

Part 3: Fiscal Strategy and Outlook

Overview

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

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

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

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

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

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

The Government continues to deliver responsible cost-of-living relief with energy bill relief and rent assistance directly reducing inflation by $\frac{1}{2}$ of a percentage point in 2024–25. The Government's tax cuts are delivering all 13.6 million Australian taxpayers cost-of-living relief from 1 July 2024.

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

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

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

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

Table 3.1: Australian Government general government sector budget aggregates

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

a) Equivalent to cash payments for operating activities, purchases of non-financial assets and principal payments of lease liabilities.

b) Gross debt measures the face value of Australian Government Securities (AGS) on issue.

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

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

Economic and Fiscal Strategy

The Government's Economic and Fiscal Strategy is making the economy and budget stronger, more resilient and more sustainable over the medium term (Box 3.1). The Strategy is consistent with the requirements of the *Charter of Budget Honesty Act 1998*, with progress reviewed at each budget update. The Strategy is unchanged since the 2024–25 Budget.

Box 3.1: The Government's Economic and Fiscal 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

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

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

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

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

The Government's responsible fiscal approach includes:

- Improving the budget position in 2024–25, relative to the 2024–25 Budget.
- Banking the majority of tax receipt upgrades in 2024–25 since the PEFO.
- Directly reducing inflation by $\frac{1}{2}$ of a percentage point in 2024–25 through responsible cost-of-living measures announced in the 2024–25 Budget.

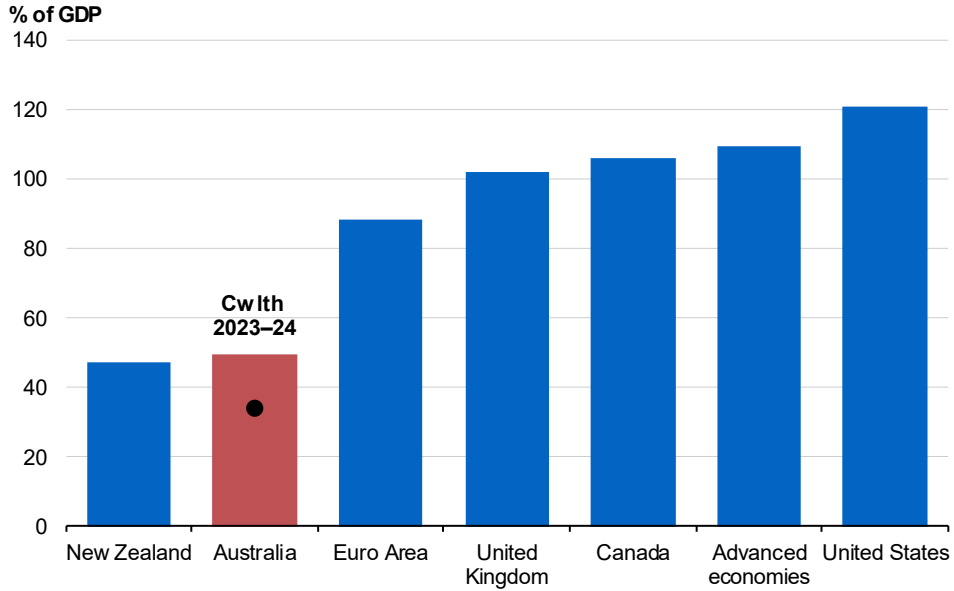
International comparisons of fiscal performance

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

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

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

Chart 3.1: General government gross debt in 2024



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

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

Fiscal Outlook

Underlying cash balance estimates

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

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

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

- Support for frontline legal assistance services through a new National Access to Justice Partnership, which replaces the National Legal Assistance Partnership. The previous government did not provision any funding for the National Legal Assistance Partnership beyond 2024–25.
- New and amended listings on the Pharmaceutical Benefits Scheme, including the listing of belzutifan (Welireg®) for the treatment of patients with von Hippel-Lindau disease, and retaining the listing of dupilumab (Dupixent®) for the treatment of severe atopic dermatitis.
- Extending terminating funding for the National Disability Insurance Agency and the NDIS Quality and Safeguards Commission to ensure they’re appropriately resourced to continue to support NDIS participants.
- Funding to further prepare and protect the nation against High Pathogenicity Avian Influenza.
- Addressing unavoidable cost pressures from projects in the Infrastructure Investment Program.
- Funding for the Australian Energy Market Operator to uplift core digital systems to enhance energy security and reliability.

- Funding to support environmental and rehabilitation objectives in the resources sector, including rehabilitation of the former Rum Jungle mine site and decommissioning of the Northern Endeavour facility.
- Providing funding for sustainable operations at the Department of Veterans' Affairs and the Australian War Memorial, and a new Macquarie Wharf 6 in the Port of Hobart to support Australian Antarctic Program operations.
- Extending terminating programs in the Health and Aged Care portfolio, including continuing COVID support for people in aged care and Commonwealth psychosocial supports.

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

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

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

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

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

Primary balance estimates

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

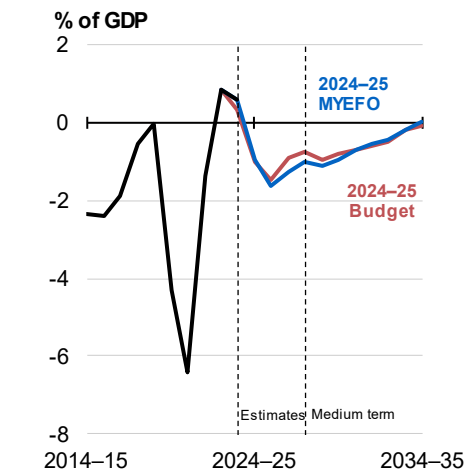
The primary balance is expected to be a deficit of \$12.3 billion (0.4 per cent of GDP) in 2024–25. Since the Budget, the primary balance has improved by \$1.4 billion in 2024–25 and deteriorated by \$19.7 billion over four years to 2027–28.

Medium-term projections

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

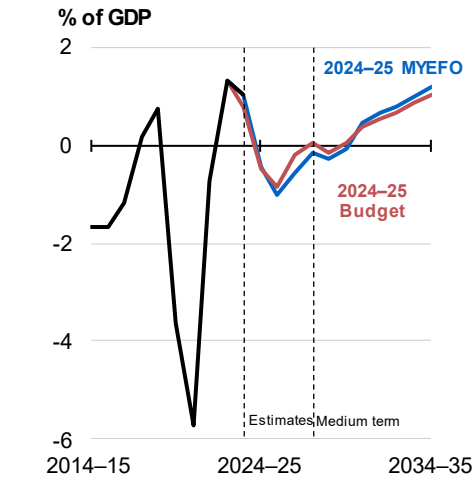
- The underlying cash balance returns to balance (0.1 percentage point of GDP surplus) by 2034–35, a 0.1 percentage point of GDP improvement compared to Budget (Chart 3.2). Compared to the PEFO, the underlying cash balance has improved by a cumulative \$231 billion over the 11 years to 2032–33.
- The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

Chart 3.2: Underlying cash balance



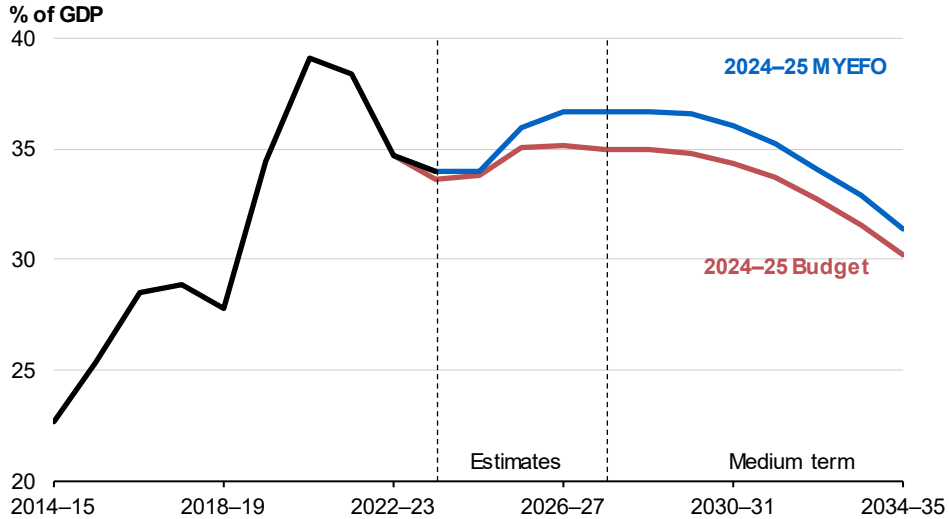
Source: Treasury.

Chart 3.3: Primary cash balance



Source: Treasury.

Chart 3.4: Gross debt

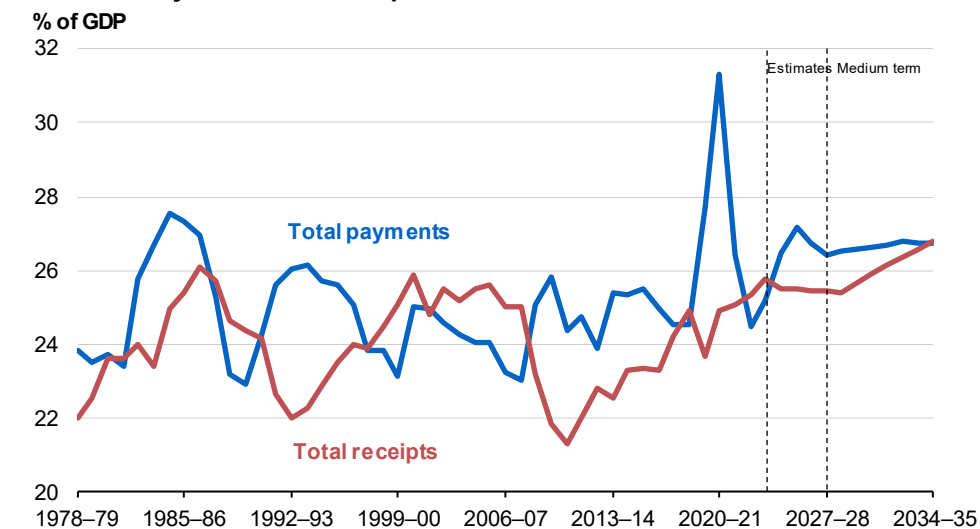


Source: Australian Office of Financial Management, Treasury.

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

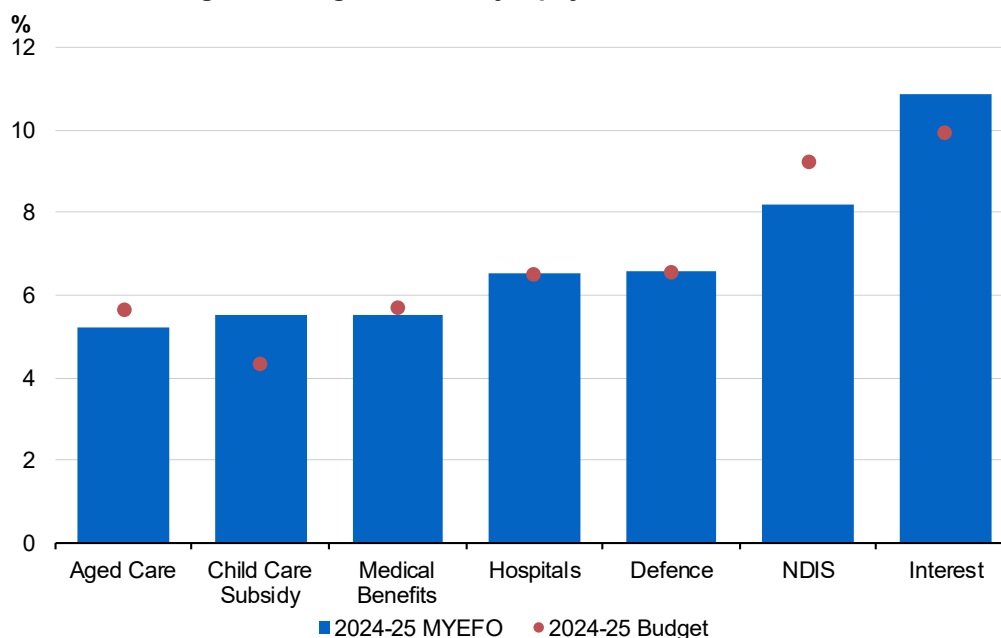
Payments are projected to grow from 26.4 per cent of GDP in 2027–28 to 26.7 per cent of GDP in 2034–35 (Chart 3.5). This is higher than the 2024–25 Budget projection of 26.3 per cent of GDP in 2034–35.

Chart 3.5: Payments and receipts



Source: Treasury.

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



Source: Treasury.

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

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

- Interest payments growth is expected to average 10.9 per cent over the projection period compared to 9.9 per cent at the Budget. This reflects higher yields and gross debt.
- NDIS Commonwealth funded participant payments growth is expected to average 8.2 per cent over the projection period from 2024–25 to 2034–35, compared to 9.2 per cent at the 2024–25 Budget. This reflects state and territory NDIS contribution escalation rates increasing from 4 per cent to be in line with Scheme growth, capped at 8 per cent, commencing 1 July 2028. It also incorporates the expected moderation in scheme growth under the NDIS Financial Sustainability Framework reflected in the NDIS Scheme Actuary’s latest projections.

- Child Care Subsidy payments growth is expected to average 5.5 per cent over the projection period compared to 4.4 per cent at the 2024–25 Budget. This largely reflects additional support flowing to families through Child Care Subsidy payments to assist with the cost of child care, including an estimated extra 200,000 children in early education by the end of the forward estimates in 2027–28.
- Aged care payments growth is expected to average 5.2 per cent over the projection period compared to 5.7 per cent at the 2024–25 Budget. Reforms announced in September 2024 are projected to reduce payments relative to the 2024–25 Budget, offset by increased funding for aged care workers.

Receipts estimates and projections

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

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

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

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

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

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

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

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

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 3.5: Australian Government general government (cash) receipts

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

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.

Receipts policy decisions over the forward estimates

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

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

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

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

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

Receipts parameter and other variations over the forward estimates

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

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

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

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

a) Current prices, percentage change on previous year. Changes since Budget 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.

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

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

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

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

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

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

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

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

Payments estimates and projections

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

Payment policy decisions over the forward estimates

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

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

- funding to support a wage increase for the early childhood education and care workforce through a worker retention payment, which is expected to increase payments by \$3.6 billion over four years from 2024–25
- funding for new and amended listings on the Pharmaceutical Benefits Scheme, Repatriation Pharmaceutical Benefits Scheme, Life Saving Drugs Program, National Epidermolysis Bullosa Dressing Scheme and Stoma Appliance Scheme, which is expected to increase payments by \$2.5 billion over five years from 2023–24

- funding for the effective and sustainable operation of the National Disability Insurance Scheme and to support the implementation of the *National Disability Insurance Scheme Amendment (Getting the NDIS Back on Track No.1) Act 2024* which is expected to increase payments by \$939.5 million over four years from 2024–25
- funding to improve access to Early Childhood Education and Care (ECEC), which is expected to increase payments by \$839.9 million over four years from 2024–25
- funding to support actions to accelerate a reliable and secure energy transition across Australia, which is expected to increase payments by \$764.2 million over four years from 2024–25
- funding for road and rail infrastructure priorities to support productivity and jobs and address unavoidable cost pressures within the Infrastructure Investment Program, which is expected to increase payments by \$726.5 million over four years from 2024–25
- funding to provide better access and more affordable health care which is expected to increase payments by \$622.7 million over four years from 2024–25
- funding to establish a new National Access to Justice Partnership from 1 July 2025 following the expiry of the National Legal Assistance Partnership, which is expected to increase payments by \$616.1 million over three years from 2025–26
- funding to implement a new remote employment services program to replace the *Community Development Program* which is expected to increase payments by \$461.4 million over four years from 2024–25.

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

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

Payment parameter and other variations over the forward estimates

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

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

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

- payments related to the Aged Care Services program, which are expected to increase by \$808.3 million in 2024–25 and \$8.4 billion over four years to 2027–28, largely due to increased funding for wages as a result of the Fair Work Commission Aged Care Work Value Case, the setting of the Australian National Aged Care Classification (AN-ACC) price for residential aged care for 2024–25, and an update to the AN-ACC funding model, including updated AN-ACC price growth assumptions. The budget impact of this increase is partially offset by funding provisioned in the Contingency Reserve for the Aged Care Work Value Case outcome.
- payments related to the provision of GST to the states and territories (including Horizontal Fiscal Equalisation transition payments), which are expected to increase by \$1.4 billion in 2024–25 and \$6.7 billion over four years to 2027–28, and are largely offset by an increase in GST receipts.
- payments related to Commonwealth Debt Management, which are expected to increase by \$557.0 million in 2024–25 and \$4.2 billion over four years to 2027–28, largely reflecting increased borrowing requirements, combined with higher bond yields.
- payments related to the Support for Seniors program, which are expected to increase by \$486.9 million in 2024–25 and \$3.6 billion over four years to 2027–28, largely reflecting a higher-than-projected rate of indexation for the Age Pension.
- payments related to the Financial Support for People with Disability program, which are expected to increase by \$624.4 million in 2024–25 and \$3.6 billion over four years to 2027–28, largely reflecting increases in the projected number of Disability Support Pension (DSP) recipients, a higher-than-projected rate of indexation for the DSP, higher-than-projected average payment rates, along with the gradual resolution of the claims backlog.
- payments related to the Child Care Subsidy program, which are expected to increase by \$686.6 million in 2024–25 and \$3.1 billion over four years to 2027–28, largely reflecting additional support flowing to families in line with changes in the cost of providing care and increases in projected child care usage by families. This is partially offset by the fee constraint condition of the ECEC worker retention payment.
- payments related to the Job Seeker Income Support program, which are expected to increase by \$386.9 million in 2024–25 and \$2.1 billion over four years to 2027–28, largely reflecting upward revisions to the expected number of recipients and to average payment rates driven by changes to the composition of payment recipients.
- payments related to Non-Government Schools, which are expected to increase by \$648.9 million in 2024–25 and \$2.1 billion over four years to 2027–28, largely reflecting an increase in non-government school enrolments, and an increase in the number of students with a disability eligible to attract a higher level of funding.

- payments related to the Military Rehabilitation Compensation Acts – Income Support and Compensation program are expected to increase by \$1.5 billion in 2024–25 and \$1.8 billion over four years to 2027–28, largely reflecting an increase in the number of claims lodged and accepted, including as a result of the Government’s investments in the Department of Veterans Affairs to clear the claims backlog, which will result in increased payments to veterans.
- payments related to the National Partnership Payments – Natural Disaster Relief program, which are expected to decrease by \$2.0 billion in 2024–25 and increase by \$1.8 billion over four years to 2027–28, largely reflecting updated estimates from the states related to past disaster events including New South Wales and Queensland flooding events between 2021 and 2023, Tropical Cyclone Jasper in 2023, and severe storm and rainfall events in Queensland in 2023 and 2024.
- payments related to the Medical Benefits program, which are expected to increase by \$292.2 million in 2024–25 and \$1.2 billion over four years to 2027–28, largely reflecting higher than expected demand for medical services.
- payments related to the Pharmaceutical Benefits Scheme, which are expected to increase by \$632.3 million in 2024–25 and \$1.2 billion over four years to 2027–28, largely reflecting higher than projected prescription volumes and updated pharmaceutical pricing assumptions.

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

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

- payments related to the Insurance and Risk Management program, which are expected to decrease by \$222.8 million in 2024–25 and \$274.5 million over four years to 2027–28, largely reflecting a reduction in the number of claims expected to be paid from the Comcover special account and revised timing for expected significant claims.

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

Headline cash balance estimates

The headline cash balance adjusts the underlying cash balance to include net cash flows from investments in financial assets for policy purposes (IFAPPs). This includes Specialist Investment Vehicles which invest in projects that deliver public value and a financial return to taxpayers. For example, Clean Energy Finance Corporation (CEFC) loans and equity investments impact the headline cash balance but not the underlying cash balance. Table 3.7 provides further details of differences between the underlying and headline cash balance estimates.

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

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

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

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

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

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

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

a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.

b) The estimated cash flows for student loans from 2024–25 includes the impact of the *Building Australia's Future - a fairer deal for students* measure.

c) In January 2024, trade support loans were renamed Australian apprenticeship support loans.

d) Net other includes amounts that have not been itemised, for commercial-in-confidence reasons.

The Government's balance sheet

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

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

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

Further information on definitions is available in *Part 7: Australian Government Budget Financial Statements*.

Gross debt estimates and projections

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

Improvements to the budget position mean gross debt is estimated to stabilise at 36.7 per cent of GDP from 30 June 2027, which is 8.2 percentage points lower than the estimated peak of 44.9 per cent of GDP forecast at the PEFO. Gross debt is then projected to reduce to 31.4 per cent of GDP by 30 June 2035, 1.2 percentage points higher than projected at the 2024–25 Budget.

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

Interest payments have increased since the 2024–25 Budget, driven by a combination of higher estimated debt and higher yields. Over the forward estimates, bond yields are assumed to remain fixed at a recent average of daily spot rates at the time of the MYEFO update. Since the 2024–25 Budget, the assumed weighted average cost of borrowing for

issuance of Treasury Bonds in the forward estimates has increased from 4.2 to 4.4 per cent, broadly reflecting volatility in yields globally.

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

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

Part 4: Debt Statement contains further information on yield assumptions and interest payments. *Part 5: Sensitivity Analysis* contains information on the impact on the underlying cash balance and gross debt if the future trajectory for yields is higher or lower than assumed.

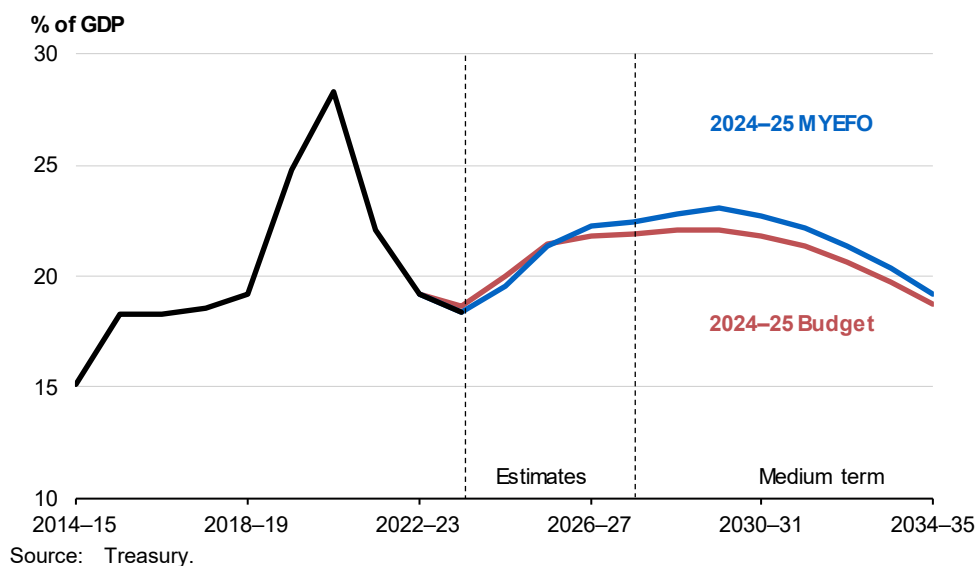
Net debt estimates and projections

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

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

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

Chart 3.7: Net debt



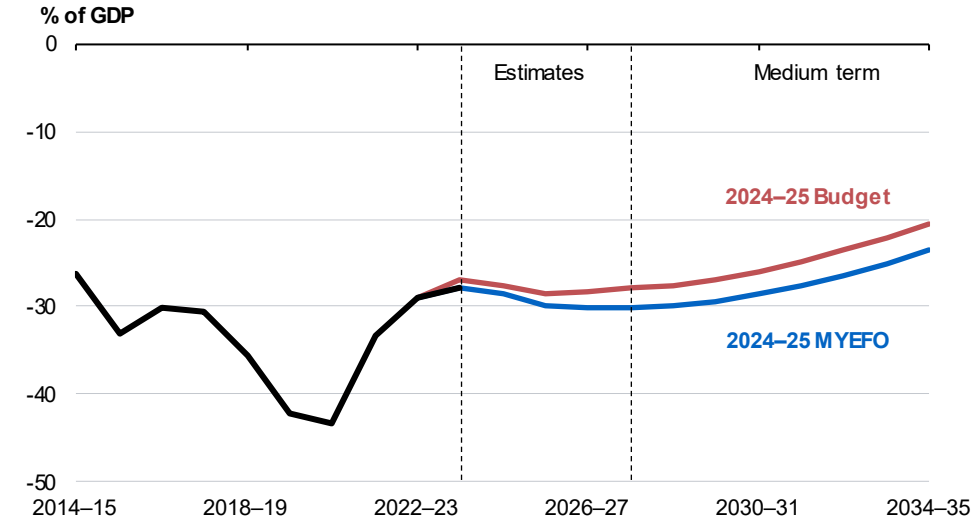
Further information on gross debt and net debt estimates across the forward estimates is provided in *Part 4: Debt Statement*.

Net financial worth and net worth estimates and projections

Net financial worth is estimated to be minus 28.6 per cent of GDP (minus \$791.2 billion) at 30 June 2025 (Table 3.8), compared with the estimate of minus 27.7 per cent of GDP (minus \$764.5 billion) at the 2024–25 Budget.

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

Chart 3.8: Net financial worth



Source: Treasury.

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

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

Table 3.8: Australian Government general government sector balance sheet aggregates

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

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

b) Gross debt measures the face value of Australian Government Securities (AGS) on issue.

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

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

Other fiscal aggregates

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

Accrual aggregates

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

Net operating balance estimates

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

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

Fiscal balance estimates

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

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

Table 3.9: Australian Government general government sector accrual aggregates

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

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

Table 3.10: Reconciliation of general government sector fiscal balance estimates

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

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 has been revised up by \$6.7 billion in 2024–25 since the 2024–25 Budget (Table 3.11).

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

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

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

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

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.

Expense estimates

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

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

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

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

Table 3.13: Reconciliation of general government sector expense estimates

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

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

Net capital investment estimates

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

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

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

	Estimates				Total \$m
	2024–25 \$m	2025–26 \$m	2026–27 \$m	2027–28 \$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

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

Structural budget balance estimates

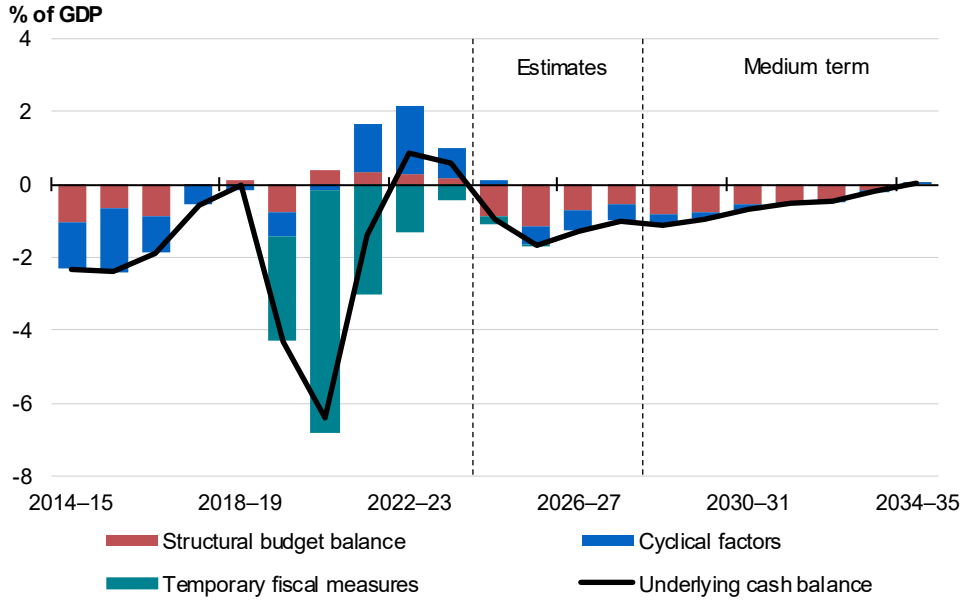
The structural budget balance estimate adjusts the underlying cash balance to remove the estimated effects of temporary factors. Temporary factors include deviations in commodity prices and economic activity from their long-run levels. The structural budget balance can provide insight into the sustainability of fiscal settings.

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

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

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

Chart 3.9: Structural budget balance



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

Source: Treasury.