other legislative instruments will moderate growth in Scheme expenditure by determining Scheme participant plan budgets more consistently based on participant need and supporting participants to spend in accordance with their plans.

The 2025–26 Budget estimates for the Scheme are based on actual expenditure as at end February 2025 and updated projections from the NDIS Actuary.

Contingent liabilities – unquantifiable

Income apportionment and debt pause

In November 2020, legislative changes were introduced to simplify income reporting in the social security system: income is now reported when it is received, removing the need for customers to calculate and report what they have earned each fortnight. This new approach took effect from 7 December 2020. Prior to 7 December 2020, the Australian Government applied a methodology called income apportionment to calculate a customer's income support entitlement in circumstances when a customer's employment income was spread across two or more Centrelink fortnightly reporting periods.

Where income apportionment was or may have been applied to determine certain Commonwealth social security debts prior to 7 December 2020, recovery activities have been paused, except in particular circumstances. The decision made by the former

Administrative Appeals Tribunal regarding income apportionment (*Secretary, Department of Social Services and FTXB*) has been appealed to the Full Federal Court by the respondent.

Prygodicz v Commonwealth

In September 2024, Gordon Legal filed an extension application in the Federal Court of Australia to appeal settlement orders granted in the Prygodicz v Commonwealth class action on behalf of representative applicants impacted by the Income Compliance Program (the Robodebt scheme). Costs associated with the appeal (if any) and any potential related future litigation are not quantifiable until the matter is determined by the Court or otherwise resolved.

Contingent asset – quantifiable

National Redress Scheme

The National Redress Scheme for Institutional *Child Sexual Abuse Act 2018* supports people who experienced institutional child sexual abuse by providing a monetary payment and facilitating access to counselling and psychological services and a direct personal response from the institution determined to be responsible for the abuse. The Department of Social Services (DSS) administers the National Redress Scheme. In this capacity, DSS makes the monetary payment to the survivor and then recovers this amount from the responsible institution.

As at 3 February 2025, DSS has an administered quantifiable contingent asset of $578.3 million in relation to the probable recovery from responsible institutions of monetary payments that may be made to survivors. The value is based on applications that have been referred to an independent decision maker for assessment and average payment values.

As at 3 February 2025, DSS has an administered quantifiable contingent liability of $390.1 million in relation to applications made under the National Redress Scheme that have been referred to an independent decision maker for assessment. The amount is based on the number of applications and average payment values.

The difference between the contingent asset and the contingent liability represents the net risk to the Budget from the National Redress Scheme.

Treasury

Fiscal risk

Guarantee for Australia and New Zealand Banking Group Limited's Pacific Liabilities

The Commonwealth has provided a 10-year guarantee to Australia and New Zealand Banking Group Limited (ANZ) to secure its long-term commitment to the Pacific. The guarantee transfers certain credit risks associated with eligible exposures related to ANZ's Pacific operations to the Commonwealth. The guarantee can be called on if there is an unremedied default by a third party on those exposures held by ANZ. The guarantee will support ANZ to maintain and enhance its current retail banking services in the Pacific, and deliver financial literacy and inclusion programs, supporting the ongoing connectivity of the Pacific region and Timor-Leste to the Australian and global financial systems.

Guarantee for the Asian Development Bank's Innovative Finance Facility

The Australian Government has committed to enter into a 25-year guarantee capped at US$200 million (estimated at A$321.3 million as at 31 January 2025) with the Asian Development Bank (ADB) to support its Innovative Finance Facility for Climate in Asia and the Pacific (the ADB facility). The ADB facility will support climate mitigation and adaptation finance projects of sovereign nations identified by ADB in the Asia and Pacific region.

The guarantee transfers a portion of risk associated with sovereign nations' default from the ADB facility to the Australian Government. The guarantee will only be called on in the event of a sovereign nation defaulting on a project under the ADB facility.

Significant but remote contingencies

Asbestos Injuries Compensation Fund

In February 2016, the Commonwealth agreed to assume one third of the default risk associated with a $320 million New South Wales (NSW) Government loan to the Asbestos Injuries Compensation Fund (AICF), contingent on all states and territories agreeing to assume the remaining default risk. States and territories agreed to assume the remaining default risk following the publication of the 2016–17 Budget.

The AICF provides compensation to Australian asbestos disease related claims against former subsidiaries of the James Hardie Group and is funded on an ongoing basis through contributions from the James Hardie Group. NSW provided a $320 million loan facility in 2010 to enable AICF to continue to pay compensation as lump sums, rather than in instalments.

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 30 June 2024.

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 $26 billion, unless approved by the Government.

Guarantees under the *Commonwealth Bank Sale Act 1995*

Under the *Commonwealth Bank Sale Act 1995*, the Australian Government guarantees various superannuation and other liabilities of the Commonwealth Bank of Australia. As at 31 December 2024, the Commonwealth Bank of Australia holds no attributed liabilities and $4.3 billion is attributable to liabilities of the Commonwealth Bank Officers' Superannuation.

Reserve Bank of Australia – Guarantee

The Australian Government guarantees the liabilities of the Reserve Bank of Australia (RBA), measured as the RBA's total liabilities excluding capital, reserves, and Australian Government deposits. The principal component of the RBA's liabilities consists of exchange settlement balances. As at 31 January 2025, exchange settlement balances amount to $260.2 billion, and the total guarantee is $378.2 billion.

Contingent liabilities – unquantifiable

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 all liabilities.

The reinsurance pool is designed to be cost neutral to Government over time, based on the predicted cost and frequency of cyclone events. The estimated value and range of calls on the guarantee is unquantifiable due to significant uncertainty in the frequency and severity of cyclones and the resulting losses.

Guarantees for housing

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 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 small and medium enterprises 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

The Australian Taxation Office is regularly involved in a range of dispute resolution processes, including litigation, relating to tax disputes.

Details of the outcome of dispute resolution processes remain uncertain until a court ruling is made and/or an agreement is reached with the taxpayer. Accordingly, in most cases it is not possible to reliably estimate the likely financial impact of current disputes. The estimated aggregate value of tax in dispute as at 30 September 2024, for which a provision has not been made, is $12.5 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. As at 31 January 2025, Australia's uncalled capital subscription to the IBRD was around US$4.4 billion (approximately A$7.0 billion).

The Australian Government has held an uncalled capital subscription in the European Bank for Reconstruction and Development (EBRD) since 1991. As at 31 January 2025, Australia's uncalled capital subscription to the EBRD was around EUR237.5 million (approximately A$396.4 million).

The Australian Government has held an uncalled capital subscription in the Asian Development Bank (ADB) since 1966. As at 31 January 2025, Australia's uncalled capital subscription to the ADB was around US$7.0 billion (approximately A$11.3 billion).

The Australian Government has held an uncalled capital subscription in the Multilateral Investment Guarantee Agency (MIGA) since 1999. As at 31 January 2025, Australia's uncalled capital subscription to the MIGA was around US$26.5 million (approximately A$42.5 million).

The Australian Government has held an uncalled capital subscription in the Asian Infrastructure Investment Bank (AIIB) since 2015. As at 31 January 2025, Australia's uncalled capital subscription to the AIIB was around US$3.0 billion (approximately A$4.7 billion).

International Monetary Fund – 16th General Review of Quota

The Australian Government has consented to a 50 per cent increase to its International Monetary Fund (IMF) quota. Under the agreement, Australia's quota will increase from Special Drawing Rights (SDR) 6.6 billion (approximately A$13.8 billion as at 31 January 2025) to SDR 9.9 billion (approximately A$20.7 billion as at 31 January 2025). This increase maintains Australia's voting power at the IMF and share of any future SDR allocation, and increases access to fund financing.

The timing of the implementation of the quota increase and the accompanying required contribution is uncertain; and is subject to conditions including consent by members representing 85 per cent of the existing quota. 25 per cent of the increase, SDR 821.6 million (approximately A$1.7 billion as at 31 January 2025), 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 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. On 8 October 2020, the Australian Government advised the IMF that Australia consented to this decision. On 19 July 2024, a renewal of the New Arrangements to Borrow was adopted by a decision of the IMF's Executive Board. The Government is undertaking the relevant process under the *International Monetary Agreements Act 1947* to enable Australia to carry out its obligations. As at 31 January 2025, the value of Australia's New Arrangements to Borrow credit arrangement is around Special Drawing Rights (SDR) 4.4 billion (approximately A$9.3 billion). If the IMF quota increase is implemented, the value of

Australia's contribution will decrease by SDR 0.7 billion to SDR 3.7 billion (approximately A$7.8 billion as at 31 January 2025).

Australia has also made available approximately SDR 2.0 billion (approximately A$4.2 billion as at 31 January 2025) through a contingent bilateral loan to the IMF, known as a Bilateral Borrowing Agreement (the Agreement). 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 Agreement by one year through to 31 December 2024. On 20 November 2024, the Australian Government finalised a further extension of the Agreement through to 31 December 2027. If the IMF quota increase is implemented before 31 December 2027, Australia's Agreement will be allowed to expire.

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$2.1 billion as at 31 January 2025) to loan to the IMF under the Poverty Reduction and Growth Trust. As at 30 June 2025, it is estimated SDR 270.8 million (approximately A$550.8 million as at 31 January 2025) will have been drawn down, leaving SDR 729.2 million (approximately A$1.5 billion as at 31 January 2025) 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$1.6 billion as at 31 January 2025) available to the International Monetary Fund (IMF) under the Resilience and Sustainability Trust through to 30 November 2030. The Resilience and Sustainability Trust will provide affordable long-term financing to help vulnerable countries build resilience and sustainability to address risks stemming from climate change and pandemic preparedness. Resilience and Sustainability Trust line of credit funds are drawn upon by the IMF as needed and will be repaid in full, with interest. As at 30 June 2025, SDR 74.9 million (approximately A$152.3 million as at 31 January 2015) is expected to have been drawn down, leaving SDR 685.1 million (approximately A$1.4 billion as at 31 January 2025) 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 home building insurance products to eligible serving Australian Defence Force members, veterans and widow(er)s.

DSH Insurance is funded by premiums collected from policy holders 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), 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 8.3 summarises Government loans estimated to exceed $200 million at 30 June 2025.

Table 8.3: 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	152	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	2,988	Eligible Australian farm businesses and related small businesses, through the Regional Investment Corporation	5.18 per cent for all loans	Up to 10 years for all other loans	Modified
Climate Change, Energy, the Environment and Water					
Clean Energy Finance Corporation	4,610	Approved entities undertaking clean energy technology projects	Approximately 4.7 per cent weight ed average	Predominately 5-15 years	Modified
Education					
Higher Education Loan Program	38,000	Eligible higher education students	The lower of Wage Price Index (WPI) or Consumer Price Index (CPI) growth	9.9 years (average)	Modified
Employment and Workplace Relations					
Australian Apprenticeship Support Loans Program	702	Eligible Australian Apprentices	The lower of WPI or CPI growth		Modified
VET Student Loans Program	2,420	Eligible diploma and above students	The lower of WPI or CPI growth	2.1 years (average)	Modified
Finance					
Defence Housing Australia Loan	225	Defence Housing Australia	Various	Various	New
Snowy Hydro Limited Loan	4,500	Snowy Hydro Limited	Floating + margin	5 years	New
Foreign Affairs and Trade					
Government support for PsiQuantum Pty Ltd	193	PsiQuantum Pty Ltd and PsiQuantum Corporation	Commercial-in-confidence	Commercial-in-confide nce	Modified
Telstra acquisition of Digicel Pacific	2,200	Telstra	Commercial-in-confidence	Various	Unchanged

Table 8.3: Summary of Australian Government loans meeting the materiality threshold (continued)

Portfolio	Loan amount[a] ($m)	Borrower	Interest rate	Term	Status[b]
Industry, Science and Resources					
National Reconstruction Fund Corporation[c]	981	Eligible projects in accordance with NRFC Act and NRFC investment mandate	Various	Various	Modified
Infrastructure, Transport, Regional Development, Communications and the Arts					
Northern Australia Infrastructure Facility Loans	1,609	Northern Australia jurisdictions (Western Australia, Queensland or the Northern Territory) for on lending to project proponents. The *NAIF Investment Mandate Direction 2023* additionally allows for provision of financial assistance directly to other entities	Various	Various	Modified
WestConnex Stage 2 Concessional Loan	2,340	WCX M5 Finco Pty Ltd	3.36 per cent	November 2015 to July 2034	Modified
Prime Minister and Cabinet					
Indigenous home ownership, business development and assistance	1,178	Eligible Indigenous persons	1.64 per cent – 6.14 per cent	Up to 32 years	Modified
Voyages Indigenous Tourism Australia Pty Ltd	343	Voyages Indigenous Tourism Australia Pty Ltd	90 Day bank bill swap reference rate plus 1.2 per cent (on $176 million of principal)	9 years, 11 months	Modified
Social Services					
Home Equity Access Scheme	584	Eligible older Australians who meet residency requirements and own suitable real estate in Australia to use as security.	3.95 per cent	Various	Modified
Student Financial Supplement Scheme	121	Eligible recipients of Youth Allowance (student), Austudy and ABSTUDY recipients	The lower of WPI or CPI growth	Various	Modified

Table 8.3: Summary of Australian Government loans meeting the materiality threshold (continued)

Portfolio	Loan amount[a] ($m)	Borrower	Interest rate	Term	Status[b]
Social Services					
Student Start-up Loan	917	Eligible Youth Allowance (student), Austudy and ABSTUDY Living Allowance recipients	The lower of WPI or CPI growth	Various	Modified
Treasury					
Affordable Housing Bond Aggregator	703	Housing Australia	Commonwealth cost of borrowing	Various	Modified
Commonwealth-State financing arrangements – housing and specific purpose capital	1,089	State and Northern Territory governments	4.0 per cent – 5.0 per cent	Up to 30 June 2042	Modified
International Monetary Fund – Poverty Reduction and Growth Trust	551	International Monetary Fund	IMF SDR interest rate	10 years	Modified
International Monetary Fund – Resilience and Sustainability Trust	152	International Monetary Fund	IMF SDR interest rate	20 years	Modified
Loan Agreement between the Australian Government and the Government of Indonesia	833	Government of Indonesia	Commonwealth cost of borrowing plus 0.5 per cent	15 years	Modified
2020 Loan Agreement between the Australian Government and the Government of Papua New Guinea	269	Government of Papua New Guinea	Commonwealth cost of borrowing plus 0.5 per cent	15 years	Modified
2021 Loan Agreement between the Australian Government and the Government of Papua New Guinea	295	Government of Papua New Guinea	Commonwealth cost of borrowing plus 0.5 per cent	20 years	Modified
2022 Loan Agreement between the Australian Government and the Government of Papua New Guinea	335	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	329	Government of Papua New Guinea	Commonwealth cost of borrowing	20 years	Modified
2024 Loan Agreement between the Australian Government and the Government of Papua New Guinea	359	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 2025 in $ million.
(b) Status of loan items are considered ‘unchanged’ unless there are modifications to respective interest rates and/or loan term.

Agriculture, Fisheries and Forestry

Drought-related and farm finance concessional loans – Agriculture

As at 30 June 2025, the fair value of farm business, drought and dairy farm related loans is estimated to total $152.0 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 2025, the scheme's interest rate was 4.23 per cent. The interest rate is 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 2025, the interest rate was 4.63 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 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. As at 30 June 2024, the fair value of Farm Investment Loans, Drought Loans, AgriStarter Loans, AgBiz Drought Loans, and AgRebuild Loans was approximately $3.0 billion.

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 2025, the variable interest rate was 5.18 per cent for the Farm Investment, Drought, AgriStarter and AgBiz Drought loan products. Interest rates are revised on a six-monthly basis in line with any material changes to the Australian Government ten-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 2025.

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 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 delivering concessional finance, including loans, for projects that support grid transformation. This portfolio of predominantly concessional loans is expected to be comprised mainly of unsecured corporate facilities, 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 4.7 per cent. Loans have various maturity dates, typically in the range of 5 to 15 years, although it is anticipated that average loan tenors will be extended under the Rewiring the Nation Fund. As at 30 June 2025, loans contracted and outstanding (excluding bonds and equities) are estimated to total $4.6 billion.

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 2025, the fair value of HELP debt outstanding is estimated to be $38.0 billion. The fair value takes into account the concessionality of HELP loans, makes an allowance for debt not expected to be repaid and includes the impact of the 2024–25 MYEFO measure *Building Australia's Future – a fairer deal for students*.

There were 2,932,349 HELP debtors as at 30 June 2024. 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 2024, the average time taken to repay HELP debts was 9.9 years.

Employment and Workplace Relations

Australian Apprenticeship Support Loans Program

The Australian Apprenticeship Support Loans Program (formerly Trade Support Loans Program) is an income-contingent, concessional loan program that assists eligible Australian apprentices by providing financial support of up to $25,374 (for 2024–25) 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 $845.80 per month in the first year of their apprenticeship, $634.35 per month in the second year, $422.90 per month in the third year, and $211.45 per month in the fourth year.

As at 30 June 2025, the fair value of the Australian Apprenticeship Support Loans debt outstanding is estimated to be $702.4 million. The fair value takes into account the concessionality of Australian Apprenticeship Support Loans, makes an allowance for debt not expected to be repaid, and includes the impact of the 2024–25 MYEFO measure *Building Australia's Future – a fairer deal for students*.

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).

As at 30 June 2025, the fair value of both VET-FEE HELP (VHF) debt and VSL debt outstanding is estimated to be $2.4 billion. The fair value takes into account the concessionality of VSL loans, makes an allowance for debt not expected to be repaid and includes the impact of the 2024–25 MYEFO measure *Building Australia's Future – a fairer deal for students*.

There were 126,403 VSL debtors as at 30 June 2024. The repayment term of a post 1 July 2019 VSL debt can only be determined for people who have fully repaid their debt. ATO data for the 2023–24 period indicates the average time to repay a VSL debt in full is 2.1 years.

Prior to the commencement of the VSL Program, loans for VET students were available through the VFH scheme, which closed to new students on 31 December 2016.

Finance

Defence Housing Australia Loan

Defence Housing Australia (DHA) has a debt facility with the Department of Finance to support borrowings to provide housing and housing related services to Australian Defence Force (ADF) members and their families. Interest rates are floating, with interest paid quarterly and the principal due in full at maturity. DHA's projected cash flow and capital base are sufficient to cover interest costs and repayment of principal. DHA is a wholly owned Corporate Commonwealth Entity, and a Government Business Enterprise owned by the Australian Government that supports Defence capability by providing ADF members' housing requirements.

Snowy Hydro Limited Loan

Snowy Hydro Limited (SHL) executed a debt facility with the Department of Finance and the Department of Climate Change, Energy, the Environment and Water for funding for the Snowy 2.0 project. Interest rates are floating plus a margin, with interest paid quarterly and the principal due in full after five years. SHL's projected cash flows are sufficient to service the loan which is expected to be refinanced by the private sector at maturity. SHL is a wholly owned Commonwealth Company and a Government Business Enterprise owned by the Australian Government that owns and operates the Snowy Mountains hydro-electric scheme.

Foreign Affairs and Trade

Government support for PsiQuantum Pty Ltd

In the 2024–25 Budget, the Australian Government agreed to a financing package of equity and loans through Export Finance Australia on the National Interest Account to PsiQuantum Corporation and its wholly owned Australian subsidiary to support the construction and operation of quantum computing capabilities and associated investment in industry and research development in Brisbane. The package is part of a joint investment with the Queensland Government. It is estimated that by 30 June 2025, US$125 million (A$193.1 million) will have been drawn down, with further loan funding of A$275.0 million still to be drawn down.

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, including securities designed to secure the Government a long-term return. It is estimated that by 30 June 2025, US$1.4 billion (around A$2.2 billion) is outstanding.

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 financing 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 an expanded debt offering, 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 allowing NAIF to assume financial risk in a project that is acceptable but not excessive, and removing the prohibition against the Australian Government assuming the majority risk in any project.
- 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 NAIF's 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 2025, the expected fair value of outstanding loans for Indigenous home ownership and business development and assistance is estimated to total $1.2 billion.

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 has been set at the 90-day bank bill swap reference rate plus a margin of 1.2 per cent, and is reset six-monthly. As at 30 June 2025, the outstanding loan balance is estimated to total $343.3 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 $54,435 for 2024–25 and only after they have repaid any Higher Education Loan Program and Vocational Education and Training student loan debt.

As at 30 June 2025, the fair value of SFSS loans outstanding is estimated to be $121.2 million. This is based on the 30 June 2024 fair value assessment by the Australian Government Actuary (AGA) and does not yet include the impact of the 2024–25 MYEFO measure *Building Australia's Future – a fairer deal for students*. However, the measure impact will be included in the June 2025 fair value assessment by the AGA.

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 $1,321 (in 2025). 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 $54,435 for 2024–25, 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.

As at 30 June 2025, the estimated fair value of the SSL is $917.2 million and includes the impact of the 2024–25 MYEFO measure *Building Australia's Future – a fairer deal for students*.

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. The Government has announced the line of credit will be increased to a total of $4 billion. The provision of funds will be in accordance with the *Housing Australia Act 2018*. The line of credit is ongoing, and funds borrowed will be repaid with interest. The Treasury manages the receipt of interest and principal repayments from Housing Australia. As at 30 June 2025, the value of outstanding advances issued to Housing Australia from the line of credit is estimated at $702.8 million.

Commonwealth-State financing arrangements – housing and specific purpose capital

From 1945 to 1989, the Australian Government made concessional advances to state and Northern Territory governments under Commonwealth–state financing arrangements for housing and for specific purpose capital. The advances were concessional fixed-rate loans to be repaid over 53 years, with the last loans maturing in 2042. Annual payments, comprising both interest and principal repayment, are made to the Commonwealth. As at 30 June 2025, the amortised value of the advances is estimated at $1.1 billion (and principal value of $1.2 billion).

The Australian Office of Financial Management manages the receipt of interest and principal repayments from 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$2.1 billion as at 31 January 2025) available to the International Monetary Fund (IMF) under the Poverty Reduction and Growth Trust (PRGT) through to 31 December 2029.

The PRGT provides concessional financial support to low-income countries to help them achieve, maintain, or restore a stable and sustainable macroeconomic position. PRGT funds are drawn upon by the IMF as needed and will be repaid in full, with interest.

The value of loans outstanding to Australia is estimated at SDR 270.8 million (approximately A$550.8 million) as at 30 June 2025).

On 11 October 2022, the Government entered into an agreement to lend SDR 1 billion (approximately A$2.1 billion as at 31 January 2025) to the PRGT Pooled Investments, in order to provide subsidy resources to the PRGT of SDR 36 million (approximately A$75.5 million as at 31 January 2025). 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$171.9 million as at 31 January 2025).

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$1.6 billion as at 31 January 2025) 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 30 June 2025, SDR 74.9 million (approximately A$152.3 million as at 30 June 2025) is estimated to be drawn down, leaving SDR 685.1 million (approximately A$1.4 billion as at 31 January 2025) 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 (estimated at approximately A$309.2 million as at 30 June 2025) to the Resilience and Sustainability Trust Deposit Account through to 30 November 2050, and SDR 15.2 million (estimated at approximately A$30.9 million as at 30 June 2025) to the Resilience and Sustainability Trust Reserve Account through to liquidation of the Trust.

Resilience and Sustainability Trust Deposit Account funds will be repaid in full, with interest. Resilience and Sustainability Trust Reserve Account funds will be repaid on liquidation of the Trust and will not accrue interest.

These additional contributions will enable the IMF to build sufficient reserves over time to manage risks associated with Resilience and Sustainability Trust lending such as potential late payments.

Loan Agreement between the Australian Government and the Government of Indonesia

On 12 November 2020, Australia entered into a A$1.5 billion loan agreement with Indonesia. This agreement is part of multilateral action to support Indonesia led by the Asian Development Bank and includes the Asian Infrastructure Investment Bank, the Japan International Cooperation Agency and the German state-owned KfW Development Bank.

The funds are being used to support Indonesia’s COVID-19 response and recovery, including social protection initiatives and health system development.

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 provides 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 to progress 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 was also provided to assist PNG deliver economic reforms under the International Monetary Fund Extended Credit Facility and Extended Fund Facility Program.

2024 Loan Agreement between the Australian Government and the Government of Papua New Guinea

On 12 December 2024, the Australian Government entered into a loan agreement for A$570 million to the Government of Papua New Guinea (PNG). The loan was provided in response to a request from the PNG Government to support PNG to meet its estimated 2024 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 9: 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.

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Statement 9: Australian Government Budget Financial Statements

Table 9.1: Australian Government general government sector operating statement

			Estimates			
		2024-25	2025-26	2026-27	2027-28	2028-29
	Note	$m	$m	$m	$m	$m
Revenue						
Taxation revenue	3	663,208	694,304	726,735	756,538	801,580
Sales of goods and services	4	21,166	22,256	23,478	24,294	25,338
Interest income	5	10,532	10,619	10,662	11,739	12,242
Dividend and distribution income	5	7,205	7,434	7,786	8,230	8,965
Other	6	15,458	15,648	14,898	14,629	14,381
Total revenue		**717,568**	**750,262**	**783,559**	**815,429**	**862,506**
Expenses						
Gross operating expenses						
Wages and salaries(a)	7	29,439	30,450	29,608	29,959	30,402
Superannuation	7	8,728	8,771	9,036	9,403	9,980
Depreciation and amortisation	8	14,092	14,196	14,677	14,935	15,371
Supply of goods and services	9	214,656	229,440	234,697	245,694	258,854
Other operating expenses(a)	7	12,707	12,485	11,989	12,747	13,128
Total gross operating expenses		*279,622*	*295,342*	*300,007*	*312,737*	*327,735*
Superannuation interest expense	7	14,241	15,198	15,685	16,084	16,517
Interest expenses	10	31,157	38,696	40,350	45,082	48,448
Current transfers						
Current grants	11	219,567	223,378	229,784	239,432	249,938
Subsidy expenses		19,965	21,352	21,019	21,346	23,628
Personal benefits	12	162,616	169,410	178,776	188,091	202,474
Total current transfers		*402,147*	*414,140*	*429,579*	*448,869*	*476,040*
Capital transfers	11					
Mutually agreed write-downs		14,884	2,930	3,093	3,293	3,471
Other capital grants		20,706	19,364	17,881	16,883	17,186
Total capital transfers		*35,589*	*22,294*	*20,974*	*20,177*	*20,657*
Total expenses		**762,756**	**785,670**	**806,594**	**842,949**	**889,397**
Net operating balance		**-45,188**	**-35,408**	**-23,034**	**-27,520**	**-26,891**
Other economic flows – included in operating result						
Net write-downs of assets		-13,186	-12,239	-12,860	-13,537	-14,099
Assets recognised for the first time		368	393	420	449	479
Actuarial revaluations		2,191	-1,060	-1,012	-967	-818
Net foreign exchange gains		182	183	0	0	0
Net swap interest received		-478	-7	3	-1	7
Market valuation of debt		-11,466	-13,119	-11,343	-10,905	-9,836
Other gains/(losses)		13,430	9,860	10,474	11,056	11,859
Total other economic flows – included in operating result		**-8,957**	**-15,989**	**-14,317**	**-13,905**	**-12,407**
Operating result(b)		**-54,145**	**-51,396**	**-37,351**	**-41,425**	**-39,298**

Table 9.1: Australian Government general government sector operating statement (continued)

		Estimates				
		2024-25	2025-26	2026-27	2027-28	2028-29
	Note	$m	$m	$m	$m	$m
Non-owner movements in equity						
Revaluation of equity investments		-718	203	0	0	0
Actuarial revaluations		-842	-228	-228	-228	-226
Other economic revaluations		707	145	154	168	167
Total other economic flows - included in equity		**-853**	**120**	**-73**	**-60**	**-59**
Comprehensive result – Total change in net worth		**-54,998**	**-51,277**	**-37,425**	**-41,485**	**-39,357**
Net operating balance		**-45,188**	**-35,408**	**-23,034**	**-27,520**	**-26,891**
Net acquisition of non-financial assets						
Purchases of non-financial assets		22,133	22,224	23,355	26,362	25,308
less Sales of non-financial assets		2,538	117	5	5	6
less Depreciation		14,092	14,196	14,677	14,935	15,371
plus Change in inventories		-43	859	467	603	264
plus Other movements in non-financial assets		0	0	0	0	0
Total net acquisition of non-financial assets		**5,459**	**8,771**	**9,140**	**12,025**	**10,196**
Fiscal balance (Net lending/borrowing)(c)		**-50,647**	**-44,178**	**-32,174**	**-39,545**	**-37,087**

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 9.2: Australian Government general government sector balance sheet

			Estimates			
		2024-25	2025-26	2026-27	2027-28	2028-29
	Note	$m	$m	$m	$m	$m
Assets						
Financial assets						
Cash and deposits		73,008	73,579	70,329	68,147	61,359
Advances paid	13	66,347	77,939	91,972	104,560	115,397
Investments, loans and placements	14	239,767	248,576	257,052	282,806	294,224
Other receivables	13	86,469	92,762	99,347	106,954	116,560
Equity investments						
Investments in other public sector entities		51,637	57,342	59,973	61,199	63,958
Equity accounted investments		6,349	6,485	6,650	6,746	6,885
Investments – shares		113,455	121,108	129,629	122,287	130,798
Total financial assets		*637,032*	*677,792*	*714,952*	*752,699*	*789,181*
Non-financial assets	15					
Land		14,647	14,756	14,883	15,060	15,181
Buildings		50,951	50,875	51,211	52,406	51,588
Plant, equipment and infrastructure		115,529	120,634	126,759	135,457	145,150
Inventories		11,604	12,691	13,585	14,579	15,661
Intangibles		14,723	16,212	16,848	16,975	16,683
Investment properties		221	221	208	176	155
Biological assets		5	5	5	5	5
Heritage and cultural assets		12,800	12,803	12,804	12,808	12,810
Assets held for sale		86	81	81	81	81
Other non-financial assets		6	6	6	6	6
Total non-financial assets		*220,572*	*228,283*	*236,389*	*247,553*	*257,319*
Total assets		**857,604**	**906,074**	**951,342**	**1,000,253**	**1,046,500**
Liabilities						
Interest bearing liabilities						
Deposits held		418	418	418	418	418
Government securities		883,713	968,449	1,043,956	1,117,991	1,189,011
Loans	16	32,385	33,885	34,485	34,546	34,215
Lease liabilities		18,584	17,689	16,773	16,634	15,573
Total interest bearing liabilities		*935,100*	*1,020,440*	*1,095,631*	*1,169,589*	*1,239,216*

Table 9.2: Australian Government general government sector balance sheet (continued)

		Estimates				
		2024-25	2025-26	2026-27	2027-28	2028-29
	Note	$m	$m	$m	$m	$m
Provisions and payables						
Superannuation liability	17	303,276	313,806	322,911	332,110	340,558
Other employee liabilities	17	60,944	60,538	62,240	64,195	66,576
Suppliers payables	18	15,268	15,127	16,571	19,547	20,872
Personal benefits payables	18	4,299	4,759	4,709	4,392	4,764
Subsidies payables	18	680	672	664	664	664
Grants payables	18	5,998	5,667	5,279	5,427	5,430
Other payables	18	6,144	5,866	5,465	5,344	5,265
Provisions	18	96,413	100,993	97,092	99,690	103,218
Total provisions and payables		*493,023*	*507,430*	*514,931*	*531,370*	*547,347*
Total liabilities		**1,428,123**	**1,527,870**	**1,610,562**	**1,700,958**	**1,786,563**
Net worth(a)		**-570,519**	**-621,796**	**-659,221**	**-700,706**	**-740,063**
Net financial worth(b)		*-791,091*	*-850,079*	*-895,610*	*-948,259*	*-997,382*
Net financial liabilities(c)		*842,728*	*907,420*	*955,583*	*1,009,459*	*1,061,340*
Net debt(d)		*555,978*	*620,345*	*676,278*	*714,076*	*768,236*

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 9.3: Australian Government general government sector cash flow statement[(a)]

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Cash receipts from operating activities					
Taxes received	645,242	676,086	707,556	735,939	778,266
Receipts from sales of goods and services	21,796	21,921	22,974	24,192	25,304
Interest receipts	9,520	9,389	8,939	9,798	10,109
Dividends, distributions and income tax equivalents	7,380	7,416	7,766	8,212	8,946
Other receipts	19,719	20,286	18,695	19,198	18,173
Total operating receipts	**703,657**	**735,098**	**765,930**	**797,339**	**840,799**
Cash payments for operating activities					
Payments to employees(b)	-46,880	-48,917	-48,891	-50,467	-51,514
Payments for goods and services	-211,495	-228,248	-232,123	-243,479	-257,089
Grants and subsidies paid	-251,076	-266,344	-275,736	-277,810	-289,594
Interest paid	-24,413	-27,885	-30,159	-36,724	-38,224
Personal benefit payments	-163,057	-169,556	-179,584	-189,063	-202,778
Other payments(b)	-11,821	-13,739	-11,047	-11,302	-11,620
Total operating payments	**-708,740**	**-754,689**	**-777,540**	**-808,844**	**-850,819**
Net cash flows from operating activities	**-5,083**	**-19,590**	**-11,610**	**-11,505**	**-10,020**
Cash flows from investments in non-financial assets					
Sales of non-financial assets	265	254	40	40	41
Purchases of non-financial assets	-20,047	-20,040	-21,377	-23,079	-24,146
Net cash flows from investments in non-financial assets	**-19,782**	**-19,786**	**-21,336**	**-23,039**	**-24,106**
Net cash flows from investments in financial assets for policy purposes	**-19,076**	**-23,076**	**-22,759**	**-19,961**	**-18,999**
Net cash flows from investments in financial assets for liquidity purposes	**-4,520**	**-4,839**	**-5,059**	**-5,711**	**-6,722**
Cash receipts from financing activities					
Borrowing	286,822	742,102	799,231	750,524	763,296
Other financing	12,461	128	128	75	17
Total cash receipts from financing activities	**299,283**	**742,230**	**799,359**	**750,599**	**763,313**
Cash payments for financing activities					
Borrowing	-257,239	-669,329	-737,248	-689,674	-707,452
Other financing	-17,893	-5,038	-4,596	-2,892	-2,801
Total cash payments for financing activities	**-275,132**	**-674,367**	**-741,844**	**-692,566**	**-710,253**
Net cash flows from financing activities	**24,152**	**67,863**	**57,515**	**58,033**	**53,059**
Net increase/(decrease) in cash held	**-24,310**	**571**	**-3,251**	**-2,182**	**-6,787**

Table 9.3: Australian Government general government sector cash flow statement (continued)[a]

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
GFS cash surplus(+)/deficit(-)(c)	**-24,866**	**-39,376**	**-32,946**	**-34,544**	**-34,126**
plus Principal payments of lease liabilities(d)	-2,740	-2,746	-2,759	-2,704	-2,728
Equals underlying cash balance(e)	**-27,605**	**-42,122**	**-35,706**	**-37,247**	**-36,854**
plus Net cash flows from investments in financial assets for policy purposes	-19,076	-23,076	-22,759	-19,961	-18,999
Equals headline cash balance	**-46,681**	**-65,198**	**-58,465**	**-57,209**	**-55,853**

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 9.4: Australian Government public non-financial corporations sector operating statement

	Estimates	
	2024-25	2025-26
	$m	$m
Revenue		
Grants and subsidies	97	100
Sales of goods and services	23,212	25,892
Interest income	39	35
Other	74	83
Total revenue	**23,422**	**26,110**
Expenses		
Gross operating expenses		
Wages and salaries(a)	5,152	5,007
Superannuation	564	562
Depreciation and amortisation	4,446	4,510
Supply of goods and services	11,036	13,003
Other operating expenses(a)	900	835
Total gross operating expenses	*22,098*	*23,918*
Interest expenses	2,190	2,349
Other property expenses	346	294
Current transfers		
Tax expenses	246	268
Total current transfers	*246*	*268*
Total expenses	**24,879**	**26,830**
Net operating balance	**-1,456**	**-720**
Other economic flows	**-530**	**-1,326**
Comprehensive result – Total change in net worth excluding contribution from owners	**-1,986**	**-2,046**
Net acquisition of non-financial assets		
Purchases of non-financial assets	11,292	10,851
less Sales of non-financial assets	52	123
less Depreciation	4,446	4,510
plus Change in inventories	3	-1
plus Other movements in non-financial assets	5	122
Total net acquisition of non-financial assets	**6,802**	**6,338**
Fiscal balance (Net lending/borrowing)(b)	**-8,258**	**-7,058**

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 9.5: Australian Government public non-financial corporations sector balance sheet

	Estimates	
	2024-25	2025-26
	$m	$m
Assets		
Financial assets		
Cash and deposits	1,329	1,852
Investments, loans and placements	926	773
Other receivables	5,806	5,842
Equity investments	356	378
Total financial assets	*8,417*	*8,845*
Non-financial assets		
Land and other fixed assets	80,471	85,495
Other non-financial assets(a)	4,202	4,271
Total non-financial assets	*84,672*	*89,766*
Total assets	**93,089**	**98,611**
Liabilities		
Interest bearing liabilities		
Deposits held	13	13
Advances received and loans	36,412	37,762
Lease liabilities	13,770	14,366
Total interest bearing liabilities	*50,195*	*52,142*
Provisions and payables		
Superannuation liability	6	6
Other employee liabilities	1,970	1,874
Other payables	6,833	6,950
Other provisions(a)	1,090	1,205
Total provisions and payables	*9,898*	*10,036*
Total liabilities	**60,094**	**62,178**
Shares and other contributed capital	**32,996**	**36,433**
Net worth(b)	**32,996**	**36,433**
Net financial worth(c)	*-51,677*	*-53,332*
Net debt(d)	*47,941*	*49,517*

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 9.6: Australian Government public non-financial corporations sector cash flow statement[(a)]

	Estimates	
	2024-25	2025-26
	$m	$m
Cash receipts from operating activities		
Receipts from sales of goods and services	25,383	28,736
Grants and subsidies received	92	129
GST input credit receipts	195	106
Other receipts	45	63
Total operating receipts	**25,715**	**29,033**
Cash payments for operating activities		
Payments to employees(b)	-5,765	-5,553
Payments for goods and services	-12,279	-15,240
Interest paid	-2,564	-2,569
GST payments to taxation authority	-540	-638
Distributions paid	-348	-295
Other payments(b)	-1,203	-1,063
Total operating payments	**-22,699**	**-25,358**
Net cash flows from operating activities	**3,016**	**3,675**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	50	80
Purchases of non-financial assets	-10,580	-10,089
Net cash flows from investments in non-financial assets	**-10,530**	**-10,009**
Net cash flows from investments in financial assets for policy purposes	**0**	**0**
Net cash flows from investments in financial assets for liquidity purposes	**-147**	**189**
Net cash flows from financing activities		
Borrowing (net)	1,460	1,690
Other financing (net)	5,680	4,977
Net cash flows from financing activities	**7,139**	**6,668**
Net increase/(decrease) in cash held	**-522**	**523**
Cash at the beginning of the year	**1,851**	**1,329**
Cash at the end of the year	**1,329**	**1,852**
GFS cash surplus(+)/deficit(-)(c)	**-7,514**	**-6,333**
plus Principal payments of lease liabilities(d)	-633	-383
Adjusted GFS cash surplus(+)/deficit(-)(d)	**-8,148**	**-6,717**

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 9.7: Australian Government total non-financial public sector operating statement

	Estimates	
	2024-25	2025-26
	$m	$m
Revenue		
Taxation revenue	662,105	693,247
Sales of goods and services	42,636	46,334
Interest income	10,546	10,552
Dividend and distribution income	6,863	7,149
Other	15,525	15,725
Total revenue	**737,675**	**773,006**
Expenses		
Gross operating expenses		
Wages and salaries(a)	34,591	35,432
Superannuation	9,292	9,333
Depreciation and amortisation	18,538	18,706
Supply of goods and services	223,928	240,706
Other operating expenses(a)	13,611	13,329
Total gross operating expenses	*299,960*	*317,507*
Superannuation interest expense	14,241	15,198
Interest expenses	33,321	40,943
Current transfers		
Current grants	219,567	223,378
Subsidy expenses	19,107	20,437
Personal benefits	162,616	169,410
Total current transfers	*401,289*	*413,225*
Capital transfers	35,539	22,244
Total expenses	**784,351**	**809,118**
Net operating balance	**-46,676**	**-36,112**
Other economic flows	**-9,566**	**-17,065**
Comprehensive result – Total change in net worth	**-56,242**	**-53,177**
Net acquisition of non-financial assets		
Purchases of non-financial assets	33,424	32,997
less Sales of non-financial assets	2,590	239
less Depreciation	18,538	18,706
plus Change in inventories	-41	858
plus Other movements in non-financial assets	5	122
Total net acquisition of non-financial assets	**12,260**	**15,031**
Fiscal balance (Net lending/borrowing)(b)	**-58,936**	**-51,143**

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 9.8: Australian Government total non-financial public sector balance sheet

	Estimates	
	2024-25	2025-26
	$m	$m
Assets		
Financial assets		
Cash and deposits	74,337	75,432
Advances paid	65,818	75,963
Investments, loans and placements	240,657	249,314
Other receivables	90,784	97,020
Equity investments	123,321	131,482
Total financial assets	*594,917*	*629,210*
Non-financial assets		
Land and other fixed assets	285,999	297,173
Other non-financial assets	19,467	21,019
Total non-financial assets	*305,466*	*318,193*
Total assets	**900,383**	**947,403**
Liabilities		
Interest bearing liabilities		
Deposits held	431	431
Government securities	883,713	968,449
Advances received and loans	68,233	69,636
Lease liabilities	32,354	32,055
Total interest bearing liabilities	*984,731*	*1,070,571*
Provisions and payables		
Superannuation liability	303,282	313,813
Other employee liabilities	62,914	62,412
Other payables	38,721	38,497
Other provisions	96,489	101,041
Total provisions and payables	*501,406*	*515,764*
Total liabilities	**1,486,137**	**1,586,335**
Net worth(a)	**-585,754**	**-638,931**
Net financial worth(b)	*-891,220*	*-957,124*
Net debt(c)	*603,919*	*669,862*

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 9.9: Australian Government total non-financial public sector cash flow statement[(a)]

	Estimates	
	2024-25	2025-26
	$m	$m
Cash receipts from operating activities		
Taxes received	645,022	675,959
Receipts from sales of goods and services	43,285	46,533
Interest receipts	9,534	9,314
Dividends, distributions and income tax equivalents	7,041	7,129
Other receipts	19,662	20,260
Total operating receipts	**724,545**	**759,195**
Cash payments for operating activities		
Payments to employees(b)	-52,644	-54,445
Payments for goods and services	-220,196	-239,896
Grants and subsidies paid	-250,984	-266,218
Interest paid	-26,951	-30,351
Personal benefit payments	-163,057	-169,556
Other payments(b)	-12,799	-14,642
Total operating payments	**-726,631**	**-775,109**
Net cash flows from operating activities	**-2,086**	**-15,915**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	315	334
Purchases of non-financial assets	-30,608	-30,129
Net cash flows from investments in non-financial assets	**-30,293**	**-29,795**
Net cash flows from investments in financial assets for policy purposes	**-12,468**	**-16,155**
Net cash flows from investments in financial assets for liquidity purposes	**-4,667**	**-4,650**
Net cash flows from financing activities		
Borrowing (net)	30,818	73,026
Other financing (net)	-6,135	-5,417
Net cash flows from financing activities	**24,683**	**67,609**
Net increase/(decrease) in cash held	**-24,831**	**1,095**
Cash at the beginning of the year	**99,168**	**74,337**
Cash at the end of the year	**74,337**	**75,432**
GFS cash surplus(+)/deficit(-)(c)	**-32,380**	**-45,709**
plus Principal payments of lease liabilities(d)	-3,373	-3,129
Adjusted GFS cash surplus(+)/deficit(-)(d)	**-35,753**	**-48,839**

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 9.10: Australian Government public financial corporations sector operating statement

	Estimates	
	2024-25	2025-26
	$m	$m
Revenue		
Grants and subsidies	263	269
Sales of goods and services	1,379	1,440
Interest income	10,732	10,050
Other	5	5
Total revenue	**12,379**	**11,763**
Expenses		
Gross operating expenses		
Wages and salaries(a)	393	445
Superannuation	45	51
Depreciation and amortisation	64	63
Supply of goods and services	1,150	1,206
Other operating expenses(a)	91	94
Total gross operating expenses	*1,743*	*1,858*
Interest expenses	13,819	11,273
Other property expenses	14	12
Current transfers		
Tax expenses	11	13
Total current transfers	*11*	*13*
Total expenses	**15,587**	**13,157**
Net operating balance	**-3,208**	**-1,394**
Other economic flows	**11,344**	**4,079**
Comprehensive result – Total change in net worth excluding contribution from owners	**8,136**	**2,686**
Net acquisition of non-financial assets		
Purchases of non-financial assets	161	0
less Sales of non-financial assets	0	0
less Depreciation	64	63
plus Change in inventories	-85	0
plus Other movements in non-financial assets	0	0
Total net acquisition of non-financial assets	**12**	**-63**
Fiscal balance (Net lending/borrowing)(b)	**-3,220**	**-1,331**

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 9.11: Australian Government public financial corporations sector balance sheet[(a)]

	Estimates	
	2024-25	2025-26
	$m	$m
Assets		
Financial assets		
Cash and deposits	1,817	1,748
Investments, loans and placements	426,220	434,277
Other receivables	619	476
Equity investments	1,484	1,562
Total financial assets	*430,141*	*438,062*
Non-financial assets		
Land and other fixed assets	915	904
Other non-financial assets(b)	59	58
Total non-financial assets	*974*	*962*
Total assets	**431,114**	**439,024**
Liabilities		
Interest bearing liabilities		
Deposits held	415,098	415,098
Borrowing	11,632	15,938
Total interest bearing liabilities	*426,731*	*431,036*
Provisions and payables		
Superannuation liability	0	0
Other employee liabilities	188	188
Other payables	10,587	10,709
Other provisions(b)	2,498	3,228
Total provisions and payables	*13,273*	*14,125*
Total liabilities	**440,004**	**445,161**
Shares and other contributed capital	**-8,889**	**-6,137**
Net worth(c)	**-8,889**	**-6,137**
Net financial worth(d)	*-9,863*	*-7,099*
Net debt(e)	*-1,307*	*-4,988*

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 9.12: Australian Government public financial corporations sector cash flow statement[(a)]

	Estimates	
	2024-25	2025-26
	$m	$m
Cash receipts from operating activities		
Receipts from sales of goods and services	1,175	1,581
Grants and subsidies received	263	269
GST input credit receipts	4	4
Interest receipts	10,447	9,969
Other receipts	28	141
Total operating receipts	**11,916**	**11,964**
Cash payments for operating activities		
Payments to employees(b)	-437	-494
Payments for goods and services	-1,402	-1,090
Interest paid	-14,222	-11,068
GST payments to taxation authority	0	0
Distributions paid	-29	-27
Other payments(b)	-103	-95
Total operating payments	**-16,193**	**-12,773**
Net cash flows from operating activities	**-4,277**	**-809**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	0	0
Purchases of non-financial assets	-107	0
Net cash flows from investments in non-financial assets	**-106**	**0**
Net cash flows from investments in financial assets for policy purposes	**-1,018**	**-4,302**
Net cash flows from investments in financial assets for liquidity purposes(c)	**8,630**	**1,406**
Net cash flows from financing activities		
Borrowing and deposits received (net)(c)	-4,727	3,633
Other financing (net)	1,954	2
Net cash flows from financing activities	**-2,773**	**3,636**
Net increase/(decrease) in cash held	**455**	**-70**
Cash at the beginning of the year	**1,362**	**1,817**
Cash at the end of the year	**1,817**	**1,748**
GFS cash surplus(+)/deficit(-)(d)	**-4,383**	**-809**
plus Principal payments of lease liabilities(e)	-23	-3
Adjusted GFS cash surplus(+)/deficit(-)(e)	**-4,406**	**-813**

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 5: Expenses and Net Capital Investment.* In accordance with the UPF, purchases of non-financial assets by function are also disclosed in *Statement 5.*

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 2024–25 Budget are disclosed in the *Statement 3: Fiscal Strategy and Outlook*, with decisions taken since the 2024–25 Mid-Year Economic and Fiscal Outlook (MYEFO) disclosed in Budget Paper No. 2 *Budget Measures 2025–26*. All policy decisions taken between the 2024–25 Budget and the 2024–25 MYEFO are disclosed in Appendix A of MYEFO.

Details of the Australian Government's GGS contingent liabilities are disclosed in *Statement 8: 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 9.13.

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 9.13: 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 9.13: 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 9.13: 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				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Individuals and other withholding taxes					
Gross income tax withholding	296,800	314,100	330,700	350,600	372,800
Gross other individuals	86,200	84,500	90,000	96,200	104,300
less: Refunds	39,200	40,800	41,900	44,400	46,100
Total individuals and other withholding tax	343,800	357,800	378,800	402,400	431,000
Fringe benefits tax	5,070	5,150	5,180	5,290	5,510
Company tax	136,500	143,500	147,900	147,500	153,600
Superannuation fund taxes	22,830	25,580	26,130	26,130	28,880
Petroleum resource rent tax	1,500	1,980	1,680	1,740	1,450
Income taxation revenue	**509,700**	**534,010**	**559,690**	**583,060**	**620,440**
Goods and services tax	94,420	99,300	104,560	110,540	116,550
Wine equalisation tax	1,120	1,210	1,250	1,310	1,350
Luxury car tax	1,170	1,210	1,280	1,330	1,400
Excise and Custom duty					
Petrol	7,100	7,450	7,600	7,800	8,100
Diesel	16,990	17,850	18,770	19,520	20,110
Other fuel products	2,010	2,020	2,070	2,120	2,170
Tobacco	7,400	7,050	6,800	6,750	6,700
Beer	2,650	2,780	2,910	2,990	2,990
Spirits	3,280	3,380	3,430	3,450	3,450
Other alcoholic beverages(a)	1,770	1,830	1,930	1,950	2,000
Other customs duty					
Textiles, clothing and footwear	160	170	180	150	160
Passenger motor vehicles	380	380	350	120	120
Other imports	1,560	1,620	1,680	890	910
less: Refunds and drawbacks	870	730	730	730	730
Total excise and customs duty	42,430	43,800	44,990	45,010	45,980
Major bank levy	1,790	1,870	1,950	2,050	2,160
Agricultural levies	739	669	684	692	712
Visa application charges	4,129	4,199	4,402	4,579	4,696
Other taxes	7,710	8,036	7,929	7,967	8,293
Mirror taxes	961	1,005	1,062	1,120	1,179
less: Transfers to states in relation to mirror tax revenue	961	1,005	1,062	1,120	1,179
Mirror tax revenue	0	0	0	0	0
Indirect taxation revenue	**153,508**	**160,294**	**167,045**	**173,478**	**181,140**
Taxation revenue	**663,208**	**694,304**	**726,735**	**756,538**	**801,580**
Memorandum:					
Total excise	*31,000*	*32,450*	*33,810*	*34,930*	*35,950*
Total customs duty	*11,430*	*11,350*	*11,180*	*10,080*	*10,030*
Capital gains tax(b)	*30,700*	*27,600*	*27,600*	*28,900*	*30,200*

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				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Taxes on income, profits and capital gains					
Income and capital gains levied on individuals	348,870	362,950	383,980	407,690	436,510
Income and capital gains levied on enterprises	160,830	171,060	175,710	175,370	183,930
Total taxes on income, profits and capital gains	**509,700**	**534,010**	**559,690**	**583,060**	**620,440**
Taxes on employers' payroll and labour force	2,087	2,257	2,101	2,107	2,293
Taxes on the provision of goods and services					
Sales/goods and services tax	96,710	101,720	107,090	113,180	119,300
Excises and levies	31,739	33,119	34,494	35,622	36,662
Taxes on international trade	11,430	11,350	11,180	10,080	10,030
Total taxes on the provision of goods and services	**139,879**	**146,189**	**152,764**	**158,882**	**165,992**
Taxes on the use of goods and performance of activities	11,542	11,848	12,179	12,489	12,855
Total taxation revenue	**663,208**	**694,304**	**726,735**	**756,538**	**801,580**

Note 4: Sales of goods and services revenue

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Sales of goods	1,543	1,887	1,745	1,758	1,778
Rendering of services	16,497	17,171	18,260	19,228	20,200
Lease rental	340	424	439	474	507
Fees from regulatory services	2,786	2,775	3,034	2,833	2,853
Total sales of goods and services revenue	**21,166**	**22,256**	**23,478**	**24,294**	**25,338**

Note 5: Interest and dividend and distribution revenue

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Interest from other governments					
State and territory debt	10	10	8	4	4
Housing agreements	62	57	53	48	43
Total interest from other governments	**72**	**67**	**60**	**52**	**47**
Interest from other sources					
Advances	750	1,078	1,577	2,015	2,256
Deposits	3,652	3,001	2,353	2,510	2,383
Indexation of HELP receivable and other student loans	1,236	1,231	1,152	1,099	1,214
Other	4,822	5,243	5,520	6,064	6,341
Total interest from other sources	**10,460**	**10,552**	**10,602**	**11,687**	**12,194**
Total interest	**10,532**	**10,619**	**10,662**	**11,739**	**12,242**
Dividends and distributions					
Dividends from other public sector entities	362	304	293	367	650
Other dividends and distributions	6,842	7,131	7,493	7,863	8,315
Total dividends and distributions	**7,205**	**7,434**	**7,786**	**8,230**	**8,965**
Total interest and dividend and distribution revenue	**17,737**	**18,054**	**18,449**	**19,969**	**21,207**

Note 6: Other sources of non-taxation revenue

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Industry contributions	105	123	124	126	121
Royalties	918	710	593	546	437
Seigniorage	53	47	45	45	45
Other	14,382	14,769	14,137	13,912	13,778
Total other sources of non-taxation revenue	**15,458**	**15,648**	**14,898**	**14,629**	**14,381**

Note 7: Employee and superannuation expense

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Wages and salaries expenses	**29,439**	**30,450**	**29,608**	**29,959**	**30,402**
Other operating expenses					
Leave and other entitlements	3,845	3,858	3,813	3,878	3,945
Separations and redundancies	121	87	88	124	91
Workers compensation premiums and claims	5,813	5,491	4,982	5,655	5,652
Other	2,928	3,049	3,106	3,090	3,441
Total other operating expenses	**12,707**	**12,485**	**11,989**	**12,747**	**13,128**
Superannuation expenses					
Superannuation	8,728	8,771	9,036	9,403	9,980
Superannuation interest cost	14,241	15,198	15,685	16,084	16,517
Total superannuation expenses	**22,969**	**23,969**	**24,721**	**25,487**	**26,497**
Total employee and superannuation expense	**65,115**	**66,905**	**66,317**	**68,193**	**70,027**

Note 8: Depreciation and amortisation expense

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Depreciation					
Specialist military equipment	5,639	5,564	5,901	6,110	6,326
Buildings	4,322	4,338	4,412	4,436	4,511
Other infrastructure, plant and equipment	2,911	3,041	3,104	3,173	3,352
Heritage and cultural assets	65	67	68	69	70
Other	5	5	5	4	4
Total depreciation(a)	**12,942**	**13,015**	**13,490**	**13,791**	**14,263**
Total amortisation	**1,150**	**1,181**	**1,186**	**1,144**	**1,107**
Total depreciation and amortisation expense	**14,092**	**14,196**	**14,677**	**14,935**	**15,371**
Memorandum:					
Depreciation relating to right of use assets					
Specialist military equipment	*39*	*39*	*39*	*39*	*39*
Buildings	*2,513*	*2,529*	*2,515*	*2,456*	*2,460*
Other infrastructure, plant and equipment	*292*	*304*	*299*	*289*	*294*
Other	*5*	*5*	*5*	*4*	*4*
Total depreciation of right of use assets	***2,850***	***2,878***	***2,858***	***2,788***	***2,798***

a) Includes depreciation of right of use (leased) assets, resulting from implementation of AASB 16.

Note 9: Supply of goods and services expense

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Supply of goods and services	55,123	57,147	52,487	54,527	57,899
Lease expenses	169	154	138	157	154
Personal benefits – indirect	150,209	163,042	173,059	181,821	191,693
Health care payments	6,784	6,815	6,649	6,777	6,758
Other	2,372	2,282	2,364	2,412	2,350
Total supply of goods and services expense	**214,656**	**229,440**	**234,697**	**245,694**	**258,854**

Note 10: Interest expense

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Interest on debt					
Government securities(a)	23,914	28,419	33,081	37,491	41,705
Loans	159	200	243	283	218
Other	1,074	929	874	878	897
Total interest on debt	**25,146**	**29,549**	**34,198**	**38,651**	**42,821**
Interest on lease liabilities	**489**	**474**	**462**	**473**	**478**
Other financing costs	**5,521**	**8,673**	**5,690**	**5,958**	**5,150**
Total interest expense	**31,157**	**38,696**	**40,350**	**45,082**	**48,448**

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				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Current grants expense					
State and territory governments	169,180	178,389	183,868	192,924	201,603
Private sector	6,208	5,921	5,571	5,656	6,994
Overseas	5,095	4,498	4,803	4,977	5,300
Non-profit organisations	20,712	13,879	13,172	12,884	12,783
Multi-jurisdictional sector	13,927	14,497	14,734	15,239	15,881
Other	4,445	6,193	7,636	7,752	7,376
Total current grants expense	**219,567**	**223,378**	**229,784**	**239,432**	**249,938**
Capital grants expense					
Mutually agreed write-downs	14,884	2,930	3,093	3,293	3,471
Other capital grants					
State and territory governments	18,256	17,093	16,208	15,373	15,482
Local governments	1,188	1,023	900	947	947
Non-profit organisations	1,035	812	342	86	81
Private sector	115	189	145	14	13
Multi-jurisdictional sector	0	0	0	0	0
Overseas	44	25	0	0	0
Other	68	222	286	463	662
Total capital grants expense	**35,589**	**22,294**	**20,974**	**20,177**	**20,657**
Total grants expense	**255,156**	**245,672**	**250,758**	**259,608**	**270,595**

Note 12: Personal benefits expense

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Social welfare – assistance to the aged	62,035	65,045	67,956	70,737	73,813
Assistance to veterans and dependants	4,411	4,312	4,193	4,088	4,059
Assistance to people with disabilities	35,087	36,535	37,970	39,464	41,051
Assistance to families with children	31,603	33,123	34,333	35,063	35,657
Assistance to the unemployed	16,458	16,955	17,257	16,788	17,565
Student assistance	2,720	2,915	3,074	3,304	3,462
Other welfare programs	810	952	971	984	989
Financial and fiscal affairs	1,200	1,291	1,099	1,045	1,040
Vocational and industry training	380	434	385	401	473
Other	7,912	7,850	11,540	16,218	24,366
Total personal benefits expense	**162,616**	**169,410**	**178,776**	**188,091**	**202,474**

Note 13: Advances paid and other receivables

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Advances paid					
Loans to state and territory governments	1,390	1,268	1,118	949	786
Student loans	42,299	45,104	48,349	51,863	55,644
Other	23,610	32,900	44,063	53,468	60,761
less Impairment allowance	952	1,333	1,557	1,720	1,793
Total advances paid	**66,347**	**77,939**	**91,972**	**104,560**	**115,397**
Other receivables					
Goods and services receivable	1,711	1,766	1,824	1,821	1,755
Recoveries of benefit payments	6,452	6,561	6,769	6,851	6,904
Taxes receivable	44,553	49,138	54,040	59,291	66,388
Prepayments	6,807	7,179	7,462	8,395	9,397
Other	30,604	31,875	33,110	34,540	36,085
less Impairment allowance	3,658	3,757	3,859	3,945	3,969
Total other receivables	**86,469**	**92,762**	**99,347**	**106,954**	**116,560**

Note 14: Investments, loans and placements

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Investments – deposits	6,188	5,634	4,703	4,328	4,485
IMF quota and SDR holdings	23,534	23,894	23,981	24,068	24,164
Structured finance securities	729	878	977	1,077	1,077
Collective investment vehicles	118,420	125,269	132,570	152,251	161,560
Other interest bearing securities	54,908	55,982	56,676	59,982	60,823
Other	35,988	36,919	38,144	41,101	42,113
Total investments, loans and placements	**239,767**	**248,576**	**257,052**	**282,806**	**294,224**

Note 15: Non-financial assets

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Land and buildings					
Land	14,647	14,756	14,883	15,060	15,181
Buildings	50,951	50,875	51,211	52,406	51,588
Total land and buildings	**65,598**	**65,631**	**66,094**	**67,467**	**66,769**
Plant, equipment and infrastructure					
Specialist military equipment	91,659	95,225	100,623	108,334	118,468
Other plant, equipment and infrastructure	23,871	25,409	26,136	27,122	26,683
Total plant, equipment and infrastructure	**115,529**	**120,634**	**126,759**	**135,457**	**145,150**
Inventories					
Inventories held for sale	447	518	494	428	419
Inventories not held for sale	11,157	12,173	13,092	14,151	15,242
Total inventories	**11,604**	**12,691**	**13,585**	**14,579**	**15,661**
Intangibles					
Computer software	7,521	8,277	8,489	8,593	8,316
Other	7,203	7,935	8,359	8,383	8,367
Total intangibles	**14,723**	**16,212**	**16,848**	**16,975**	**16,683**
Total investment properties	**221**	**221**	**208**	**176**	**155**
Total biological assets	**5**	**5**	**5**	**5**	**5**
Total heritage and cultural assets	**12,800**	**12,803**	**12,804**	**12,808**	**12,810**
Total assets held for sale	**86**	**81**	**81**	**81**	**81**
Total other non-financial assets	**6**	**6**	**6**	**6**	**6**
Total non-financial assets(a)	**220,572**	**228,283**	**236,389**	**247,553**	**257,319**
Memorandum:					
Total relating to right of use assets					
Land	*151*	*147*	*143*	*140*	*136*
Buildings	*15,145*	*14,336*	*13,585*	*13,053*	*12,092*
Specialist military equipment	*186*	*165*	*144*	*122*	*100*
Other plant, equipment and infrastructure	*1,223*	*1,031*	*801*	*1,139*	*978*
Total right of use assets	***16,705***	***15,679***	***14,672***	***14,453***	***13,305***

a) Includes right of use (leased) assets, resulting from implementation of AASB 16.

Note 16: Loans

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Promissory notes	9,361	9,434	9,434	9,434	9,434
Special drawing rights	19,086	19,377	19,377	19,377	19,377
Other	3,938	5,073	5,674	5,734	5,403
Total loans	**32,385**	**33,885**	**34,485**	**34,546**	**34,215**

Note 17: Employee and superannuation liabilities

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Total superannuation liability(a)	**303,276**	**313,806**	**322,911**	**332,110**	**340,558**
Other employee liabilities					
Leave and other entitlements	10,577	10,842	11,060	11,232	11,464
Accrued salaries and wages	986	1,065	1,082	757	790
Workers compensation claims	2,061	2,089	2,120	2,157	2,253
Military compensation	46,625	45,830	47,254	49,309	51,311
Other	696	711	725	740	758
Total other employee liabilities	**60,944**	**60,538**	**62,240**	**64,195**	**66,576**
Total employee and superannuation liabilities	**364,220**	**374,345**	**385,152**	**396,306**	**407,135**

a) For budget reporting purposes, a discount rate of 5.0 per cent determined by actuaries in preparing the 2023 Long Term Cost Reports is used to value the superannuation liability. This reflects the average annual rate estimated to apply over the term of the liability and it reduces the volatility in reported liabilities that would occur from year to year if the spot rates on long-term government bonds were used. Consistent with AAS, the superannuation liability for the 2023–24 Final Budget Outcome (FBO) was calculated using the spot rates on long-term government bonds as at 30 June 2024 that best matched each individual scheme's liability duration. These rates were between 4.2 and 4.8 per cent per annum.

Note 18: Provisions and payables

		Estimates			
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Suppliers payables					
Trade creditors	7,873	8,158	8,376	9,213	10,137
Lease rental payable	0	0	0	0	0
Personal benefits payables – indirect	2,985	2,950	3,992	5,327	5,635
Other creditors	4,410	4,020	4,203	5,007	5,100
Total suppliers payables	**15,268**	**15,127**	**16,571**	**19,547**	**20,872**
Total personal benefits payables – direct	**4,299**	**4,759**	**4,709**	**4,392**	**4,764**
Total subsidies payable	**680**	**672**	**664**	**664**	**664**
Grants payables					
State and territory governments	348	73	67	67	59
Non-profit organisations	492	496	497	501	496
Private sector	382	346	326	326	326
Overseas	2,185	1,775	1,485	1,652	1,667
Local governments	64	64	64	64	64
Other	2,528	2,914	2,840	2,817	2,818
Total grants payables	**5,998**	**5,667**	**5,279**	**5,427**	**5,430**
Total other payables	**6,144**	**5,866**	**5,465**	**5,344**	**5,265**
Provisions					
Provisions for tax refunds	2,225	2,230	2,235	2,240	2,245
Grants provisions	21,412	19,142	11,910	10,785	10,259
Personal benefits provisions – direct	6,994	7,157	7,251	7,325	7,401
Personal benefits provisions – indirect	4,504	5,205	5,919	6,571	7,191
Provisions for subsidies	8,242	8,306	8,518	8,885	9,515
Other	53,036	58,953	61,259	63,885	66,606
Total provisions	**96,413**	**100,993**	**97,092**	**99,690**	**103,218**

Note 19: Reconciliation of cash

			Estimates		
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Net operating balance (revenues *less* expenses)	**-45,188**	**-35,408**	**-23,034**	**-27,520**	**-26,891**
less **Revenues not providing cash**					
Other	2,451	2,709	3,045	3,275	3,499
Total revenues not providing cash	**2,451**	**2,709**	**3,045**	**3,275**	**3,499**
plus **Expenses not requiring cash**					
Increase/(decrease) in employee entitlements	12,509	9,120	9,828	10,084	9,787
Depreciation/amortisation expense	14,092	14,196	14,677	14,935	15,371
Mutually agreed write-downs	14,884	2,930	3,093	3,293	3,471
Other	4,655	8,491	7,742	6,013	7,873
Total expenses not requiring cash	**46,140**	**34,737**	**35,340**	**34,325**	**36,502**
plus **Cash provided/(used) by working capital items**					
Decrease/(increase) in inventories	-805	-1,565	-1,402	-1,534	-1,656
Decrease/(increase) in receivables	-14,087	-15,320	-16,667	-17,376	-19,693
Decrease/(increase) in other financial assets	-715	-1,077	-944	-1,247	-1,412
Decrease/(increase) in other non-financial assets	572	444	723	60	478
Increase/(decrease) in benefits, subsidies and grants payable	10,497	-1,343	-5,708	816	1,691
Increase/(decrease) in suppliers' liabilities	-454	48	-28	661	677
Increase/(decrease) in other provisions and payables	1,406	2,602	3,155	3,584	3,782
Net cash provided/(used) by working capital	**-3,586**	**-16,211**	**-20,871**	**-15,036**	**-16,133**
equals (Net cash from/(to) operating activities)	-5,083	-19,590	-11,610	-11,505	-10,020
plus (Net cash from/(to) investing activities)	-43,378	-47,701	-49,155	-48,711	-49,827
Net cash from operating activities and investment	**-48,461**	**-67,292**	**-60,765**	**-60,216**	**-59,847**
plus (Net cash from/(to) financing activities)	24,152	67,863	57,515	58,033	53,059
***equals* Net increase/(decrease) in cash**	**-24,310**	**571**	**-3,251**	**-2,182**	**-6,787**
Cash at the beginning of the year	**97,318**	**73,008**	**73,579**	**70,329**	**68,147**
Net increase/(decrease) in cash	-24,310	571	-3,251	-2,182	-6,787
Cash at the end of the year	**73,008**	**73,579**	**70,329**	**68,147**	**61,359**

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*.[3]

3 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.[4]

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.

4 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.[5]

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.

5 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 10: Historical Australian Government Data.*

Headline cash balance

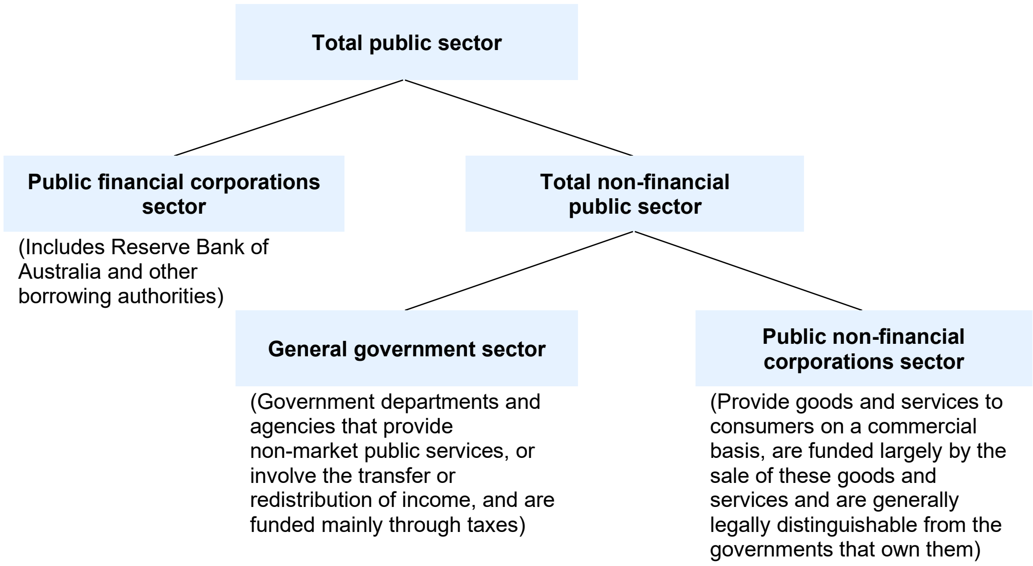
The headline cash balance is calculated by adding net cash flows from investments in financial assets for policy purposes to the underlying cash balance.

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 A.9.1. The ABS GFS defines the GGS, PNFC and PFC sectors. AASB 1049 has also adopted this sectoral reporting.

Figure A.9.1: 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 A.9.1).

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 www.finance.gov.au/government/managing-commonwealth-resources/structure-australian-government-public-sector/pgpa-act-flipchart-and-list.

Table A.9.1: Entities outside of the general government sector – 2024–25

Public financial corporations
Employment and Workplace Relations Portfolio
• Coal Mining Industry (Long Service Leave Funding) Corporation
Foreign Affairs and Trade Portfolio
• Export Finance and Insurance Corporation (Export Finance Australia)
Industry, Science and Resources Portfolio
• CSIRO Coinvestment Fund Pty Ltd
• CSIRO FollowOn Services Pty Ltd
• CSIRO FollowOn Services 2 Pty Ltd
• CSIRO General Partner Pty Ltd
• CSIRO General Partner 2 Pty Ltd
• CSIROGP Fund 2 Pty Ltd
• MS GP Fund 3 Pty Ltd
• MS NGS Pty Ltd
• MS Opportunity Fund Pty Ltd
• MS Parallel Fund Pty Ltd
Treasury Portfolio
• Australian Reinsurance Pool Corporation
• Housing Australia – Australian Housing Bond Aggregator (AHBA)*
• Reserve Bank of Australia

Table A.9.1: Entities outside of the general government sector – 2024–25 (continued)

Public non-financial corporations
Climate Change, Energy, the Environment and Water Portfolio
• Snowy Hydro Limited
Finance Portfolio
• ASC Pty Ltd
• Australian Naval Infrastructure Pty Ltd
• CEA Technologies Pty Limited†
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)

* Housing Australia, a corporate Commonwealth entity, operates an affordable housing bond aggregator to encourage greater private and institutional investment and provide cheaper and longer term finance to registered providers of affordable housing. The Housing Australia Bond Aggregator is a PFC. Other Housing Australia programs, including the National Housing Infrastructure Facility, are included in the GGS.

† On 28 July 2023, the Australian Government acquired a non-controlling (minority) ownership interest in CEA Technologies Pty Limited (CEA Technologies). On 28 January 2025 the Commonwealth's ownership interest increased and the Commonwealth became the majority shareholder of CEA Technologies, establishing it as a Commonwealth company.

Appendix B: Assets and Liabilities

Overview

This appendix provides an overview and commentary on Statement 9: *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.*

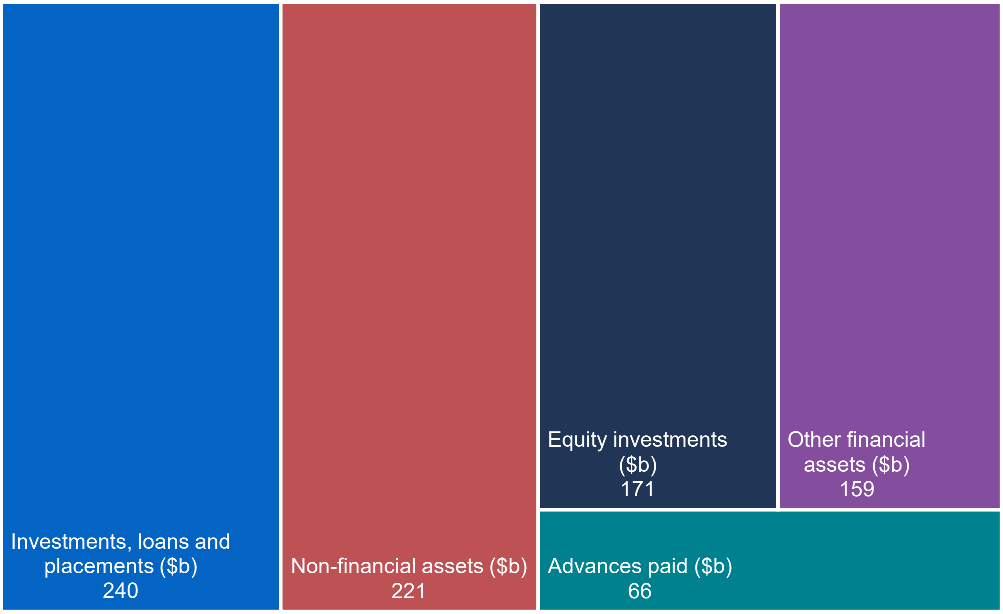
The Australian Government's assets and liabilities

Assets

The Government's total assets were $850.6 billion at 30 June 2024, and are estimated to be $857.6 billion at 30 June 2025 and $1,046.5 billion at 30 June 2029.

The composition of Australian Government General Government Sector assets at 30 June 2025 is presented below in Chart 9.B.1.

Chart 9.B.1: Australian Government General Government Sector asset composition



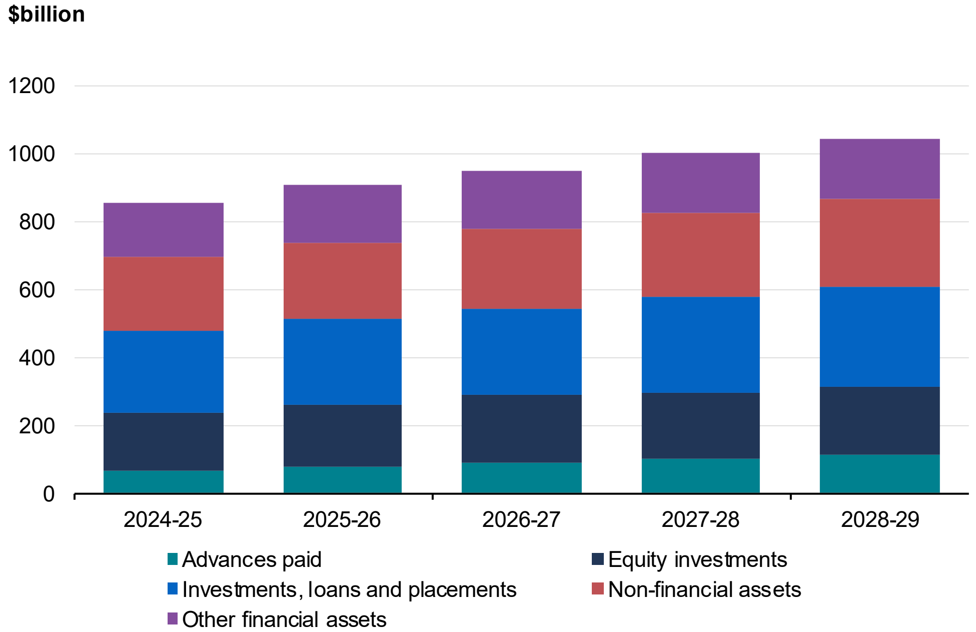
Note: Other financial assets includes cash and deposits and other receivables.

Australian Government assets over the forward estimates

The Government's total assets are expected to grow over the forward estimates due to increased advances paid, investments and acquisitions of non-financial assets.

The budgeted composition of assets on the Australian Government's balance sheet is provided in Chart 9.B.2 below.

Chart 9.B.2: Australian Government assets over the forward estimates

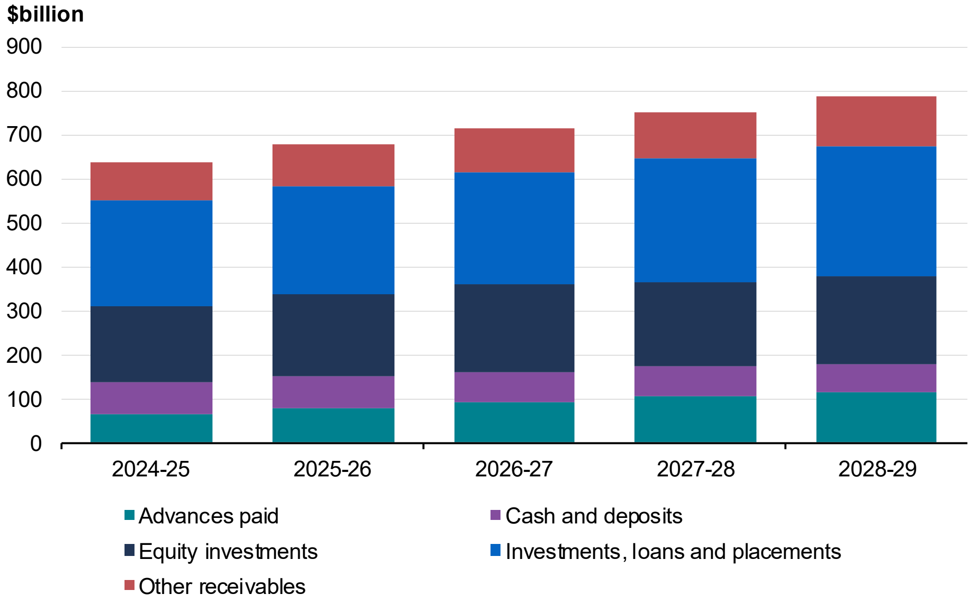


Note: Other financial assets includes cash and deposits and other receivables.

Financial assets

The Government's financial assets are estimated to be $637.0 billion at 30 June 2025, increasing to $789.2 billion by 30 June 2029.

Chart 9.B.3: Financial assets over the forward estimates



Advances paid

Advances paid is comprised of the Higher Education Loan Program and other student loan schemes and loans to state and territory governments. The value of advances paid is estimated to grow over the forward estimates predominantly due to expected growth in student loans.

Further details on loans made by the Government are provided in Statement 8: *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 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 9: *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 8: *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 9.B.1.

Table 9.B.1: Australian Government Investment Funds balances

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Future Fund	245,786	262,490	280,329	299,408	319,789
DisabilityCare Australia Fund	16,065	12,797	9,378	5,800	2,055
Medical Research Future Fund	24,088	24,743	25,409	26,141	26,934
Aboriginal and Torres Strait Islander Land and Sea Future Fund	2,371	2,435	2,484	2,533	2,584
Future Drought Fund	5,185	5,373	5,535	5,703	5,884
Disaster Ready Fund	4,795	5,065	5,314	5,575	5,852
Housing Australia Future Fund	10,653	10,735	10,749	10,760	10,779
Total investment funds	**308,943**	**323,638**	**339,198**	**355,920**	**373,877**

Future Fund

The Future Fund was established in 2006 to accumulate financial assets and invest them on behalf of the Australian Government to address the Government's unfunded superannuation liability. The Government provides guidance to the Future Fund Board of Guardians (the Future Fund Board) in relation to its investment strategy through the issuance of an investment mandate. The Board is independently responsible for the investment decisions of the Future Fund.

The investment mandate for the Future Fund sets a benchmark rate of return of at least CPI plus 4.0 to 5.0 per cent per annum over the long-term. It requires the Future Fund Board to have regard to national priorities in performing its investment functions. National priorities comprise: supporting an energy transition as part of the net zero transformation of the Australian economy, increasing the supply of residential housing in Australia, and delivering improved infrastructure located in Australia. The investment mandate also requires the Board to take an acceptable, but not excessive, level of risk, measured in terms such as the probability of losses in a particular year.

Between establishment and 31 December 2024, the average return has been 7.8 per cent per annum against the benchmark return of 6.9 per cent. For the 12-month period ending 31 December 2024, the Future Fund return was 12.2 per cent against a benchmark return of 6.4 per cent. The Future Fund was valued at $237.9 billion as at 31 December 2024.

Table 9.B.2 shows changes in the asset allocation of the Future Fund since 31 December 2023.

Table 9.B.2: Asset allocation of the Future Fund

Asset class	31-Dec-24 $m	31-Dec-24 % of Fund	31-Dec-23 $m	31-Dec-23 % of Fund
Australian equities	24,808	10.4	20,408	9.6
Global equities				
Developed markets	58,868	24.7	37,734	17.8
Emerging markets	13,894	5.8	13,416	6.3
Private equity	33,137	13.9	31,888	15.1
Property	11,298	4.7	13,567	6.4
Infrastructure & Timberland	23,672	10.0	20,533	9.7
Debt securities	23,130	9.7	22,588	10.7
Alternative assets	35,058	14.7	32,744	15.5
Cash	13,990	5.9	18,972	9.0
Total Future Fund assets	**237,853**	**100**	**211,850**	**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 December 2024, the DCAF had received credits totalling $45.3 billion. Since inception to 31 December 2024, $28.7 billion has been paid from the DCAF.

The investments of the DCAF are managed by the Future Fund Board. The Investment Mandate for the DCAF provides guidance to the Future Fund Board in relation to its investment strategy for the DCAF. The DCAF Investment Mandate sets a benchmark return of the Australian 3-month bank bill swap rate plus 0.3 per cent per annum calculated on a rolling 12-month basis (net of fees). In achieving its objectives, the Board must invest in a way that minimises the probability of capital losses over a 12-month horizon.

For the 12-month period ending 31 December 2024, the DCAF return was 5.2 per cent against the benchmark return of 4.8 per cent. The DCAF was valued at $19.6 billion as at 31 December 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 December 2024, MRFF investments have returned 4.9 per cent per annum against a benchmark return of 3.3 per cent. For the 12-month period ending 31 December 2024, the MRFF's return was 9.1 per cent against the benchmark return of 5.9 per cent. The MRFF was valued at $23.9 billion as at 31 December 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 December 2024, ATSILSFF investments have returned 5.8 per cent per annum against a benchmark return of 5.7 per cent. For the 12-month period ending 31 December 2024, the ATSILSFF returned 10.3 per cent against a benchmark return of 4.4 per cent. The ATSILSFF was valued at $2.3 billion as at 31 December 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 December 2024, FDF investments have returned 7.5 per cent per annum against a benchmark return of 5.8 per cent. For the 12-month period ending 31 December 2024, the FDF returned 10.3 per cent against the benchmark return of 4.4 per cent. The FDF was valued at $5.1 billion as at 31 December 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 December 2024, DRF investments have returned 7.5 per cent per annum against a benchmark return of 5.8 per cent. For the 12-month period ending 31 December 2024, the DRF returned 10.3 per cent against the benchmark return of 4.4 per cent. The DRF was valued at $4.9 billion as at 31 December 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 December 2024, HAFF investments have returned 7.5 per cent per annum against a benchmark return of 3.7 per cent. The HAFF was valued at $10.9 billion as at 31 December 2024.

Specialist investment vehicles

Specialist investment vehicles make investments in projects, businesses and joint ventures to deliver Australian Government policy objectives. Each specialist investment vehicle has discrete policy objectives and uses a specific set of financial instruments to achieve them, including concessional loans, debt issuances and equity investments.

Specialist investment vehicles are usually corporate Commonwealth entities (CCEs) established by enabling legislation that define the entity's functions and the roles and responsibilities of the independent board as the accountable authority. The only exception is the Australian Infrastructure Financing Facility for the Pacific, which is part of the Department of Foreign Affairs and Trade (a non-corporate Commonwealth entity).

The Australian Government has eight specialist investment vehicles:

Australian Infrastructure Financing Facility for the Pacific

The Australian Infrastructure Financing Facility for the Pacific (AIFFP) commenced on 1 July 2019 and provides grants, loans and guarantees to sovereign, state owned enterprise and private sector partners for infrastructure investments in Pacific island countries and Timor-Leste.

The objective of AIFFP is to advance Australia's national interest by contributing to a stable, secure and prosperous Pacific. AIFFP prioritises projects that assist countries to respond and adapt to climate change risks and impacts, as part of the Government's Pacific Climate Infrastructure Financing Partnership.

As at 30 June 2024, AIFFP administered $1 billion in grants of which $480 million had been committed to projects. AIFFP also provides up to $3 billion in loans and guarantees issued by Export Finance Australia on its behalf via the National Interest Account.

Australian Renewable Energy Agency

Established as a CCE by the *Australian Renewable Energy Agency Act 2011*, the Australian Renewable Energy Agency (ARENA) provides grant funding to support research, development and early commercialisation for renewable energy technology projects.

ARENA invests in priority sectors including ultra low-cost solar, renewable electricity, renewable hydrogen, low-emissions metals, low-emissions transport, low-carbon liquid fuels and clean energy manufacturing.

As it provides grants ARENA does not generate a return on funds invested, however, some projects include contingent recoupment rights. Grants are determined by an independent board based on maximum impact and value.

As at 30 June 2024, ARENA was responsible for administering $8.5 billion in grants.

Clean Energy Finance Corporation

The Clean Energy Finance Corporation (CEFC) was established as a CCE by the *Clean Energy Finance Corporation Act 2012* (CEFC Act). The CEFC Act defines complying investments as including:

- clean energy technologies: energy efficiency, low-emission and renewable energy technologies
- solely or mainly Australian based: determined by the Board and consistent with the investment mandate
- not in prohibited technology; carbon capture and storage, nuclear technology and nuclear power.

The CEFC performs its investment functions in accordance with the *Clean Energy Finance Corporation Investment Mandate Direction 2023.* The investment mandate broadly requires the CEFC to facilitate increased flows of finance into the clean energy sector and to facilitate the achievement of Australia's greenhouse gas emissions reduction target. The investment mandate also sets out four funds (the General Portfolio, the Rewiring the Nation Fund, the Specialised Investment Fund and General Portfolio investments), benchmark rates of return for each, portfolio risk and limits on concessionality.

As at 30 June 2024, CEFC had $31.9 billion made available to it for investment, of which $10.9 billion had been committed to projects.

Export Finance Australia

Export Finance Australia (EFA) was established as a CCE by the *Export Finance and Insurance Corporation Act 1991*. EFA is the Australian Government's export credit agency and supports Australian export trade and overseas infrastructure development that benefits Australia, through loans, bonds, guarantees, insurance and equity investments. EFA is a self-funding entity and operates on a commercial basis, charging customers fees and premiums as well as earning interest on loans and investments.

EFA provides financial support to exporters on one of two accounts: the Commercial Account, where EFA carries all risks and losses, and retains all margins and fees; and the National Interest Account, where the responsible Minister can direct EFA to support transactions that are in the national interest.

As at 30 June 2024, EFA had $8.6 billion in committed funding, including the loans administered on behalf of AIFFP.

Housing Australia

Established as a CCE by the *Housing Australia Act 2018* (Housing Australia Act), Housing Australia improves social and affordable housing outcomes for Australians through loans and grants, guarantees and capacity development for community housing providers, and delivering programs to help more Australians access social and affordable housing. Housing Australia performs its investment functions in accordance with its investment mandate.

The investment mandate for Housing Australia outlines the activities and allocation of funds for the Affordable Housing Bond Aggregator (AHBA), the National Housing Infrastructure Facility (NHIF), the Housing Australia Future Fund Facility, the National Housing Accord Facility and the Home Guarantee Scheme. For the AHBA, Housing Australia must target an average return that covers the operating costs of the AHBA and allows it to build an adequate capital reserve. For the NHIF it must target a rate of return that allows it to maintain a the value of funds allocated to it plus the Commonwealth cost of capital.

As at 30 June 2024, Housing Australia had $6.8 billion available for investment of which $3.8 billion had been committed to projects. This does not include investments of the HAFF, which is administered by the Future Fund and was valued at $10.9 billion as at 31 December 2024.

National Reconstruction Fund Corporation

The National Reconstruction Fund Corporation (NRFC) was established as a CCE by the *National Reconstruction Fund Corporation Act 2023*. The NRFC makes investment decisions to support, diversify and transform Australia's industry and economy, help to create secure, well-paid jobs, secure future prosperity, and drive sustainable economic growth. The NRFC provides debt, equity and guarantees to facilitate increased flows of finance into the following priority areas of the Australian economy identified in regulation: renewables and low emission technologies, value-add in agriculture, forestry and fisheries, transport, medical science, renewables and low emission technologies, defence capability, and enabling capabilities.

The NRFC must target an average return of between 2 and 3 per cent above the five-year Australian government bond rate.

As at 30 June 2024, NRFC had $15.0 billion available to it by 2029 for investment.

Northern Australia Infrastructure Facility

The Northern Australia Infrastructure Facility (NAIF) was established as a CCE by the *Northern Australia Infrastructure Facility Act 2016* to provide finance to businesses and infrastructure projects for the development of Northern Australia's economy. NAIF's area of operation includes all of the Northern Territory and those parts of Queensland and Western Australia above or directly below or intersecting with the Tropic of Capricorn.

NAIF's projects stimulate economic growth by attracting private investment and fostering infrastructure development.

The NAIF is required to make investments to support one or more of five Government policy priorities, including: sustainable and resilient economic development and the alleviation of economic or social disadvantage; key infrastructure projects; sustainability, climate change and circular economy principles; realising the Critical Minerals Strategy; and materially improving the lives of Indigenous people and communities.

When providing financial assistance, which is primarily through loans, the NAIF must be satisfied that the return is likely to cover at least its administrative costs and the Commonwealth's cost of borrowing. For equity or equity-like investments the NAIF must target a return of at least the five-year Australian Government bond rate plus a premium of 3 per cent per annum.

As at 30 June 2024, NAIF had $7.0 billion made available to it for investment of which $3.6 billion had been committed to projects.

Regional Investment Corporation

Established as a CCE by the *Regional Investment Corporation Act 2018*, the Regional Investment Corporation (RIC) administers concessional loans for farm businesses. These loans support the resilience and sustainability of Australia's agricultural economy, with a focus on assisting eligible farm businesses and farm-related businesses to remain prosperous and grow.

RIC loans can be used to prepare for, manage through, and recover from severe financial disruption outside of a farmer's control such as drought, natural disasters, biosecurity and market issues. RIC loans can also be used to help new and next generation farmers set up farms and keep farms in the family through succession planning. The majority of RIC loans provide up to 5 years interest-only and a 10-year loan term, allowing borrowers to generate positive cashflows before repayment of principal. The RIC sets the variable interest rates on its loan products with reference to the average Australian Government 10-year bond rate plus a margin.

As at 30 June 2024, RIC had $3.8 billion made available to it for investments of which $3.1 billion had been provided as loans to customers.

Equity investments

Equity investments is comprised of three components:

- investments in those Government Business Enterprises that are public non-financial corporations including NBN Co, Snowy Hydro Limited and the Australian Rail Track Corporation.

- investments in other public sector entities outside the General Government Sector, including certain components of specialist investment vehicles such as Export Finance

Australia and Housing Australia, and investments held by specialist investment vehicles inside the General Government Sector, such as the Clean Energy Finance Corporation and the National Reconstruction Fund Corporation.

- investments held in relation to the Australian Government Investment Funds, such as shares, which are expected to increase steadily over the forward estimates due to additional contributions from Government and expected investment returns over time.

Government Business Enterprises

Government Business Enterprises (GBEs) represent a significant proportion of equity investments held by the Australian Government.

These are commercially focused government owned businesses that are established to fulfil an Australian Government purpose. They make a substantial contribution to the Australian economy by supporting productivity, job creation and Government policy objectives.

Further information on the financial performance of individual GBEs is included in the annual report for each entity, including details of equity contributed by the Australian Government. GBE valuations are updated annually in accordance with Australian Accounting Standards and reported by the relevant portfolio department in its annual report.

Non-financial assets

The Government's non-financial assets are estimated to be $220.6 billion at 30 June 2025, increasing to $257.3 billion by 30 June 2029.

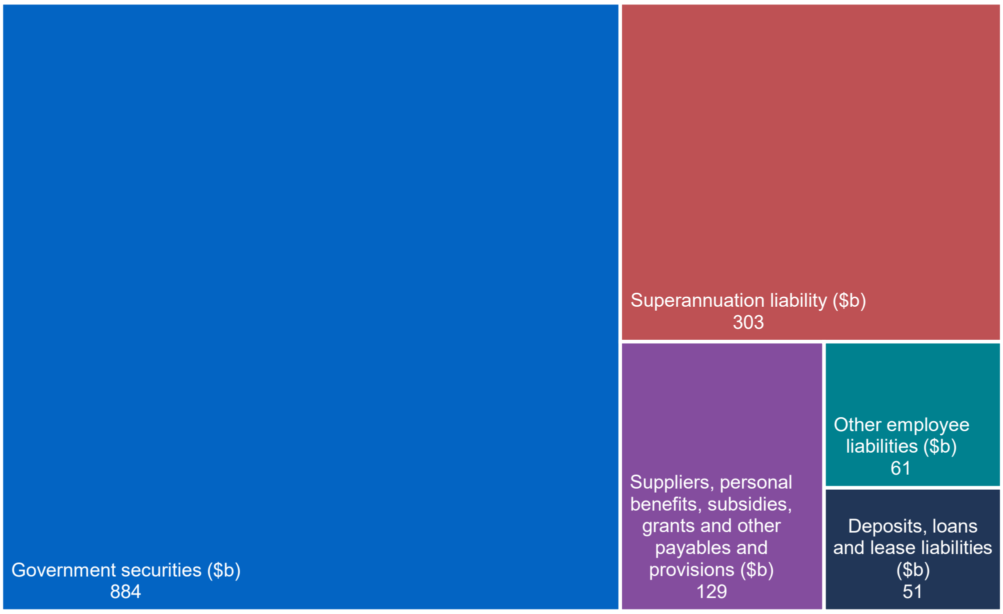
Non-financial assets comprise assets such as land, buildings and property, plant and equipment and right-of-use lease assets. Non-financial assets are expected to grow consistently over the forward estimates predominantly due to increased investments in Specialised Military Equipment.

Liabilities

The Government's total liabilities were $1.4 trillion at 30 June 2024, and are expected to increase to around $1.8 trillion by 30 June 2029.

The composition of Australian Government General Government Sector liabilities at 30 June 2025 is presented below in Chart 9.B.4.

Chart 9.B.4: Australian government liabilities composition



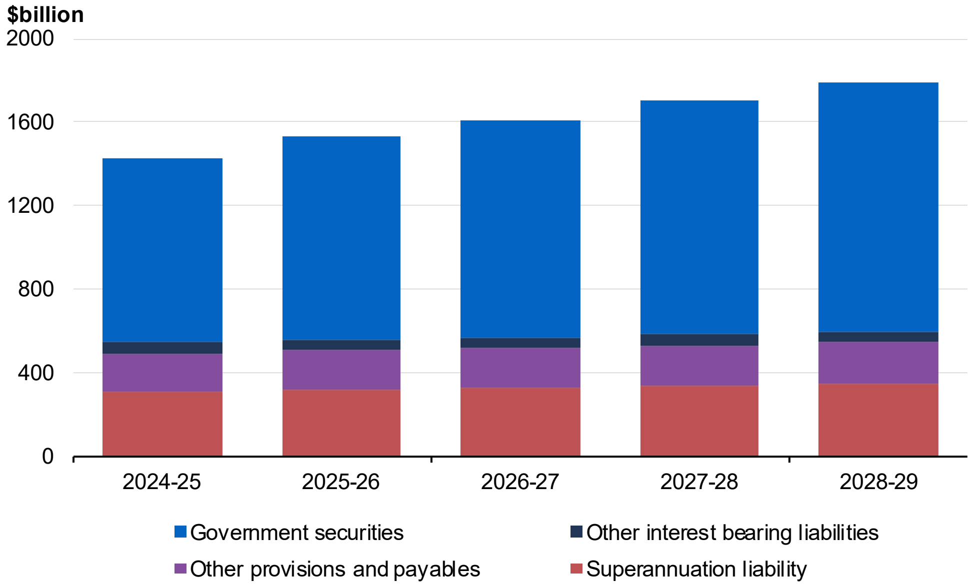
The Government's major liabilities are Australian Government securities on issue (see Statement 6: *Debt Statement* for further information) and public sector employee superannuation liabilities.

Further information on the Government's borrowings is provided in Statement 6: *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 9.B.5 below.

Chart 9.B.5: Composition of Australian Government liabilities over the forward estimates



Note: Other interest bearing liabilities includes deposits held, loans and lease liabilities. Other provisions and payables includes other employee liabilities, suppliers payable, personal benefits payable, subsidies payable, grants payable, other payables and provisions.

Total liabilities are expected to grow consistently over the forward estimates, which is predominantly due to growth in government securities on issue and superannuation liabilities.

Government securities

Government securities on the Australian Government's balance sheet reflect the market value of the Australian Government securities on issue, consistent with external reporting standards. Further detail on the face value of Australian Government securities can be found in Statement 6: *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 $303.3 billion at 30 June 2025, $340.6 billion at 30 June 2029 and approximately $505.9 billion at 30 June 2060.

These liabilities represent the present value of future unfunded superannuation benefits relating to past and present employees and are based on an actuarially determined discount rate. The long-term nature of the unfunded superannuation liabilities requires the use of a discount rate that best matches the duration of the liabilities. The use of a long-term discount rate for budget purposes avoids the volatility that would occur by using current market yields on Government bonds. The value recorded on the balance sheet is highly sensitive to the discount rate used.

In preparing the latest Long Term Cost Reports for the civilian and military schemes, the scheme actuaries determined that a discount rate of 5.0 per cent should be applied.

The Australian Government has never fully funded its defined benefit scheme superannuation liabilities. However, the Future Fund was established in 2006 to help finance the Government’s unfunded superannuation liabilities.

For civilian employees, the major defined benefit schemes are the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. These schemes were closed to new members in 1990 and 2005 respectively. The Public Sector Superannuation Accumulation Plan was introduced on 1 July 2005 and provides fully funded accumulation benefits for new civilian employees from that date.

For military personnel, the defined benefit schemes are the Defence Force Retirement and Death Benefits Scheme, the Defence Forces Retirement Benefits Scheme and the Military Superannuation and Benefits Scheme (MSBS). Following the closure of the MSBS on 30 June 2016, all defined benefit military schemes are now closed to new members. A new military superannuation accumulation scheme, Australian Defence Force (ADF) Super, commenced on 1 July 2016. ADF Super is accompanied by a statutory death and disability arrangement ADF cover.

While there have not been any new members to the public service and military defined benefit schemes since closure in 2005 and 2016 respectively, the Government’s unfunded superannuation liabilities are expected to grow as current members continue to accrue benefits prior to retirement. Consistent with the 2023 Long Term Cost Reports, the unfunded liability for public service defined benefit schemes is projected to peak in the mid-2030’s, whilst the unfunded liability for military defined benefit schemes is projected to continue to increase over time to 2060. The present value of the superannuation liability is also sensitive to changes in the discount rate.

As the superannuation liabilities are included in the Government’s net worth and net financial worth aggregates, revaluations of the liabilities have an impact on these aggregates.

The value of superannuation liabilities by scheme is provided in Table 9.B.3 below.

Table 9.B.3: Superannuation liabilities by scheme

	Estimates				
	2024-25	2025-26	2026-27	2027-28	2028-29
	$m	$m	$m	$m	$m
Civilian superannuation schemes					
Commonwealth Superannuation Scheme	61,609	59,987	58,272	56,470	54,587
Public Sector Superannuation Scheme	102,431	108,909	113,834	118,766	122,657
Parliamentary Contributory Superannuation Scheme	809	799	788	775	761
Governors-General Scheme	21	21	21	21	21
Judges' Pensions Scheme	1,295	1,336	1,377	1,421	1,462
Division 2 Judges of the Federal Circuit and Family Court of Australia Death and Disability Scheme	1	2	2	3	4
Total civilian schemes	166,166	171,054	174,294	177,457	179,492
Military superannuation schemes					
Military Superannuation and Benefits Scheme	101,266	105,569	109,696	113,638	117,385
Defence Force Retirement and Death Benefits Scheme	29,211	28,798	28,324	27,782	27,199
Defence Forces Retirement Benefits Scheme	200	184	169	155	142
Australian Defence Force Cover	6,197	7,957	10,181	12,902	16,158
Total military schemes	136,874	142,509	148,369	154,477	160,883
Other schemes	236	244	247	177	182
Total	**303,276**	**313,806**	**322,911**	**332,110**	**340,558**

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 10:
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 10: Historical Australian Government Data

This statement reports historical data for the Australian Government fiscal aggregates across the general government, public non-financial corporations and non-financial public sectors.

Data sources

Data has been sourced from Australian Government *Final Budget Outcomes*, the Australian Bureau of Statistics (ABS), the Australian Office of Financial Management and Australian Government *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:

- Classification differences in the data relating to the period prior to 1976–77 mean that earlier data may not be entirely consistent with data for 1976–77 onwards.

- Most recent accounting classification changes that require revisions to the historical series have been back-cast (where applicable) to 1998–99, ensuring that data are consistent across the accrual period from 1998–99 onwards. However, because of data limitations, these changes have not been back-cast to earlier years.

- Cash data up to and including 1997–98 are calculated under a cash accounting framework, while cash data from 1998–99 onwards are derived from an accrual accounting framework.[6] Although the major methodological differences associated with the move to the accrual framework have been eliminated through back-casting, comparisons across the break may still be affected by changes to some data sources and collection methodologies.

- Adjustments in the coverage of agencies are included in the accounts of the different sectors. These include the reclassification of Central Banking Authorities from the general government to the public financial corporations sector in 1998–99, and subsequent back-casting to account for this change.

- Prior to 1999–2000, Australian Government general government sector debt instruments are valued at historic cost, whereas from 1999–2000 onwards they are valued at market prices (consistent with accrual GFS standards). This affects net debt and net interest payments.

- 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.

- From 2005–06 onwards, underlying Government Finance Statistics (GFS) data are provided by agencies in accordance with Australian Accounting Standards (AAS), which include International Financial Reporting Standards (IFRS) as adopted in Australia. Prior to 2005–06, underlying GFS data are based on data provided by agencies applying AAS prior to the adoption of IFRS.

- From 2019–20 onwards, as a result of the implementation of the accounting standard AASB 16 *Leases*, the distinction between operating and finance leases for lessees has been removed. This change impacted a number of budget aggregates, in particular net debt and net financial worth. Due to data limitations, these changes have not been back-cast to earlier years.

6 Prior to the 2008–09 Budget, cash data calculated under the cash accounting framework were used up to and including 1998–99. In the 2008–09 Budget, cash data prior to 1998–99 have been replaced by ABS data derived from the accrual framework.

Revisions to previously published data

Under the accrual GFS framework and generally under AAS, flows are recorded in the period in which they occurred. As a result, prior period outcomes may be revised for classification changes relating to information that could reasonably have been expected to be known in the past, is material in at least one of the affected periods, and can be reliably assigned to the relevant period(s). This includes revisions to the historical estimates of nominal GDP to align with the ABS cat. no. 5206.0 *Australian National Accounts* which can have minor impacts on data published as a per cent of GDP.

There have been no material classification changes that have resulted in back casting in this update.

Table 10.1: 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 10.1: 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	24.3	452,742	1.1	24.6	4,305	-10,141	-0.6
2018-19	485,286	24.9	478,098	3.9	24.6	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	31.4	6,619	-134,171	-6.4
2021-22	584,358	25.1	616,320	-9.8	26.4	7,677	-31,962	-1.4
2022-23	649,477	25.3	627,413	-4.9	24.4	4,960	22,064	0.9
2023-24	688,585	25.8	672,806	2.9	25.2	6,667	15,779	0.6
2024-25 (e)	703,922	25.3	731,527	6.0	26.2	7,231	-27,605	-1.0
2025-26 (e)	**735,353**	**25.5**	**777,475**	**3.0**	**27.0**	**7,367**	**-42,122**	**-1.5**
2026-27 (e)	765,970	25.6	801,676	0.5	26.8	7,797	-35,706	-1.2
2027-28 (e)	797,379	25.3	834,627	1.7	26.5	8,441	-37,247	-1.2
2028-29 (e)	840,840	25.3	877,694	2.6	26.4	9,007	-36,854	-1.1

a) Data has been revised to improve accuracy and comparability through time.
b) Receipts are equal to cash receipts from operating activities and sales of non-financial assets.
c) Payments are equal to cash payments for operating activities, purchases of non-financial assets and principal payments of lease liabilities.
d) Between 2005–06 and 2019–20, the underlying cash balance is equal to receipts less payments, less net Future Fund earnings. In all other years, the underlying cash balance is equal to receipts less payments.
e) Estimates.
f) Real payments growth is calculated using the Consumer Price Index as the deflator.

Table 10.2: 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 10.2: 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	0.5
2023-24	688,585	672,806	-1,816	-0.1	13,963	0.5
2024-25 (e)	703,922	731,527	-19,076	-0.7	-46,681	-1.7
2025-26 (e)	**735,353**	**777,475**	**-23,076**	**-0.8**	**-65,198**	**-2.3**
2026-27 (e)	765,970	801,676	-22,759	-0.8	-58,465	-2.0
2027-28 (e)	797,379	834,627	-19,961	-0.6	-57,209	-1.8
2028-29 (e)	840,840	877,694	-18,999	-0.6	-55,853	-1.7

a) Data has been revised to improve accuracy and comparability through time.

b) Prior to 1999–2000, net cash flows from investments in financial assets for policy purposes were referred to as ‘net advances’. A negative number reflects a cash outflow, while a positive number reflects a cash inflow.

c) Headline cash balance is equal to receipts less payments, plus net cash flows from investments in financial assets for policy purposes. Receipts and payments are identical to Table 10.1.

e) Estimates.

Table 10.3: 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 10.3: 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	21.9	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	24.3
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	2.1	584,358	25.1
2022-23	601,300	23.4	48,177	1.9	649,477	25.3
2023-24	633,400	23.7	55,185	2.1	688,585	25.8
2024-25 (e)	645,242	23.1	58,680	2.1	703,922	25.3
2025-26 (e)	**676,086**	**23.5**	**59,266**	**2.1**	**735,353**	**25.5**
2026-27 (e)	707,556	23.6	58,414	2.0	765,970	25.6
2027-28 (e)	735,939	23.4	61,440	2.0	797,379	25.3
2028-29 (e)	778,266	23.4	62,573	1.9	840,840	25.3

a) Data has been revised to improve accuracy and comparability through time.

b) Receipts are equal to receipts from operating activities and sales of non-financial assets. Total receipts are identical to Table 10.1.

e) Estimates.

Table 10.4: 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 10.4: 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	18.6	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	19.1	11,852	0.5
2023-24	491,469	18.4	12,264	0.5
2024-25 (e)	555,978	19.9	14,893	0.5
2025-26 (e)	**620,345**	**21.5**	**18,495**	**0.6**
2026-27 (e)	676,278	22.6	21,221	0.7
2027-28 (e)	714,076	22.7	26,926	0.9
2028-29 (e)	768,236	23.1	28,115	0.8

a) Data has been revised to improve accuracy and comparability through time.
b) Net debt is the sum of interest-bearing liabilities less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).
c) Net interest payments are equal to the difference between interest payments and interest receipts.
e) Estimates.

Table 10.5: 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 10.5: 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	25.4	417,936	25.2	14,977	0.9
2016-17	500,979	28.5	498,510	28.4	15,290	0.9
2017-18	531,937	28.9	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	39.2	816,985	39.2	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	906,939	33.9	906,934	33.9	22,774	0.9
2024-25 (e)	940,000	33.7	940,000	33.7	24,413	0.9
2025-26 (e)	**1,022,000**	**35.5**	**1,022,000**	**35.5**	**27,885**	**1.0**
2026-27 (e)	1,092,000	36.5	1,092,000	36.5	30,159	1.0
2027-28 (e)	1,161,000	36.9	1,161,000	36.9	36,724	1.2
2028-29 (e)	1,223,000	36.8	1,223,000	36.8	38,224	1.2

a) Data has been revised to improve accuracy and comparability through time.
b) From 2024–25 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 10.6: 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 10.6: 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	23.7	449,712	25.6	-33,989	-1.9	2,876	0.2	-36,865	-2.1
2017-18	456,280	24.8	461,490	25.1	-5,209	-0.3	1,284	0.1	-6,493	-0.4
2018-19	493,346	25.3	485,869	25.0	7,476	0.4	6,126	0.3	1,350	0.1
2019-20	486,278	24.5	578,117	29.2	-91,839	-4.6	4,005	0.2	-95,844	-4.8
2020-21	523,012	25.1	651,916	31.3	-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	26.0	637,025	24.8	31,363	1.2	9,437	0.4	21,926	0.9
2023-24	704,503	26.4	685,857	25.7	18,647	0.7	6,650	0.2	11,996	0.4
2024-25 (e)	717,568	25.7	762,756	27.4	-45,188	-1.6	5,459	0.2	-50,647	-1.8
2025-26 (e)	**750,262**	**26.1**	**785,670**	**27.3**	**-35,408**	**-1.2**	**8,771**	**0.3**	**-44,178**	**-1.5**
2026-27 (e)	783,559	26.2	806,594	27.0	-23,034	-0.8	9,140	0.3	-32,174	-1.1
2027-28 (e)	815,429	25.9	842,949	26.8	-27,520	-0.9	12,025	0.4	-39,545	-1.3
2028-29 (e)	862,506	26.0	889,397	26.8	-26,891	-0.8	10,196	0.3	-37,087	-1.1

a) Data has been revised to improve accuracy and comparability through time.
b) Net operating balance is equal to revenue less expenses.
c) Fiscal balance is equal to revenue less expenses less net capital investment.
e) Estimates.

Table 10.7: 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	-25.6	-548,028	-33.1
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	-35.7
2019-20	-664,892	-33.6	-840,557	-42.4
2020-21	-725,230	-34.8	-905,924	-43.4
2021-22	-581,758	-25.0	-775,727	-33.3
2022-23	-538,371	-21.0	-743,294	-28.9
2023-24	-531,635	-19.9	-746,315	-27.9
2024-25 (e)	-570,519	-20.5	-791,091	-28.4
2025-26 (e)	**-621,796**	**-21.6**	**-850,079**	**-29.5**
2026-27 (e)	-659,221	-22.0	-895,610	-29.9
2027-28 (e)	-700,706	-22.3	-948,259	-30.1
2028-29 (e)	-740,063	-22.3	-997,382	-30.0

a) Data has been revised to improve accuracy and comparability through time.
b) Net worth is equal to total assets less total liabilities.
c) Net financial worth is equal to financial assets less total liabilities.
e) Estimates.

Table 10.8: 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	21.2	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	23.7
2017-18	427,249	23.2	29,031	1.6	456,280	24.8
2018-19	456,147	23.4	37,198	1.9	493,346	25.3
2019-20	447,605	22.6	38,673	2.0	486,278	24.5
2020-21	480,312	23.0	42,700	2.0	523,012	25.1
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	26.0
2023-24	650,365	24.3	54,139	2.0	704,503	26.4
2024-25 (e)	663,208	23.8	54,360	2.0	717,568	25.7
2025-26 (e)	**694,304**	**24.1**	**55,958**	**1.9**	**750,262**	**26.1**
2026-27 (e)	726,735	24.3	56,824	1.9	783,559	26.2
2027-28 (e)	756,538	24.0	58,891	1.9	815,429	25.9
2028-29 (e)	801,580	24.1	60,926	1.8	862,506	26.0

a) Data has been revised to improve accuracy and comparability through time.
e) Estimates.

Table 10.9: 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 10.9: Australian Government cash receipts, payments and surplus by institutional sector ($m)[(a)] (continued)

	General government			Public non-financial corporations			Non-financial public sector		
	Receipts(b)	Payments(c)	Underlying cash balance(d)	Receipts(b)	Payments(f)	Cash surplus	Receipts(b)	Payments(f)	Cash surplus
2010-11	302,024	346,102	-47,463	8,558	9,733	-1,175	308,258	353,452	-44,911
2011-12	329,874	371,032	-43,360	8,845	10,847	-2,002	336,122	379,266	-42,763
2012-13	351,052	367,204	-18,834	9,766	13,061	-3,294	358,088	377,221	-19,133
2013-14	360,322	406,430	-48,456	11,042	14,246	-3,204	368,521	417,248	-48,726
2014-15	378,301	412,079	-37,867	11,256	15,136	-3,880	386,643	424,229	-37,586
2015-16	386,924	423,328	-39,606	11,606	17,753	-6,147	395,842	438,228	-42,386
2016-17	409,868	439,375	-33,151	12,406	19,543	-7,138	419,433	456,020	-36,587
2017-18	446,905	452,742	-10,141	14,195	22,348	-8,153	457,604	471,451	-13,846
2018-19	485,286	478,098	-690	17,909	26,608	-8,699	498,767	500,276	-1,510
2019-20	469,398	549,634	-85,272	18,824	28,244	-9,419	483,362	573,018	-89,656
2020-21	519,913	654,084	-134,171	21,264	26,635	-5,371	535,940	675,484	-139,544
2021-22	584,358	616,320	-31,962	21,791	26,896	-5,105	601,398	638,466	-37,068
2022-23	649,477	627,413	22,064	23,602	29,546	-5,944	668,929	652,810	16,119
2023-24	688,585	672,806	15,779	23,646	30,980	-7,334	707,990	699,529	8,461
2024-25 (e)	703,922	731,527	-27,605	25,765	33,913	-8,148	724,860	760,613	-35,753
2025-26 (e)	**735,353**	**777,475**	**-42,122**	**29,114**	**35,830**	**-6,717**	**759,529**	**808,368**	**-48,839**
2026-27 (e)	765,970	801,676	-35,706	na	na	na	na	na	na
2027-28 (e)	797,379	834,627	-37,247	na	na	na	na	na	na
2028-29 (e)	840,840	877,694	-36,854	na	na	na	na	na	na

a) Data has been revised to improve accuracy and comparability through time.
b) Receipts are equal to receipts from operating activities and sales of non-financial assets.
c) Payments in the general government sector are equal to payments for operating activities, purchases of non-financial assets and principal payments of lease liabilities.
d) Between 2005–06 and 2019–20, the underlying cash balance is equal to receipts less payments, less net Future Fund earnings. In all other years, the underlying cash balance is equal to receipts less payments.
e) Estimates.
f) Payments in the public non-financial corporations and non-financial public sectors are equal to payments for operating activities, purchases of non-financial assets, distributions paid and net cash flows from financing activities for leases.

Table 10.10: 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 10.10: Australian Government accrual revenue, expenses and fiscal balance by institutional sector ($m)[(a)] (continued)

	General government			Public non-financial corporations			Non-financial public sector		
	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)
2016-17	415,723	449,712	-36,865	10,894	15,035	-9,918	425,114	463,243	-46,784
2017-18	456,280	461,490	-6,493	12,318	16,934	-10,055	466,661	476,403	-16,463
2018-19	493,346	485,869	1,350	15,836	20,899	-11,121	507,017	504,486	-9,655
2019-20	486,278	578,117	-95,844	17,029	23,174	-10,096	500,961	598,651	-105,637
2020-21	523,012	651,916	-136,108	19,166	22,941	-5,264	538,350	670,849	-141,187
2021-22	596,401	623,050	-35,061	20,767	23,375	-5,285	613,707	642,628	-40,015
2022-23	668,389	637,025	21,926	21,395	23,838	-7,673	687,125	657,873	14,586
2023-24	704,503	685,857	11,996	22,284	24,127	-7,779	723,930	707,109	4,226
2024-25 (e)	717,568	762,756	-50,647	23,422	24,879	-8,258	737,675	784,351	-58,936
2025-26 (e)	**750,262**	**785,670**	**-44,178**	**26,110**	**26,830**	**-7,058**	**773,006**	**809,118**	**-51,143**
2026-27 (e)	783,559	806,594	-32,174	na	na	na	na	na	na
2027-28 (e)	815,429	842,949	-39,545	na	na	na	na	na	na
2028-29 (e)	862,506	889,397	-37,087	na	na	na	na	na	na

a) Data has been revised to improve accuracy and comparability through time.
b) Fiscal balance is equal to revenue less expenses less net capital investment. Net capital investment is not shown in this table.
e) Estimates.

Table 10.11: 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 10.11: 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	17,168	1,376	18,544	17,914	630	14,019	338
2023-24	17,003	1,481	18,484	18,061	424	13,193	329
2024-25 (e)	16,620	1,511	18,131	18,842	-711	14,320	384
2025-26 (e)	**16,655**	**1,460**	**18,115**	**19,152**	**-1,038**	**15,282**	**456**
2026-27 (e)	16,779	1,385	18,164	19,011	-847	16,037	503
2027-28 (e)	16,838	1,406	18,243	19,095	-852	16,337	616
2028-29 (e)	17,162	1,380	18,542	19,354	-813	16,941	620

a) Data has been revised to improve accuracy and comparability through time.
b) The real levels are derived using the Consumer Price Index (CPI). The current reference period for the CPI is 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 2025–26, while the forward years refer to 2026–27, 2027–28 and 2028–29
- one billion is equal to one thousand million.

(b) Figures in tables and generally in the text have been rounded. Discrepancies in tables between totals and sums of components are due to rounding.

- Estimates under $100,000 are rounded to the nearest thousand.
- Estimates $100,000 and over are generally rounded to the nearest tenth of a million.
- Estimates midway between rounding points are rounded up.
- The percentage changes in statistical tables are calculated using unrounded data.

(c) For the budget balance, a negative sign indicates a deficit while no sign indicates a surplus.

(d) The following notations are used:

-	nil
na	not applicable (unless otherwise specified)
$m	millions of dollars
$b	billions of dollars
nfp	not for publication
(e)	estimates (unless otherwise specified)
(p)	projections (unless otherwise specified)
NEC/nec	not elsewhere classified

(e) The Australian Capital Territory and the Northern Territory are referred to as 'the territories'. References to the 'states' or 'each state' include the territories. The following abbreviations are used for the names of the states, where appropriate:

NSW	New South Wales
VIC	Victoria
QLD	Queensland
WA	Western Australia
SA	South Australia
TAS	Tasmania
ACT	Australian Capital Territory
NT	Northern Territory

(f) In this Budget Paper the term Commonwealth refers to the Commonwealth of Australia. The term is used when referring to the legal entity of the Commonwealth of Australia.

The term Australian Government is used when referring to the Government and the decisions and activities made by the Government on behalf of the Commonwealth of Australia.

Budget Paper No. 1, *Budget Strategy and Outlook 2025–26*, is one of a series of Budget Papers that provides information to supplement the Budget Speech. A full list of the series is printed on the inside cover of this paper.

Budget
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BUDGET STRATEGY AND OUTLOOK
BUDGET PAPER NO. 1