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Budget Monitor

If not now, when?

December 2025

Deloitte
Access Economics

Budget Monitor is a source of independent projections of the Federal Budget, including detailed estimates of future spending and revenues.

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Based on updated economic parameters and policy announcements to 5 November 2025 – and assuming no further material increases in spending – Deloitte Access Economics estimates an underlying cash deficit of $38.9 billion in 2025-26, $3.3 billion above the expected outcome in the April 2025 PEFO. Net debt is expected to increase to 20.6% of GDP in 2025-26, below the estimate of 21.6% in the April 2025 PEFO.

Budget forecasts

$ billion	2025-26	2026-27	2027-28	2028-29
Underlying cash balance	-38.9	-34.2	-41.6	-44.6
% of GDP	-1.4%	-1.1%	-1.3%	-1.4%
Fiscal balance	-41.0	-31.0	-43.9	-44.8
% of GDP	-1.4%	-1.0%	-1.4%	-1.4%
Revenue	755.5	787.8	815.9	860.7
% of GDP	26.2%	26.2%	25.9%	26.1%
Expenses	787.8	809.7	847.8	895.3
% of GDP	27.3%	26.9%	26.9%	27.1%
Net debt	594.4	651.3	712.9	776.5
% of GDP	20.6%	21.7%	22.7%	23.5%

Source: Deloitte Access Economics. Forecasts incorporate policy announcements to 5 November 2025 and updated economic parameters.

Economic drivers

The consecutive budget surpluses achieved in 2022-23 and 2023-24 were driven by a boost in commodity prices and inflation. With commodity prices off their peak and inflation moderating, that marks the end of large cyclical revenue windfalls. Additionally, the revenue upgrades resulting from stronger-than-expected population and employment growth are expected to unwind over the forward estimates.

Revenue

The 2025-26 MYEFO is expected to reveal an upgrade of $8.2 billion in revisions to revenue over the four years to 2028-29, compared to what was forecast in the April 2025 PEFO.

Expenses

Parameter variations and policy decisions to 5 November 2025 (plus an adjustment for the expected change in the distribution of the GST to the states and territories) are expected to increase spending over the four years to 2028-29 by $15.9 billion relative to forecasts in the April 2025 PEFO.

Budget backdrop

In 2022-23 and 2023-24, rebounding economic conditions allowed the government to deliver not one, but two, budget surpluses. Neither of those surpluses had been widely anticipated, but they were achieved because revenue 'surprises' in those years were mostly saved rather than spent.

Despite inflation having decelerated from its post-pandemic heights and the pace of growth gradually grinding higher, current economic conditions are proving more challenging for the budget.

The consecutive surpluses – the first in 15 years – are rapidly becoming a distant memory and significant deficits are now entrenched. The single notable revenue-raising policy change taken to the May election – the proposed taxing of unrealised gains on large superannuation balances – has been watered down.

And an unwelcome re-acceleration of inflation has erased any hope of a Christmas interest rate cut and has lifted cost-of-living back up the list of concerns facing the electorate. That may make the optics of not further extending energy bill relief to households – which are currently due to expire in December – too politically unpalatable to ignore, therefore adding another item to spending.

Further to that list of challenges is the fact that the recent run of large revenue writeups is likely to be over – at least for now.

The last three budget updates offered up comparatively modest revenue upgrades due to changes in economic assumptions and commodity prices. In total over the forward estimates, those upgrades totalled around $48 billion.

That compared to 'surprise' revenue increases of closer to $320 billion over the forward estimates in total across the previous three updates to the budget (that is, the 2022-23 October Budget, the 2023-24 Budget, and the 2023-24 MYEFO).

Without large revenue upgrades, government spending will play an increasingly important role in determining the bottom line. The pace of spending has picked up, and sound fiscal management will be needed to tame ballooning deficits.

There will still be some upgrades to revenue – assumptions which see the prices of major commodities rapidly return to historical averages almost guarantee that revenue outperforms forecasts. But the extent of those upgrades is likely to be much reduced.

On the outlook for spending, the 2025-26 Budget set a high bar. As the Treasurer noted in his speech on budget night, the 2025-26 Budget included a forecast for payments growth to average 1.7% per year to 2028-29 in real (inflation-adjusted) terms.

For context, excluding the period affected by the COVID-19 pandemic, average annual real payments growth this century has been more like 3.4%.

Consistently holding spending growth at half the historical norm will be a challenging exercise, even more so when considering that much of the spending of government is related to services, such as health and care services, which are recording rapid price rises. A further complication is that, in the 2025-26 Budget, spending on wages was optimistically anticipated to stay flat at around $30 billion over the forward estimates. Updated forecasts in the 2025-26 Mid-Year Economic and Fiscal Outlook (MYEFO) will almost certainly reflect higher salary costs from both additional staff and scheduled pay increases, potentially offset by a mooted 5% cut to the budgets of some public sector departments, which has made headlines in recent weeks.

This context points to the same conclusion that Deloitte Access Economics has been making for some time: Australia will need higher taxes over time to pay for the promises governments have made and intend to keep. How that tax revenue is raised matters enormously to the country's future prosperity.

Over the course of this century, Australia's tax system has drifted towards wage earners bearing a larger share of the tax burden. That needs to be addressed.

Policymakers need to keep the traditional tax reform mantra of 'broaden the base and lower the rate' in mind. That includes closing loopholes in the tax system to ensure existing taxes are applied evenly and everyone pays their fair share.

Ultimately, when it comes to meeting future revenue challenges, tax changes that are broader in scope, grounded in good tax design and help to support stronger productivity growth should be the focus.

Budget forecasts

Deloitte Access Economics' forecasts for key budget aggregates are shown in Table i.

Unforeseen revenue upgrades provided some breathing room for the budget over the past couple of years, but structural issues remain very much in place. That becomes apparent when looking at the budget deficits set to roll in over the coming years.

The 2024-25 Final Budget Outcome revealed the underlying cash balance for 2024-25 to be a deficit of just under $10.0 billion. That was a significant improvement on the deficit of $27.9 billion estimated in April's 2025 Pre-Election Economic and Fiscal Outlook (PEFO).

However, official projections show a sharp deterioration in the budget balance after 2024–25. The April 2025 PEFO outlined an expected $42.2 billion underlying cash deficit in 2025–26, with Deloitte Access Economics' forecasts slightly more optimistic at $38.9 billion.

That deterioration in Australia's fiscal fortunes is not a reflection of a downturn in the economy. The economy is not booming, but after the economic and fiscal rollercoaster experienced during the pandemic, conditions are decidedly more normal than they have been for some time.

Deloitte Access Economics expects nominal GDP growth to accelerate from 3.7% in 2024-25 to 4.0% in 2025-26 and 4.3% in 2026-27. That is above Treasury's official forecast of 3.25% and 4.0%, respectively, published in the April 2025 PEFO. In later years, Deloitte Access Economics expects nominal GDP growth of 4.6% and 4.8% in 2027–28 and 2028–29, below Treasury's forecast of 5.25% and 5.5% in those same years.

At the same time, the global economic environment remains fragile. Though well below their 2021 peaks, commodity prices have continued to be supported by Chinese demand.

That is unlikely to continue over the medium term, and prices are expected to moderate from here. Given that budget assumptions already bake in significant commodity price declines, a softer outlook does not necessarily pose a threat to revenue forecasts. It does, however, mean that 'surprise' revenue upgrades resulting from higher commodity prices may be less bountiful in the future.

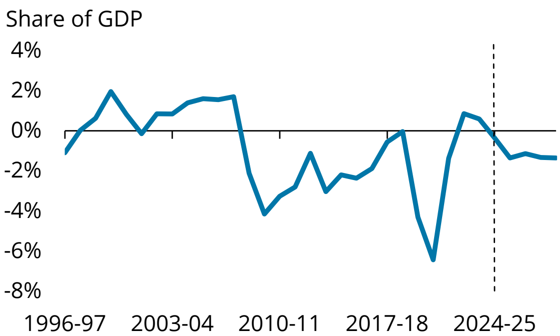
Even so, solid economic conditions should be resulting in better budget outcomes than the decade of deficits that are currently anticipated. That fact was noted recently by Reserve Bank of Australia (RBA) Governor Michele Bullock, who asked *"if we can't make the budget stronger during this period, while the economy is doing quite well and there's lots of people employed, then what happens in the next downturn?"*. That is a very reasonable question to ask, particularly given nominal economic growth – the key to the size of the overall tax take – has benefited from the post-pandemic surge in inflation.

The downswing in the budget bottom line indicates that longer-term spending challenges are becoming increasingly more present. The 'fast five' spending areas – defence, NDIS, aged care, health and interest costs – are all essential, but their growth is outpacing revenue at an unsustainable rate.

What matters now is disciplined, long-lasting action to improve the budget bottom line, including tighter spending controls paired with reforms to the tax system.

Over the four years to 2028-29, Deloitte Access Economics expects a cumulative deterioration in the underlying cash balance of $7.7 billion compared to the latest official forecast.

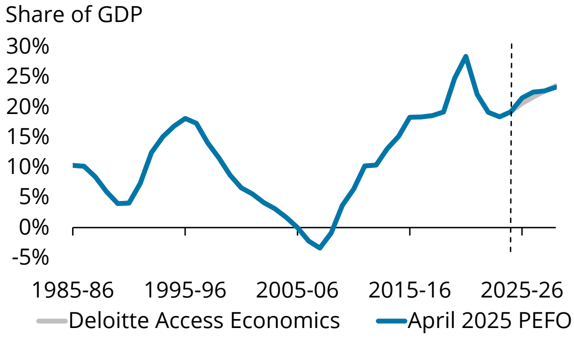
Chart i Underlying cash balance to GDP



Source: Deloitte Access Economics, based on Commonwealth of Australia data

Net debt as a share of gross domestic product (GDP) is expected to be smaller than the official forecasts from the April 2025 PEFO over the first two years of the forecast period. Deloitte Access Economics expects net debt to worsen over time. Official forecasts assumed net debt would reach 23.1% as a share of GDP by 2028-29, while Deloitte Access Economics expects this figure to be 23.5%.

Chart ii Net debt to GDP



Source: Deloitte Access Economics, based on Commonwealth of Australia data

Alternative policy costings

Recent editions of *Budget Monitor* have made the case for tax reform to tackle Australia's economic and budget challenges. And while the Government has commendably turned up the volume on economic reform since the 2025 election, so far there has been more talk than action.

Deloitte Access Economics has not softened its view that Australia needs major economic reform to address the structural budget deficit, improve the equity and efficiency of the tax system, and lift the economy's potential growth rate by sharpening the incentives for productivity growth.

The good news is that a well-designed fiscal strategy can tackle all three of these problems. Deloitte Access Economics has analysed a suite of tax reforms that would help to close the structural budget deficit, improve the intergenerational equity of the tax system, and facilitate stronger productivity growth.

The policies include:

1. Simplifying the personal income tax system and indexing the tax brackets to inflation

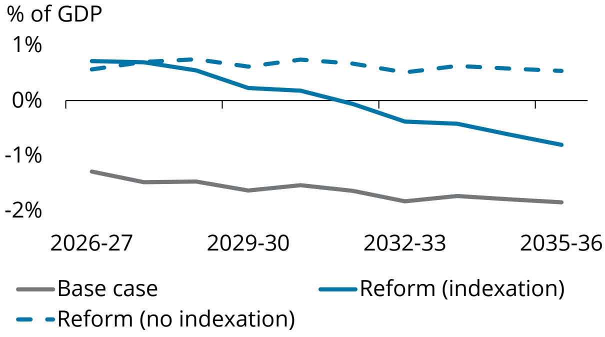
2. Harmonising the company tax rate at 20% for all companies, while introducing a new tax that only applies to 'super profits'

3. Increasing and broadening the GST, alongside a commensurate increase in welfare payments
4. Reducing the capital gains tax discount from 50% to 33%
5. Introducing a broad-based, low-rate inheritance tax.

The fiscal impact of the policies, modelled over a ten-year timeframe from an assumed start date of 2026-27, is shown in the chart below – both with and without indexation of income tax thresholds.

While there are strong economic and fairness arguments for indexing the income tax thresholds, it would be an expensive and structural change to the budget's tax base. Implementing this policy would require a commitment to longer term reforms – including measures to slow spending growth or unearth new sources of revenue – beyond what has been analysed in this report.

Chart iii Underlying cash balance, base case and reform case, share of GDP



Source: Deloitte Access Economics, based on Commonwealth of Australia data

Overall, the package of reforms analysed above would add an average of $57 billion per year to the underlying cash balance over the next decade.

Australia would be on track to record an average underlying cash surplus of 0.5% of GDP over the next five years, as opposed to an average deficit of -1.4% of GDP under the status quo.

Table i Budget projections

	Outcome 2024-25	Forecast 2025-26	2026-27	2027-28	2028-29
Budget aggregates, $ billion					
Revenue (accrual)	733.0	755.5	787.8	815.9	860.7
% of GDP	26.4%	26.2%	26.2%	25.9%	26.1%
Taxation revenue	677.2	699.5	731.2	757.3	800.2
% of GDP	24.4%	24.3%	24.3%	24.1%	24.3%
Non-taxation revenue	55.8	56.0	56.7	58.6	60.5
% of GDP	2.0%	1.9%	1.9%	1.9%	1.8%
Expenses (accrual)	770.1	787.8	809.7	847.8	895.3
% of GDP	27.8%	27.3%	26.9%	26.9%	27.1%
Fiscal balance	-44.8	-41.0	-31.0	-43.9	-44.8
% of GDP	-1.6%	-1.4%	-1.0%	-1.4%	-1.4%
Official forecast of fiscal balance	-44.8	-44.2	-32.1	-39.4	-37.3
Difference in fiscal balance	0.0	3.2	1.2	-4.5	-7.5
Underlying cash balance	-10.0	-38.9	-34.2	-41.6	-44.6
% of GDP	-0.4%	-1.4%	-1.1%	-1.3%	-1.4%
Official forecast of underlying cash balance	-10.0	-42.2	-35.4	-37.1	-37.0
Difference in underlying cash balance	0.0	3.2	1.2	-4.5	-7.5
Net cash flows from investments in financial assets[1]	-11.8	-23.1	-22.8	-20.0	-19.0
Headline cash balance	-21.8	-62.0	-57.0	-61.6	-63.6
% of GDP	-0.8%	-2.2%	-1.9%	-2.0%	-1.9%
Official forecast of headline cash balance	-21.8	-65.2	-58.1	-57.0	-56.0
Difference in headline cash balance	0.0	3.2	1.2	-4.5	-7.5
Net debt	532.3	594.4	651.3	712.9	776.5
% of GDP	19.2%	20.6%	21.7%	22.7%	23.5%
Official forecast of net debt (% of GDP)	19.2%	21.6%	22.6%	22.7%	23.1%
Economic forecasts, % growth					
Real GDP	1.3%	2.0%	2.2%	2.5%	2.4%
Employment^	2.2%	1.0%	1.3%	1.4%	1.3%
Unemployment rate*	4.2%	4.4%	4.5%	4.5%	4.5%
Consumer price index~	2.1%	3.5%	2.5%	2.5%	2.4%
Wage price index^	3.4%	3.4%	3.4%	3.2%	3.3%
Nominal GDP	3.7%	4.0%	4.3%	4.6%	4.8%

Rates of growth in all tables (unless otherwise indicated) are 'year average percentage changes' – the percentage change between the year indicated and the prior year. ^Employment and the wage price index are through the year growth to the June quarter. ~Consumer price index is through the year growth to the September quarter. *Unemployment rate is the rate for the June quarter. 'Official forecasts' refer to projections in the April 2025 PEFO. [1]Net cash flows from investments in financial assets for policy purposes. Prior to 1999-00 these flows were known as 'net advances'.
Source: Deloitte Access Economics, Commonwealth of Australia.

Budget backdrop

Can the government hold the line on spending?

This edition of *Budget Monitor*

Budget Monitor provides an independent view on the Federal Budget.

Unless otherwise indicated, the official forecasts shown in this issue of *Budget Monitor* are drawn from the April 2025 Pre-election Economic and Fiscal Outlook (PEFO). To produce the budget forecasts presented in this report, Deloitte Access Economics has updated the PEFO figures by incorporating:

- The latest actual Commonwealth Monthly Financial Statements data published by the Department of Finance up to October 2025
- The effect of policy decisions announced by the Federal Government up to and including 5 November 2025
- The effect of changes in economic parameters based on Deloitte Access Economics' latest forecasts and therefore capturing any difference between those forecasts and Treasury's view of the economic outlook included in April's PEFO.

Deloitte Access Economics' latest economic forecasts were published in the September 2025 edition of *Business Outlook* and released on 1 October 2025.

The remainder of this backdrop describes the economic and policy context surrounding the release of the 2025-26 Mid-Year Economic and Fiscal Outlook (MYEFO).

Little movement on revenue means spending matters

Much of the story of budget fortunes tends to be written on the revenue side, but spending also plays a critical role in determining the bottom line.

Spending restraint in the face of rising revenues has been a key part of the Government's fiscal strategy over the course of the post-pandemic recovery. By allowing much of the sizeable increases in revenue received since 2022 to flow through to the bottom line, the Government has been able to repair the budget without taking major decisions to cut spending or increase taxes.

However, the run of enormous revenue writeups is likely to be over – at least for now. The last three budget updates offered up comparatively modest revenue upgrades due to changes in economic assumptions and commodity prices. In total over the forward estimates, those upgrades totalled around $48 billion, compared to 'surprise' revenue increases of closer to $320 billion over the forward estimates in total across the previous three updates to the budget (that is, the 2022-23 October Budget, the 2023-24 Budget, and the 2023-24 MYEFO).

Deloitte Access Economics' forecasts contained in this edition of *Budget Monitor* show that this more modest revenue upgrade will also be true in the upcoming MYEFO.

The updated economic outlook in MYEFO will add to spending pressures. Deloitte Access Economics predicts that parameter variations will add around $3.9 billion to spending over the forward estimates before a single policy decision is taken. That will be enough to drag deficits lower despite the lift in revenue.

While the Government deserves some credit for limiting past spending increases at a time when spending more would have been easy, it will need to work harder to contain spending in the years ahead.

On the outlook for spending, the 2025-26 Budget set a high bar. As the Treasurer noted in his speech on budget night, the 2025-26 Budget included a forecast for payments growth to average 1.7% per year to 2028-29 in real (inflation-adjusted) terms.

For context, excluding the period affected by the COVID-19 pandemic, average annual real payments growth this century has been more like 3.4%.

Consistently holding spending growth at half the historical norm will be a challenging exercise, even more so when considering that much of the spending of government is related to services, such as health and care services, which are recording rapid price rises.

A further complication is that, in the 2025-26 Budget, spending on wages was optimistically anticipated to stay flat at around $30 billion over the forward estimates. Updated forecasts in the 2025-26 MYEFO will almost certainly reflect higher salary costs from both additional staff and scheduled pay increases, potentially offset by a mooted 5% cut to the budgets of some public sector departments, which has made headlines in recent weeks.

Now is the time

Containing short-term deficits will be hard but there are some reasons to be optimistic that spending restraint might be possible.

One factor assisting the government in containing spending is that Australian politics has been focused on big problems with relatively small price tags. Negotiating a critical minerals and rare earths deal with the Trump administration, improving safety in the Early Childhood Education and Care sector, dealing with the (un)reliability of emergency calls, and implementing age restrictions for certain social media apps are all examples of high-profile issues that are not overly costly to manage.

Meanwhile, reforms aimed at containing costs have moved through the parliament without much resistance. Increasing the contributions that older Australians make to the cost of their aged care – particularly in the home – have not attracted major controversy. Likewise, a lift in deeming rates applied in calculating income support payments is a saving measure that has attracted little attention (in part because deeming rates had been frozen since May 2020, saving social security recipients some $1.8 billion in the years since).

Then there are avoided costs. Caving to Türkiye's insistence that it hosts the 31st United Nations Climate Change Conference in 2026 may well be a missed opportunity in many respects – and for Adelaide in particular.

But it also means not spending the associated costs, estimated at up to an eye-watering $2 billion.

That the Government has a strong majority also presents an opportunity when it comes to budget repair. Over this term of parliament, there may be less need for the Government to use new spending to address political problems or to win favour with the public.

One important test for the 2025-26 MYEFO will be in relation to the Government's energy subsidies. The Treasurer has noted those subsidies will not last forever and will be up for review. That makes the timing of an unwelcome re-acceleration of inflation somewhat awkward, with the increase in the pace of price growth shifting cost-of-living back up the list of concerns facing the electorate. That may make the optics of not further extending energy bill relief to households – which are currently due to expire in December – too politically unpalatable to ignore.

Separately, several bailout packages relating to manufacturers and mineral processors have hit the books (with such promises having a tendency both to drag on and to multiply).

In the medium term, things will get harder still, as there are some major spending priorities looming that are yet to be fully addressed. Growth in spending on the National Disability Insurance Scheme (NDIS) will not be slowed by targets alone, and plans to limit spending growth risk creating new spending pressures outside the scheme.

Defence spending too is becoming a more pressing national priority and longer-term trends around health and aged care will place upward pressure on spending that extends well beyond the end of the forward estimates.

Beware the struggling states and territories

Federal state financial relations are becoming the elephant in the room when it comes to fiscal outcomes at both levels of government. Indeed, another way in which the Federal Government has contained spending is by playing hardball with its state and territory counterparts.

Several high-profile negotiations are underway, including in relation to disability support and a new National Health Reform Agreement on public hospitals. The states and territories naturally want more funding, but the expenditure profile in the forward estimates assumes the Commonwealth gives little ground. That may be a good way to manage the Federal Budget, but it is inconsistent with the way states and territories are able to manage their own affairs, and some jurisdictions are already hurting financially.

There are limits to how tough the Treasurer can be in practice. Australia's Federation relies on a combination of the goods and services tax (GST) and other Commonwealth funding to address substantial vertical fiscal imbalances. As long as the Federal Government raises the taxes and the states and territories handle the service delivery there, will always be pressure for funding flows to the jurisdictions to grow over time.

There comes a point where too tight a grip on spending results in poor outcomes, such as reductions in service quality or access. Over the longer term, some jurisdictions could need to take more drastic action on tax or spending. At the extreme, the idea of a de-facto federal bailout of certain jurisdictions is not unthinkable.

In other words, there is a balance to be struck. Some penny pinching is good, but too much risks further fraying the delicate balance of federation.

Making moves on tax

With the cost of government continuing to rise over time, Australia needs a better national conversation about the right level of revenue and the best way to raise it. Here, the politics are challenging.

The Government has been keen to be seen cutting taxes for most Australians and raising taxes on the fortunate few.

The tax cuts have been the easy part. Broad-based but modest income tax cuts were part of Labor's election pitch and follow on from the revamped Stage 3 tax cuts introduced on 1 July 2024.

But raising taxes elsewhere has proved to be more difficult than expected.

After an ongoing political fight, the Government has had to wind back its proposed changes to superannuation taxes. The original package would have increased the tax rate on superannuation earnings to 30% (from the current 15%) for balances over $3 million, with earnings taxed whether a capital gain is 'realised' or not.

Most Australians would agree 'the rich' should pay more tax. But the successful pushback on superannuation tax changes is a reminder that this is hard to achieve in practice. In part, that's because it can be difficult to define 'the rich', and it's often possible to find examples of people who are caught in the tax net unexpectedly. It can also be hard to achieve because wealthier people tend to have more opportunity to determine where their income is derived from and when it is realised.

Both of those issues weighed against the proposed superannuation tax changes. Criticisms related to indexation and the plight of farmers who have significant assets in superannuation confused the messaging around who would be affected by the changes, while the proposed taxation of unrealised capital gains provided opponents with a clear target.

Ultimately the package had the right intention but relied heavily on taxing unrealised capital gains. From a tax design standpoint, taxing unrealised gains is problematic. Australia's tax system should consistently measure and tax capital gains. The appropriate way to apply that tax is when the taxpayer has received the gain.

Australia will need higher taxes over time to pay for the promises governments have made and intend to keep. How that tax revenue is raised matters enormously to the country's future prosperity.

Over the course of this century, Australia's tax system has drifted towards wage earners bearing a larger share of the tax burden. That needs to be addressed.

Policymakers need to keep the traditional tax reform mantra of 'broaden the base and lower the rate' in mind. That includes closing loopholes in the tax system to ensure existing taxes are applied evenly and everyone pays their fair share.

When it comes to meeting future revenue challenges, tax changes that are broader in scope, grounded in good tax design and help to support stronger productivity growth should be the focus.

Economic outlook

Economic growth is expected to gradually strengthen. Will the budget?

The Australian economic outlook

The Australian economy is emerging from the challenges of recent years. Inflation has moderated from the post-pandemic highs (though is still yet to be fully tamed) interest rates have declined, and as a result, the private sector is showing signs of a revival.

Most of that improved outlook for the private sector is due to household spending, while dwelling investment and business investment remain soft. Until investment picks up, households and the public sector will be the main drivers of economic growth.

Public consumption is forecast to rise from a record 22% of the economy in 2024 to almost 24% by 2030, well above the pre-pandemic decade average of 18%. Meanwhile, public sector investment has come off a peak in recent quarters as large-scale projects wrap up.

Overall, while real economic growth is expected to firm, it is likely to remain below historical average rates of growth as low productivity and weak investment constrain the pace at which activity can expand. That was brought into sharp relief over recent months by a lift in inflation, indicating that even the modest acceleration in economic activity seen in 2025 has been too much for the supply side of the economy to handle.

At the same time, the global economic environment remains fragile. Though well below their 2021 peaks, commodity prices have continued to be supported by Chinese demand. That is unlikely to continue over the medium term, and prices are expected to moderate from here. Given that budget assumptions already bake in significant commodity price declines, a softer outlook does not necessarily pose a threat to revenue forecasts. It does, however, mean that 'surprise' revenue upgrades resulting from commodity prices may be less bountiful in the future.

Even so, solid economic conditions should be resulting in better budget outcomes than the decade of deficits that are currently anticipated.

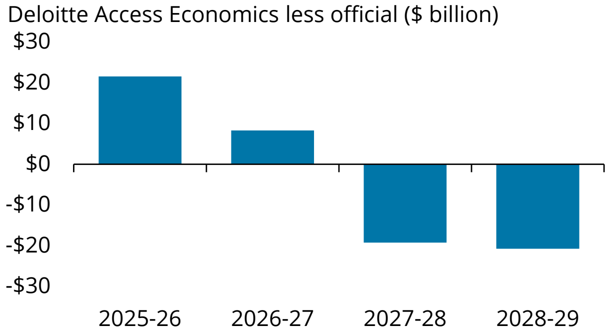
That fact was noted recently by Reserve Bank of Australia (RBA) Governor Michele Bullock, who asked *"if we can't make the budget stronger during this period, while the economy is doing quite well and there's lots of people employed, then what happens in the next downturn?"*.

That is a very reasonable question to ask, particularly given nominal economic growth – the key to the size of the overall tax take – has benefited from the post-pandemic surge in inflation.

Deloitte Access Economics expects nominal GDP growth to accelerate from 3.7% in 2024-25 to 4.0% in 2025-26 and 4.3% in 2026-27. That is above Treasury's official forecast of 3.25% and 4.0%, respectively, published in the April 2025 PEFO. In later years, Deloitte Access Economics expects nominal GDP growth of 4.6% and 4.8% in 2027–28 and 2028–29, below Treasury's forecast of 5.25% and 5.5% in those same years.

As a result, Deloitte Access Economics expects the nominal economy to be almost $2.5 billion smaller on average from 2025-26 to 2028-29 compared to the official forecasts (see Chart 1).

Chart 1 Difference in nominal GDP forecasts



Source: Deloitte Access Economics, based on Commonwealth of Australia data. Note: Data shows the difference between the latest Deloitte Access Economics forecasts and the official forecasts published in April 2025.

The labour market has remained remarkably resilient in recent times, with the unemployment rate remaining below historical averages for an extended period.

While still relatively low, the unemployment rate is gradually creeping higher as labour demand eases relative to supply.

Solid economic growth over the coming years should give the government an opportunity to implement meaningful reform.

There are several risks to the economic outlook that could affect the budget, including sub-par productivity growth, the fragility of the household spending recovery, structural challenges within China's economy, rising inequality and lacklustre business investment.

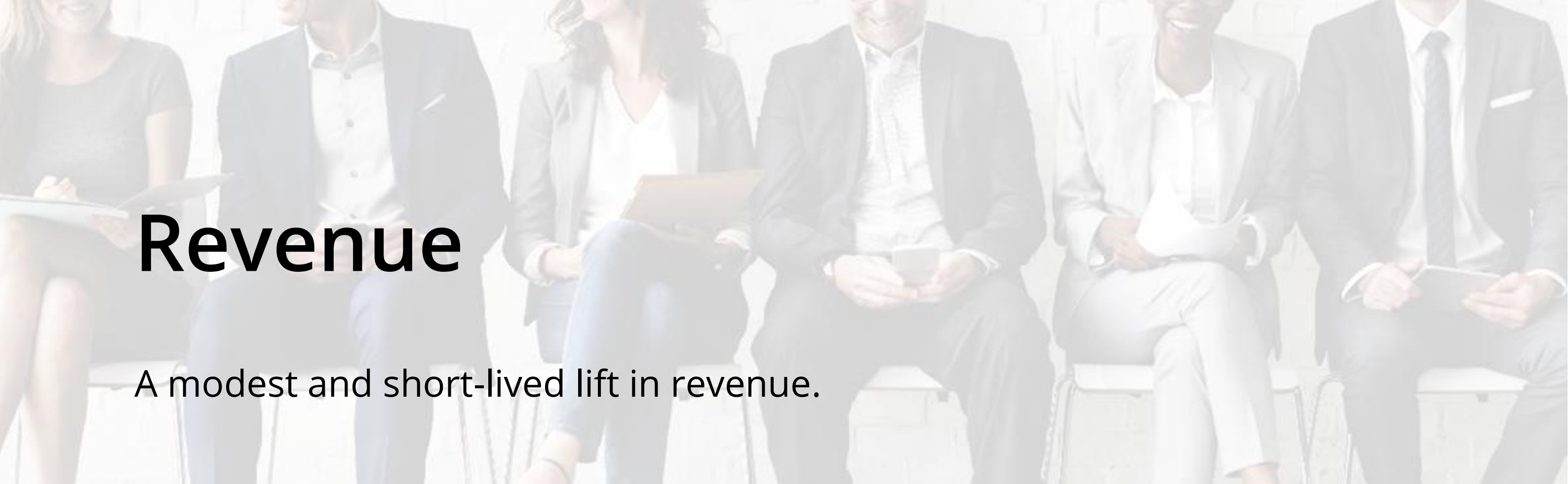
Those risks are real, though they are balanced against the positives of gradually improving household balance sheets, a healthy labour market, rapidly rising asset prices (including in both the housing market and the sharemarket) and the continued support of public spending.

Overall, Deloitte Access Economics expects real economic growth to rise to 2.0% in 2025-26 and 2.2% in 2026-27.

Table 1 Australian economic forecasts (% growth)

	History 2024-25	Forecast 2025-26	2026-27	2027-28	2028-29
Gross domestic product					
Household consumption	1.0%	2.6%	2.5%	2.5%	2.3%
Dwelling investment	3.3%	2.8%	3.3%	5.3%	5.1%
Business investment	0.7%	3.6%	4.2%	3.2%	2.8%
Public final demand	4.4%	1.6%	3.5%	3.3%	3.1%
Gross national expenditure	2.1%	2.3%	3.0%	2.9%	2.8%
Real GDP	1.3%	2.0%	2.2%	2.5%	2.4%
Nominal GDP	3.7%	4.0%	4.3%	4.6%	4.8%
Prices and wages					
Consumer price index~	2.1%	3.5%	2.5%	2.5%	2.4%
Wage price index^	3.4%	3.4%	3.4%	3.2%	3.3%
GDP deflator	2.4%	2.0%	2.0%	2.1%	2.3%
Terms of trade	-3.8%	-1.5%	-0.9%	-0.8%	0.3%
Labour market and population					
Participation rate*	67.0%	66.7%	66.7%	66.7%	66.6%
Employment^	2.2%	1.0%	1.3%	1.4%	1.3%
Unemployment rate*	4.2%	4.4%	4.5%	4.5%	4.5%
Population	1.6%	1.5%	1.3%	1.2%	1.2%

Note: Base year for real data is 2022-23. Rates of growth in all tables (unless otherwise indicated) are 'year average percentage changes' – the percentage change between the year indicated and the prior year. ^Employment and the wage price index are through the year growth to the June quarter. ~Consumer price index is through the year growth to the September quarter. *Unemployment rate and participation rate is the rate for the June quarter. Source: Deloitte Access Economics, Australian Bureau of Statistics



Revenue

A modest and short-lived lift in revenue.

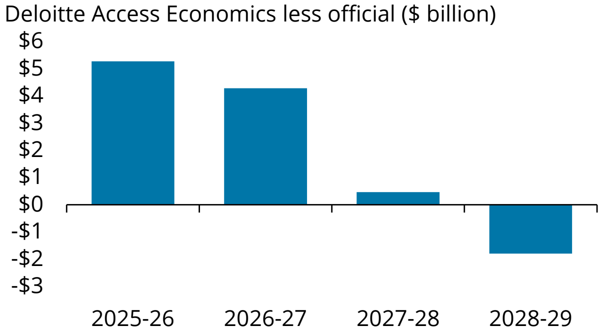
Overview

A more robust economy, a remarkably resilient labour market and strong gains on financial markets are combining to deliver short-term revenue gains for the budget. That strength is already evident in tax collections for the first three months of 2025-26, and Deloitte Access Economics expects this momentum to continue into the following financial year as well.

A larger-than-expected wage bill, solid capital gains and better-than-expected small business income are lifting taxes paid by individuals. At the same time, a brighter economic picture is boosting company tax and superannuation fund taxes. However, the good news is not likely to persist across the forward estimates, with 2027-28 and 2028-29 shaping up to be disappointing relative to the most recent official forecasts.

A slowdown in wages and employment growth will weigh on individual income tax collections, while an economy that falls short of Treasury's expectations will trim company tax in 2028-29.

Chart 2 Revenue forecast compared to PEFO



Source: Deloitte Access Economics, based on Commonwealth of Australia data

Table 2 Accrual revenue estimates ($ billion)

	2025-26		2026-27		2027-28		2028-29	
	Official estimate	*Budget Monitor*	Official estimate	*Budget Monitor*	Official estimate	*Budget Monitor*	Official estimate	*Budget Monitor*
Individuals[1]	357.8	359.7	378.8	380.9	402.4	402.9	431.0	429.9
Company tax	143.5	144.6	147.9	149.1	147.5	148.0	153.6	153.1
Superannuation fund taxes	25.6	29.0	26.1	28.2	26.1	26.4	28.9	29.7
Other income tax[2]	7.1	7.4	6.9	7.2	7.0	7.3	7.0	7.1
Total income tax	534.0	540.7	559.7	565.4	583.1	584.7	620.4	619.8
GST	99.3	99.8	104.6	105.6	110.5	112.0	116.6	118.3
Excise and customs duty	43.8	42.0	45.0	42.8	45.0	42.8	46.0	43.7
Other indirect tax[3]	17.2	17.1	17.5	17.4	17.9	17.8	18.6	18.4
Total indirect tax	160.3	158.9	167.0	165.8	173.5	172.6	181.1	180.4
Total taxation revenue	694.3	699.5	726.7	731.2	756.5	757.3	801.6	800.2
Non-taxation revenue[4]	56.0	56.0	56.8	56.7	58.9	58.6	60.9	60.5
Total revenue	750.3	755.5	783.6	787.8	815.4	815.9	862.5	860.7

Note: Official estimates are sourced from the April 2025 PEFO where data exists, and from the 2025-26 Budget where PEFO data is not provided. 1 Individuals includes gross income tax withholding, gross other individuals less refunds. 2 Other income tax includes fringe benefits tax and petroleum resource rent tax. 3 Other indirect tax includes wine equalisation tax, luxury car tax, major bank levy, agricultural levies, and other taxes. 4 Non-taxation revenue includes sales of goods and services, interest, dividends and distributions, other non-taxation revenue. Source: Deloitte Access Economics, The Commonwealth of Australia.

Deloitte Access Economics expects the 2025-26 MYEFO to show a solid $5.3 billion upgrade to revenue in 2025-26 compared to the forecast in the April 2025 PEFO. An additional $4.2 billion is expected in 2026-27, before the gap narrows to $0.5 billion in 2027-28. A downgrade of $1.8 billion is then anticipated in 2028-29.

The total forecast upgrade to revenue of $8.2 billion across the forward estimates, (or $2.1 billion on average per year over four years) is modest in the context of the $44.6 billion deficit predicted for 2028-29.

Individuals and other withholding tax

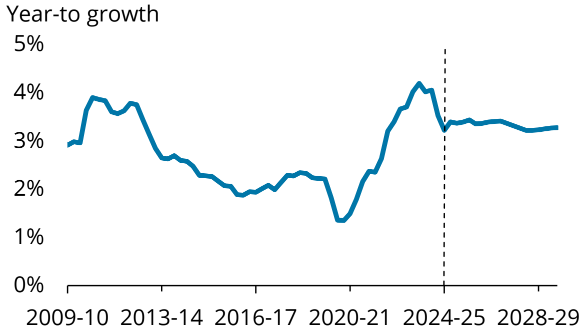
Gross income tax withholding

Income tax withholding remains the largest and most stable revenue source. Recent trends tell a familiar story – strength in the labour market has outperformed expectations, driving stronger-than-forecast pay as you go (PAYG) collections and providing a modest boost to revenue. That saw collections for 2024-25 revised up by more than $2 billion between Treasury's 2025-26 Budget estimate and the outcome for the full year. Looking ahead, solid employment and wage growth are expected to keep revenue elevated in 2025-26 and 2026-27.

That pattern begins to unwind in the out years. Deloitte Access Economics expects both employment and wages to grow more slowly from 2027-28 than assumed in the latest official projections, such that Deloitte Access Economics' forecast for total wage-bill growth is around one percentage point lower than Treasury's across the four years to 2028-29.

As a result, stronger receipts in the next two years are more than offset by softer growth later. On balance, gross income-tax withholding revenue is projected to be around $329 million lower than the official forecasts across the forward estimates – a rounding error in the context of a revenue source that is anticipated to raise $342.0 billion each year on average over the forward estimates.

Chart 3 Wage Price Index



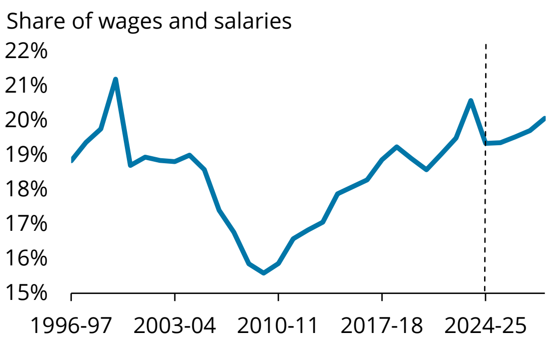
Source: Deloitte Access Economics, Australian Bureau of Statistics

The 2025-26 Budget included tax cuts, reducing the 16% rate applying to taxable income between $18,201 and $45,000 to 15% from 1 July 2026, followed by a further reduction to 14% from 1 July 2027. These measures are already accounted for in the official forecasts but temper the upside that would otherwise flow from stronger wages.

Despite these cuts, income tax withholding revenue is projected to climb back above 11% of GDP by 2026-27. This reflects the budget's growing reliance on individual taxpayers, who now contribute almost half of total tax revenue, up from less than 40% in the early 2000s.

A growing dependence on household income taxes ties fiscal outcomes increasingly to the performance of the labour market and has implications for productivity and participation. Rising average and marginal tax rates – for example, through bracket creep – can discourage additional work, saving or investment in skills, especially among second earners and middle income workers. These factors influence both the economy's productive capacity and the sustainability of the revenue base over the long term.

Chart 4 Average rate of personal income tax



Source: Deloitte Access Economics, Australian Bureau of Statistics

Gross 'other individuals' tax

'Other individuals' taxes capture income earned outside the PAYG system, including investment returns, capital gains and small business profits. This mix makes the category more volatile than wages-based collections, with receipts that rise and fall closely in step with the economic cycle.

This head of revenue has been a standout performer in recent years, buoyed by high inflation, strong asset price growth and solid investment returns. Collections grew at an average annual rate of around 15% in the four years to 2024-25, with the sharpest gains in 2021-22 and 2022-23 as buoyant equity markets and reduced interest deductions lifted taxable income. Growth has since moderated as cost pressures have eroded business profits and higher rates added to deductions (offsetting the effect of higher interest receipts). Collections are anticipated to be flat in 2025-26.

Even so, the near-term outlook has strengthened since the release of the April 2025 PEFO. Building on the same labour-market momentum that has modestly lifted PAYG revenue, Deloitte Access Economics expects upward revisions to gross 'other individuals' collections from 2025-26 to 2027-28. The first three months of the current financial year have outperformed expectations, supported by steady investment returns and resilient household income growth. Small business profits are also expected to rebound from double-digit falls in 2024-25, as the same tailwinds underpinning recent company profit strength flow through to unincorporated businesses.

Further ahead, revenue growth is projected to continue but at a slower pace than assumed by Treasury, reflecting Deloitte Access Economics' softer outlook for the nominal economy and profits towards the end of the forecast period.

Overall, Deloitte Access Economics expects gross 'other individuals' tax revenue to be around $3.2 billion higher than official forecasts across the forward estimates, with stronger near-term collections partly offset by shortfalls in the final year of the forward estimates.

Income tax refunds for individuals

Refunds move broadly in line with overall income tax collections. More tax paid during the year generally means larger refunds once returns are lodged. The timing and size of refunds also depend on labour market dynamics and policy settings.

Both factors are pushing refunds slightly higher in 2025-26 and 2026-27. Recent rises in unemployment and increased job churn mean more individuals are working for only part of the year or changing employers. Because PAYG withholding assumes full-year earnings, this churn often results in over-withholding and subsequently larger refunds.

Deloitte Access Economics expects income-tax refunds to be $0.5 billion smaller than official forecasts across the forward estimates. The revisions to personal income tax collections in 2027-28 and 2028-29 are anticipated to place downward pressure on refunds in those years, offsetting the upward pressure on refunds in 2025-26 and 2026-27 stemming from the forecast rise in the unemployment rate.

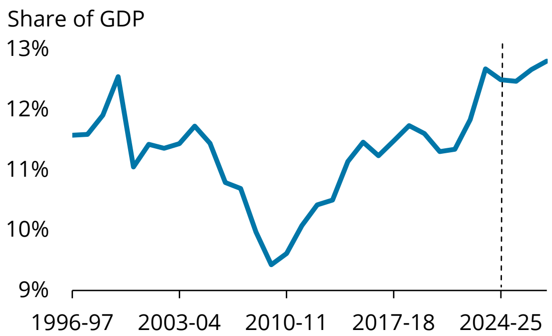
Total revenue from taxes on individuals

A labour market that continues to impress in the face of a recently weak economy is helping to boost PAYG collections, particularly over the next two years.

But minor disappointments on both wages and employment will drag on revenues over time, leaving collections from individuals in 2028-29 lower than expected before the election.

On balance, Deloitte Access Economics expects MYEFO to deliver $3.4 billion increase in revenue collected from individuals across the forward estimates, with the good news landing early.

Chart 5 Taxes on individuals as a share of GDP



Source: Deloitte Access Economics, Australian Bureau of Statistics

Recent tax cuts have helped to pause the long running increase in taxes on individuals as a share of the economy, but by the end of the forward estimates period that ratio will have breached new heights. That result is a reminder of the budget's unhealthy – and worsening – reliance on personal income tax.

Company and other (non-personal) income tax

Company income tax

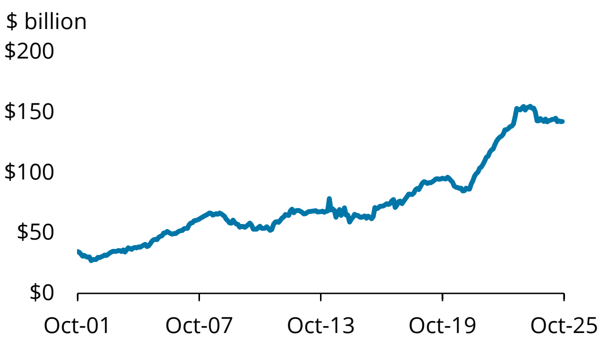
Company tax is the second largest revenue source, and it is highly volatile, meaning it can often be the source of major forecasting surprises. Revisions typically reflect either conservative assumptions embedded in official forecasts, or genuine surprises in the economy (especially commodity-price shifts affecting company profitability).

Conservative assumptions are again playing a role, though the magnitude is relatively small. Key commodity prices have been trending lower in recent months, particularly iron ore, and Treasury continues to assume a rapid return to long-run price averages.

The 2025-26 Budget assumed iron ore would fall to US$60 per tonne, metallurgical coal to US$140 per tonne and thermal coal to US$70 per tonne over four quarters. While spot prices have declined, they have not fallen nearly as rapidly. Official forecasts from the Department of Industry, Science and Resources also imply more modest declines, with iron ore prices expected to remain 37% above the 2025-26 Budget assumption in 2026-27, and metallurgical coal prices expected to be higher, not lower, in 2027.

This gap between Treasury's technical assumptions and market conditions generates a windfall for company tax collections, particularly in the early forecast years.

Chart 6 Company tax, rolling 12 month total



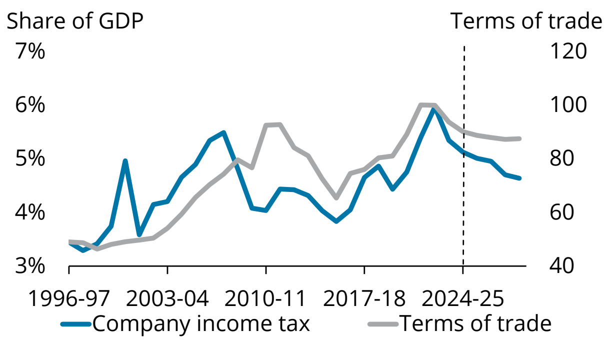
Source: Deloitte Access Economics

Commodity prices are not the whole story. Company profits more broadly have been under pressure, affected by slower economic growth, high interest rates, soft consumer spending and elevated input costs. That environment is now improving. Private sector activity is strengthening and consumers are becoming more optimistic.

Even with this improvement, Deloitte Access Economics expects gross operating surplus to grow by just 1.8% in 2025-26. Better news on profits has not yet flowed through to company tax collections but is expected to do so over the remainder of 2025-26, with a similar outperformance likely in 2026-27.

In the medium term, modest downgrades to economic growth and household incomes will weigh on profits, leaving company tax in 2028-29 lower than forecast in the April 2025 PEFO.

Chart 7 Company tax and terms of trade



Source: Deloitte Access Economics, Australian Bureau of Statistics

Deloitte Access Economics expects company-tax revenue to be a cumulative $2.2 billion above official projections across the forward estimates, concentrated in 2025-26 and 2026-27.

Fringe benefits tax

Fringe benefits tax (FBT) is a tax on substitutes for cash income, designed to remove (or, for those not on the top personal tax rate, to penalise) any incentive to receive remuneration not in the form of wages and salaries.

The most commonly salary packaged benefit in Australia is a car, so developments in the market for new vehicles play a role here. That's also where policy changes tend to be focused. The end to the FBT exemption for plug-in hybrid electric vehicles (PHEV) earlier this year has added to the size of the FBT base. With PHEV sales outperforming FBT-exempt fully electric vehicles, that is offering some support to collections over time.

Growth in FBT collections is projected to slow sharply in 2025-26 after several years of rapid growth. Modest gains are expected in 2026-27 and 2027-28, supported by slightly stronger wage and employment outcomes. Deloitte Access Economics forecasts FBT receipts to be a cumulative $0.6 billion above official projections over the forward estimates.

However, the broader trend remains one of declining use of fringe benefits. This will likely involve FBT collections growing more slowly than personal income tax over time.

Petroleum resource rent tax

The petroleum resource rent tax (PRRT) is an accountant's dream. A web of complex operational factors, timing issues and accounting rules can have a big influence on collections.

That complexity aims to create a tax that raises revenue without distorting investment decisions for companies making large, long-term bets on resource projects.

The 2023-24 Budget introduced reforms designed to lift PRRT receipts, and those changes have increased collections. Other things equal, they mean deductions are less important and profits play a larger role in determining tax liabilities.

But the lift in revenue surrounding those reforms has already been felt, leaving trends in gas prices and production as more significant drivers of revenues going forward.

Those trends are unfavourable. Declining oil prices are expected to weigh on profits, while official forecasts from the Department of Industry, Science and Resources suggest gas production will fall by 2028-29. As a result, while collections are expected to grow strongly in 2025-26, they then take a noticeable step back over the subsequent three years.

Superannuation fund taxes

Superannuation taxes are levied on contributions to and earnings from super. Those two components link this head of revenue both to the size of the wage bill and to the performance of asset markets – particularly Australian equities.

The Government has made significant concessions on the previous package of superannuation tax changes. The proposed tax on unrealised capital gains has been dropped, and the revised reform introduces two new thresholds – a 30% rate on balances between $3 million and $10 million, and a 40% rate for balances over $10 million. Both thresholds will now be indexed to inflation, addressing earlier concerns about bracket creep. Meanwhile, the low-income superannuation tax offset is being increased and its income eligibility expanded, providing a meaningful boost for lower-paid earners.

Deloitte Access Economics estimates that the revised superannuation tax package – including the cost of the change to the low-income offset – will raise some $2.4 billion in revenue over the forward estimates to 2028-29..

Official forecasts expect a slight pull-back in 2025-26 following a remarkable doubling of revenues in 2024-25. However, recent data suggest both tax collections and investment returns remain stronger than anticipated. Market turbulence surrounding the Trump tariff episode proved short-lived, and global markets have posted strong gains since.

Better-than-expected investment returns, combined with faster growth in the wage bill, are lifting the near-term outlook for superannuation taxes.

Superannuation fund taxes remain a bright spot. Deloitte Access Economics expects revenue to be around $6.6 billion higher than Treasury's projections across the forward estimates, with most of the upgrade in 2025-26 and 2026-27.

That said, market valuations are stretched in several sectors, and any correction – particularly if AI-related earnings disappoint relative to expectations – could materially reduce superannuation tax receipts.

Goods and services tax

GST revenues are closely tied to consumer spending and dwelling construction.

Those are both components of the Australian economy that struggled in the 2024-25 financial year, but both have seen the outlook improving through the course of 2025.

Consumer confidence has firmed as interest rates have eased slightly and cost-of-living pressures have begun to abate. Survey data point to growing optimism about future conditions, suggesting recent momentum in discretionary spending will continue.

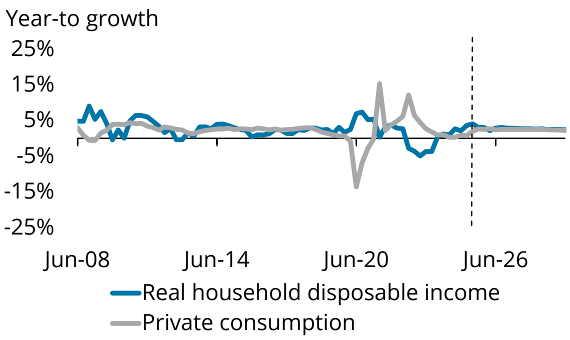
Inflation will also support GST receipts. Because the GST is charged on nominal spending, stubborn price growth during the final stages of the return to target will push the tax base higher than assumed in the April 2025 PEFO.

The composition of consumption will also be more supportive. Public sector spending was a key driver of growth in 2024-25.

Deloitte Access Economics' latest forecasts have seen activity shifting in favour of private sector consumption. Other things equal, that shift will assist collections relative to official expectations. Though the continuing growth of health spending, which is largely GST-exempt, means the share of consumption subject to GST remains under pressure over time.

Deloitte Access Economics' forecasts see slightly faster growth in household consumption across the forward estimates leading to a growing upward revision to GST revenues compared to official forecasts.

Chart 8 Consumer spending and real household disposable income



Source: Australian Bureau of Statistics, Deloitte Access Economics

Collections are expected to grow by 3.4% in 2025-26, above Treasury's expectations, with annual growth at rates above 5% forecast thereafter.

Across the forward estimates, GST revenue is expected to be $4.8 billion above official forecasts. As GST is fully distributed to the states and territories, the upgrade has no net effect on the Commonwealth's bottom line.

Excise and custom duties

Excise duties are levied on petroleum products, beer, spirits and tobacco, while equivalent customs duties apply to imported goods. Rates are generally indexed twice annually to the Consumer Price Index (CPI).

Australia has among the highest tobacco taxes globally. While intended to curb smoking, prices have now risen to the point where large numbers of consumers have shifted to illegal markets and legal tobacco sales have collapsed. For example, Coles' 2025-26 first quarter announcement reported a 57% fall in tobacco sales over the previous 12 months.

This is also appearing in the official data. Total customs duty collections, which include tobacco, are down by around one third in the first three months of 2025-26.

While some of the decline reflects fewer Australians smoking, the bulk reflects a shift to the black market, generating significant profits for organised crime.

Enforcement has stepped up with the establishment of the Illicit Tobacco National Disruption Group, a new taskforce led by the Australian Border Force and supported by $188.5 million in funding. Despite this, the black market remains large, and the window to reverse the revenue loss is closing.

Elsewhere, fuel excise continues to grow modestly but is increasingly constrained by fuel-efficiency gains and the sharp rise in hybrid vehicle uptake. According to the Federal Chamber of Automotive Industries, hybrids accounted for 18% of new vehicle sales in October 2025, up from 10% two years earlier. The recent Economic Reform Roundtable renewed focus on a national road-user charge to offset the decline in fuel-excise revenue, though any eventual scheme is expected to only target electric vehicles.

Alcohol excise faces headwinds as consumers shift from beer and spirits (taxed by volume) towards wine (taxed by value) or reduce alcohol consumption altogether. Indexation on draught beer excise is frozen until August 2027, further limiting growth.

Customs duties remain subdued in an environment of global trade tension. Despite rising protectionism internationally, Australia continues to pursue liberalisation. The Australia-United Arab Emirates (UAE) Comprehensive Economic Partnership Agreement came into force on 1 October 2025, reducing or eliminating a broad range of duties on imports from the UAE.

Across the forward estimates, Deloitte Access Economics expects excise and customs-duty revenue to fall $8.5 billion short of official forecasts.

Other indirect tax

Other indirect taxes include the major bank levy, the Wine Equalisation Tax (WET), the luxury car tax (LCT), agricultural levies and broadcasting fees, as well as other tax revenues collected by Commonwealth agencies.

Growth in collections for these taxes has slowed lately, with decelerating inflation leading to a more modest indexation of fees.

There are some bright spots. The major bank levy is expected to rise, reflecting recent growth in bank liabilities. Visa fees also look stronger, with 2025-26 set to deliver substantial increases in application fees at the same time as migration is likely to be revised higher based on recent data.

But LCT and WET revenues are set to fall short of expectations. Stronger discretionary spending provides some support, as do recent changes tightening eligibility for the higher LCT threshold for some large hybrid vehicles. However, declining prices for a range of electric vehicles will weigh on collections over coming years.

Deloitte Access Economics expects other indirect taxes to fall $0.4 billion short of official forecasts across the forward estimates, with the shortfall relatively consistent across the period.

Non-taxation revenue

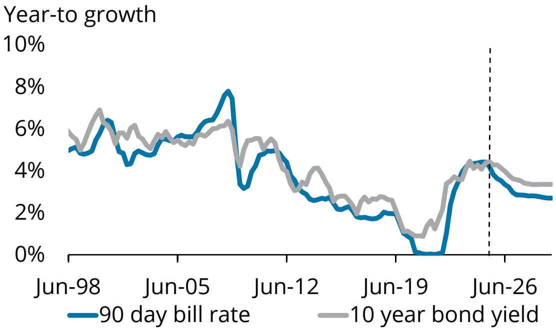
Interest receipts

Interest receipts on loans by the government – for example to the states and territories – are recognised as non-taxation revenue.

Interest rates are the key influence here. The April 2025 PEFO took Treasury's usual approach of holding recent market rates flat over the forward estimates. In contrast, Deloitte Access Economics expects long-term bond rates to decline over the next three years. This divergence leads to a widening gap over time, resulting in slightly lower interest revenue, though the reductions are modest in the context of the overall budget.

Deloitte Access Economics forecasts interest receipts to be a cumulative $0.8 billion below official projections across the forward estimates.

Chart 9 Interest rates



Source: Deloitte Access Economics

Dividend receipts

The RBA doesn't just set interest rates. Its role in the financial system means it has a web of assets and liabilities on its balance sheet and can make substantial gains and losses in markets.

Traditionally the gap between returns on the RBA's liabilities and assets was linked to inflation, but more recently other factors have been dominating underlying earnings. Since the pandemic, the RBA's assets have been mostly made up of Australian Government bonds, while its liabilities have primarily been exchange settlement balances – cash kept on behalf of banks for transactions. Bonds have been paying interest at rates that were fixed at low levels during the pandemic, while exchange settlement accounts saw interest rates rise as the cash rate has lifted in the years since. That mix has seen the RBA face losses on underlying earnings.

Movements in markets saw bond valuations move higher over 2024-25 helping to deliver an accounting profit of $11 billion. Yet almost all that profit went into the unrealised profits reserve, rather than showing up as cash earnings.

Looking forward, shifts in interest rates across the RBA's balance sheet are expected to see underlying earnings return to positive territory in coming years. But with the easing phase of the interest rate cycle mostly in the past, there is rather less scope for gains on markets. That combination should see the RBA post modest profits in coming years

But profits won't be turning into dividends soon, with past losses leaving a negative equity position and reserves in need of replenishment. The Treasurer has indicated that the priority over time is for the RBA to retain earnings and improve its equity position. As such, Deloitte Access Economics expects RBA dividends to remain at zero throughout the forward estimates.

The Commonwealth also receives dividends from government business enterprises (GBEs), though payments from most large entities are limited.

NBN Co is gradually becoming profitable, but with a $1 billion loss and ongoing equity injections in 2024-25, dividends remain unlikely. The Australian Rail Track Corporation continues to post losses, while Defence Housing Australia has a dividend moratorium to allow reinvestment in new housing. Australia Post has returned to modest dividend payments, and Snowy Hydro continues to pay out around one third of profits, contributing some $0.3 billion in 2024-25.

Overall, Deloitte Access Economics expects dividend receipts from GBEs to grow broadly in line with official forecasts.

Other non-taxation revenue

Other non-taxation revenue comprises payments for goods and services provided by the Commonwealth, contributions from the states for GST collection, and earnings from the Future Fund. Collections in this category have been relatively strong in recent years, partly due to improved cost recovery measures. However, revenue is expected to moderate over the forward estimates. Deloitte Access Economics anticipates modest growth in other non-taxation revenue.

Expenses and budget aggregates

The deficits are rolling in.

Overview

Unforeseen revenue upgrades provided some breathing room for the budget over the past couple of years, but structural issues remain very much in place. That becomes apparent when looking at the budget deficits set to roll in over the coming years. Without large revenue upgrades, restraining spending will be key. The pace of spending has picked up, and sound fiscal management will be needed to tame ballooning deficits.

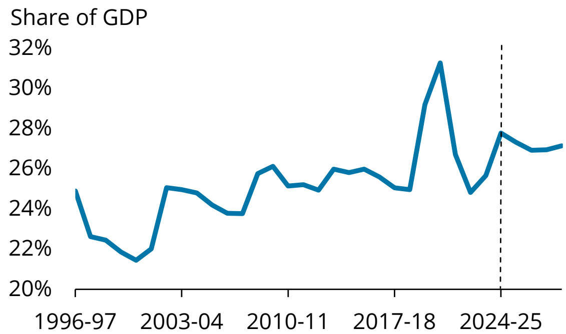
The 2024-25 Final Budget Outcome revealed the underlying cash balance for 2024-25 to be just under $10.0 billion, a significant improvement considering the April 2025 PEFO estimated a deficit of $27.9 billion. However, that improvement hinges largely on higher revenue rather than disciplined spending, underscoring the need to shift focus from revenue windfalls to stringent controls on expenditure.

One spending area attracting scrutiny is the public service wage bill. According to the Australian Bureau of Statistics, the number of federal public servants increased by 5.6% in the year to June 2025, up from 4.3% the year before and 3.2% in the year to June 2023.

Further, workers in the public service are set to receive a pay rise in of 3.4% in March 2026 as part of the 11.2% pay increase over three years from March 2024, agreed within the current Australian Public Service Commission enterprise agreement.

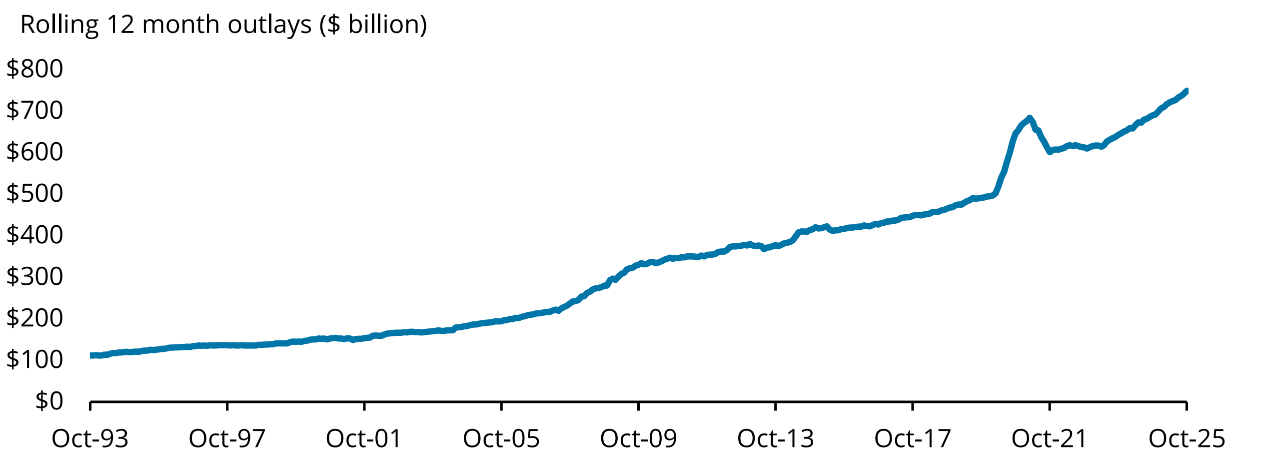
Yet, in the 2025-26 Budget, spending on wages was optimistically anticipated to stay flat at around $30 billion over the forward estimates. Updated forecasts in MYEFO will almost certainly reflect higher salary costs from both additional staff and scheduled pay increases, potentially offset by a mooted 5% cut to the budgets of some public sector departments, which has made headlines in recent weeks.

Chart 10 Accrual spending as a share of GDP



Source: Deloitte Access Economics, based on Commonwealth of Australia data

Chart 11 Federal spending, rolling 12 month total



Source: Based on Commonwealth of Australia data

The budget also faces funding cliffs across multiple departments, with a number of programs scheduled to end in 2025–26 or 2026–27. While some expiries will occur, it is unlikely that departments' budgets will fall by the full extent of those scheduled expiries, as the government extends programs or replaces them with alternatives.

Bailouts are becoming more common after the Whyalla steelworks deal, with the Government also spending hundreds of millions of dollars to support the Mount Isa copper smelter in Queensland and Nyrstar's struggling smelters in South Australia and Tasmania. While these interventions are consistent with the Future Made in Australia policy, the prospect of ongoing or repeated assistance raises questions about the cost to the budget over the long term.

Official projections show a sharp deterioration in the budget balance after 2024–25. The April 2025 PEFO included an expected $42.2 billion underlying cash deficit in 2025–26, with Deloitte Access Economics' forecasts slightly more optimistic at $38.9 billion.

The sharp downswing in the budget bottom line indicates that longer-term spending challenges are becoming increasingly more present. The 'fast five' spending areas – defence, NDIS, aged care, health and interest costs – are all essential, but their growth is outpacing revenue at an unsustainable rate.

What matters now is disciplined, long-lasting action to improve the budget bottom line, including tighter spending controls paired with reforms to the tax system.

Overall, Deloitte Access Economics expects the underlying cash balance to be cumulatively $7.7 billion worse off over the four years to 2028-29 compared to the forecasts outlined in the April 2025 PEFO.

Expenses

Effect of parameter variations

Differences between Deloitte Access Economics' latest economic forecasts and those in the April 2025 PEFO – parameter variations – provide the basis for some of the adjustments from the official forecasts. The expenses reconciliation is shown in Table 3 below.

The net effect of parameter variations is expected to result in a $3.9 billion increase in spending over the four years to 2028-29 compared to the April 2025 PEFO.

The bulk of that increase in spending is due to Deloitte Access Economics' higher inflation forecasts compared to Treasury's expectations, which is expected to result in $5.8 billion more in spending over the forward estimates.

Meanwhile, Deloitte Access Economics expects interest rates to be lower than Treasury's forecasts in the April 2025 PEFO, reducing spending by $5.9 billion over the forward estimates.

In terms of specific drivers:

- Activity: Deloitte Access Economics uses the unemployment rate as a proxy for the impact of economic activity on government spending. Treasury anticipates the unemployment rate will remain at 4.25% over the forward estimates, while Deloitte Access Economics' forecasts describe a gradual increase to 4.5% over time. The divergence is expected to gradually add to spending over time.
- Prices: Deloitte Access Economics expects inflation of 3.5% over the year to June 2026, above the 3.0% anticipated by Treasury in the April 2025 PEFO. Faster price growth results in higher-than-expected spending for the range of payments that are indexed to consumer prices.
- Wages: Variations in wages affect outlays both directly (via higher wages for the public service) and indirectly (via programs that are effectively partly indexed to wage costs). Wage growth is expected to be slightly faster than Treasury's forecasts between 2025-26 and 2026-27, and then slightly slower. The result is a modest increase in spending over the next four years.
- Interest rates and the budget balance: The cost of public debt interest (PDI) can vary due to changes in the size of the debt, and changes in the interest rate charged on that debt. Deloitte Access Economics is expecting lower interest rates than were assumed in the April 2025 PEFO. That results in lower interest payments than otherwise anticipated.

Table 3 Expenses reconciliation ($ billion)

	Forecast 2025-26	2026-27	2027-28	2028-29
Official accrual spending	785.7	806.5	842.8	889.6
Budget Monitor accrual spending	787.8	809.7	847.8	895.3
Difference:	2.1	3.1	5.0	5.7
Effect of parameter variations (net, including PDI)	*0.4*	*0.8*	*1.3*	*1.4*
Effect of policy decisions (net)	*1.1*	*1.2*	*2.2*	*2.6*
GST adjustment	*0.5*	*1.1*	*1.5*	*1.7*
Effect of parameter variations				
Unemployment	0.4	0.9	1.2	1.5
Consumer price index	0.8	1.5	1.8	1.7
Wages	0.0	0.1	0.1	0.0
PDI variation	-0.7	-1.7	-1.8	-1.7
Effect of parameter variations (net, including PDI)	**0.4**	**0.8**	**1.3**	**1.4**
Effect of policy decisions				
Agriculture, Environment and Water	0.1	0.0	0.0	0.0
Attorney-General's, Defence, Home Affairs, Emergency Management and Veterans' Affairs	0.0	0.5	1.5	2.0
Child Care, Education, Skills, Training and Youth	0.0	0.0	0.0	0.0
Climate Change and Energy	0.1	0.1	0.1	0.1
Communications and the Arts	0.0	0.0	0.0	0.0
Families, Social Services, NDIS and Government Services	0.4	0.1	0.1	0.1
First Nations	0.0	0.0	0.0	0.0
Foreign Affairs and Trade	0.2	0.0	0.0	0.0
Health and Aged Care	0.2	0.4	0.3	0.3
Infrastructure	0.0	0.0	0.0	0.0
Secure Jobs and Industry	0.2	0.1	0.1	0.0
Treasury, Finance, Housing and the Public Service	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Total effect of policy decisions (net)	**1.1**	**1.2**	**2.2**	**2.6**

Note: Effect of policy decisions taken since election have been identified by Deloitte Access Economics from public sources and include decisions announced to 5 November 2025. While the intention is to include all announcements, the list may not be exhaustive.

Effect of policy decisions

Fiscal space is constrained by recurring pressures, so new announcements have been limited. The measures that have been made are politically topical rather than large structural commitments. Spending announcements included further support for Gaza, funding to assist combating algal bloom in South Australia and more money for Australia's electric vehicle charging network. Health and aged care, defence and social services are estimated to have received the largest increases in spending over the forward estimates due to announced policy decisions.

Health and aged care announcements included:

- A $1.1 billion boost to mental health funding over the forward estimates to provide new free mental health services and grow the mental health workforce.
- $30 million to attract and support aged care workers in rural and regional Australia.

Spending announcements relevant to social services included:

- Additional funding of $27.2 million for the National Redress Scheme.
- A $300 million package to waive small debts within the social security system.

The main spending announcement for Defence was a $12 billion down payment for the Defence Precinct at Henderson.

Costs associated with new policy measures shown in *Budget Monitor* are only those that have been announced between the April 2025 PEFO and 5 November 2025. These measures are expected to add an estimated total of $7.2 billion to net spending over the forward estimates.

Total accrual spending

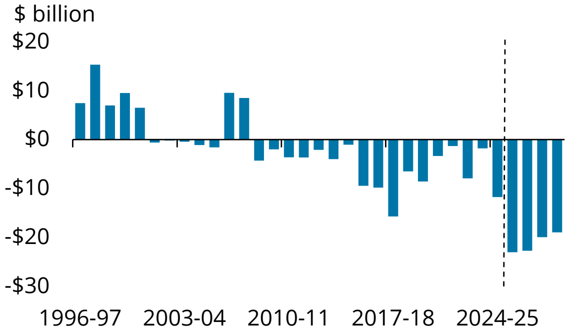
The overall impact on accrual spending is shown in Table 3 above. Taken together, parameter variations and policy decisions (plus an adjustment for the expected change in the distribution of the GST to the states and territories) are expected to increase spending over the four years to 2028-29 by $15.9 billion relative to forecasts in the April 2025 PEFO.

Net advances and other matters

Net advances are the final element needed to estimate the headline cash balance. Headline deficits have been worse than underlying deficits over the past decade. As seen in Chart 12, this trend is expected to deteriorate further in the near term due to governments' growing use of 'off budget' entities to finance large spending promises.

'Off budget' is a misnomer; it means the money appears on the balance sheet and in the headline cash balance, but not in the underlying cash balance – the widely reported figure.

Chart 12 Difference between the headline and underlying cash balance



Source: Deloitte Access Economics, based on Commonwealth of Australia data

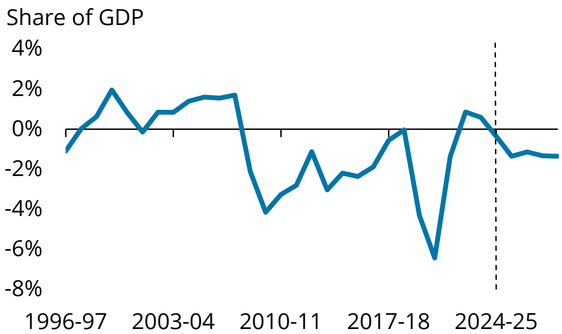
The budget balance

Overall budget aggregate projections are shown in Table 4 below.

Deloitte Access Economics forecasts a $38.9 billion underlying cash deficit for 2025-26, $3.3 billion better than the $42.2 billion deficit projected in the April 2025 PEFO. Over the four years to 2028-29, Deloitte Access Economics expects a cumulative deterioration in the underlying cash balance of $7.7 billion compared to the latest official forecast.

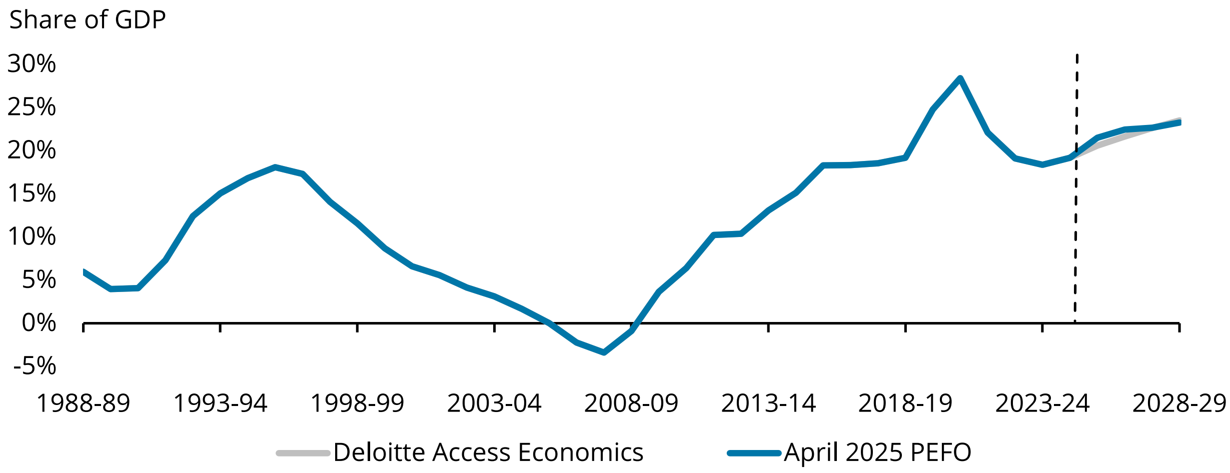
Net debt as a share of GDP is expected to be smaller than the official forecasts from the April 2025 PEFO in 2025-26. Deloitte Access Economics expects net debt to worsen over time. Official forecasts assumed net debt would reach 23.1% as a share of GDP by 2028-29, while Deloitte Access Economics expects this figure to be 23.5%.

Chart 13 Underlying cash balance share of GDP



Source: Deloitte Access Economics, based on Commonwealth of Australia data

Chart 14 Net debt as a share of GDP



Source: Deloitte Access Economics, based on Commonwealth of Australia data

Table 4 Overall budget projections

	Outcome 2024-25	Forecast 2025-26	2026-27	2027-28	2028-29
Budget aggregates, $ billion					
Revenue (accrual)	733.0	755.5	787.8	815.9	860.7
% of GDP	26.4%	26.2%	26.2%	25.9%	26.1%
Expenses (accrual)	770.1	787.8	809.7	847.8	895.3
% of GDP	27.8%	27.3%	26.9%	26.9%	27.1%
Operating balance	-37.1	-32.2	-21.8	-31.9	-34.6
% of GDP	-1.3%	-1.1%	-0.7%	-1.0%	-1.0%
Fiscal balance	-44.8	-41.0	-31.0	-43.9	-44.8
% of GDP	-1.6%	-1.4%	-1.0%	-1.4%	-1.4%
Official forecast of fiscal balance	-44.8	-44.2	-32.1	-39.4	-37.3
Difference in fiscal balance	0.0	3.2	1.2	-4.5	-7.5
Underlying cash balance	-10.0	-38.9	-34.2	-41.6	-44.6
% of GDP	-0.4%	-1.4%	-1.1%	-1.3%	-1.4%
Official forecast of underlying cash balance	-10.0	-42.2	-35.4	-37.1	-37.0
Difference in underlying cash balance	0.0	3.2	1.2	-4.5	-7.5
Net cash flows from investments in financial assets[1]	-11.8	-23.1	-22.8	-20.0	-19.0
Headline cash balance	-21.8	-62.0	-57.0	-61.6	-63.6
% of GDP	-0.8%	-2.2%	-1.9%	-2.0%	-1.9%
Official forecast of headline cash balance	-21.8	-65.2	-58.1	-57.0	-56.0
Difference in headline cash balance	0.0	3.2	1.2	-4.5	-7.5
Net debt	532.3	594.4	651.3	712.9	776.5
% of GDP	19.2%	20.6%	21.7%	22.7%	23.5%
Official forecast of net debt (% of GDP)	19.2%	21.6%	22.6%	22.7%	23.1%

Source: Deloitte Access Economics, The Commonwealth of Australia

1 Net cash flows from investments in financial assets for policy purposes. Prior to 1999-00 these flows were known as 'net advances'.

Alternative policy settings

Fixing the budget and lifting the speed limit.

Recent editions of *Budget Monitor* have made the case for tax reform to tackle Australia's economic and budget challenges. And while the Government has turned up the volume on economic reform since the 2025 election, so far there has been more talk than action.

Policy commitments include reducing the concessional treatment of superannuation earnings for those with large super balances, an increase in the low-income superannuation tax offset, a modest set of top-up personal income tax cuts, and an in-principle commitment to a road user charge for electric vehicles. Individually, these policies have merit. Even taken as a whole, however, they lack the scale needed to put Australia's budget and economy on a firmer footing.

Deloitte Access Economics has not softened its view that Australia needs major economic reform to address the structural budget deficit, improve the equity and efficiency of the tax system, and lift the economy's potential growth rate by sharpening the incentives for productivity growth.

On Deloitte Access Economics' numbers, the gap between revenue and spending is forecast to result in the underlying cash balance more than doubling over the next decade – from a projected $34.2 billion deficit in 2026-27 to $84.8 billion in 2035-36. Net debt would balloon from 21.7% of GDP to 29.6% over that period.

Ignoring this would be unfair to younger generations who will be left with the burden of higher debt, while the tax system's growing reliance on personal income tax also falls at the feet of working age Australians.

Beyond the issue of fairness, which can be hard to measure and easy to argue about, the tax system is holding back Australia's economic growth. As bracket creep pushes personal income tax rates higher, workers respond by working fewer hours.

High rates of company tax make Australia a less attractive destination for global capital and restrict the investment that would drive productivity growth higher.

As the RBA painstakingly pointed out recently, weak productivity growth is akin to imposing a lower speed limit on the economy. A better fiscal strategy could also help tackle this problem.

Deloitte Access Economics has analysed a suite of tax reforms that would help to close the structural budget deficit, improve the intergenerational equity of the tax system, and facilitate stronger productivity growth.

The policies include:

1. Simplifying the personal income tax system and indexing the tax brackets to inflation
2. Harmonising the company tax rate at 20% for all companies, while introducing a new tax that only applies to 'super profits'
3. Increasing and broadening the GST, alongside a commensurate increase in welfare payments
4. Reducing the capital gains tax (CGT) discount from 50% to 33%
5. Introducing a broad-based, low-rate inheritance tax.

The fiscal impact of the policies, over a ten-year timeframe from an assumed start date of 2026-27, is shown in Table 5 at the end of this section.

Simplifying and indexing personal income tax thresholds

There are two main issues in the way Australia taxes personal income.

Firstly, the tax-free threshold of $18,200 is too low. It means personal income tax kicks in well below the income level at which someone no longer qualifies for income support from the government. The interaction between support payment eligibility and personal income tax means that a cohort of low-income earners face high disincentives to take on more work.

The second issue is that the personal income tax thresholds are fixed. As wages and salaries grow, more dollars fall into higher tax brackets, and the average rate of personal income tax creeps higher. As 'bracket creep' stealthily increases the personal income tax take each year, policymakers can commit to new spending without having to explicitly decide how to pay for those new commitments.

Simplifying the personal income tax structure to the rates and thresholds below would boost the incentives for low-income individuals to take on more work:

- A tax free threshold of $33,000
- A 33% tax rate on all income from $33,000 to $330,0000
- A 45% tax rate on all income over $330,000.

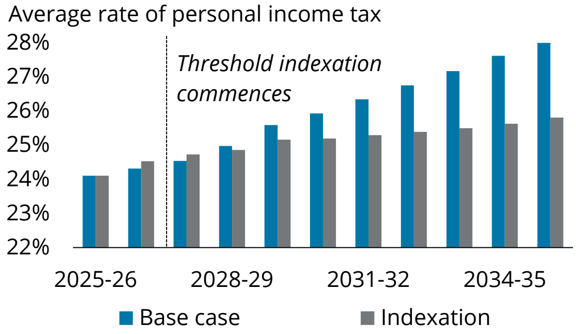
Indexing the thresholds to grow at 2.5% per year – broadly in line with CPI inflation – would largely arrest 'bracket creep' and significantly lessen the incentive for policymakers to fund higher spending via steadily (but stealthily) higher personal income taxes. Policymakers would be forced to explicitly evaluate trade-offs on the revenue side of the budget, leading to a more equitable and efficient tax system in the long run.

The simplified thresholds would modestly lift personal income tax revenue initially, but indexation would substantially reduce the government's reliance on personal income tax over time. By 2035-36, the average rate of tax on PAYG collections would be an estimated 25.8% in the reform case, and 28.1% in the base case.

Reducing the tax burden on individuals to such an extent is expensive. The cost of indexing the tax thresholds would compound each year relative to a base case in which the average effective tax rate continues to creep higher. The annual cost of this reform is estimated to reach $54 billion per year after 10 years, and continue to rise from there.

While there are strong economic and fairness arguments for indexing the income tax thresholds, it would be an expensive and structural change to the budget's tax base. Implementing this policy would require a commitment to longer term reforms – including measures to slow spending growth or unearth new sources of revenue – beyond what has been analysed in this report. In the absence of these reforms, indexation would pose the risk of a significant long run deterioration in the budget position.

Chart 15 Average rate of personal income tax

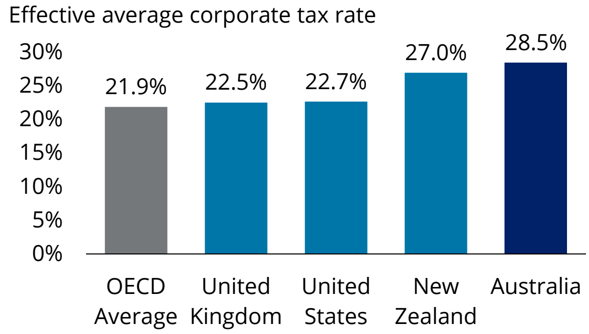


Source: Commonwealth Treasury, Parliamentary Budget Office, Australian Taxation Office, Deloitte Access Economics

Lowering the company tax rate and introducing a 'super profits' tax

Australia's statutory company tax rates (which are 30% for medium and large companies and 25% for small companies) are high by global standards. The effective average company tax rate in Australia was 28.5% in 2023, in comparison an OECD average of 21.9%.

Chart 16 Effective average corporate income tax rates in the OECD in 2023



Source: Organisation for Economic Co-operation and Development

Deputy Governor of the RBA Andrew Hauser recently noted that Australia 'screams investment potential', with an abundance of resources and skilled human capital, a strategic location in the Asia Pacific, a huge domestic savings pool, low public debt and strong institutions. And yet, business investment fell from an average of 14.1% of GDP in the decade to 2014-15 to 11.7% in the decade to 2024-25. At least in part, investment is being held back by relatively high company tax rates.

Reforming business taxes needs to strike a balance between boosting business investment, while limiting the damage to an already strained budget position. This could be done by cutting the company tax rate to a globally competitive rate of 20% for all companies, while introducing a new tax on 'super profits' (defined as any after-tax profits that exceed a return on capital of more than 5% over the ten year government bond rate).

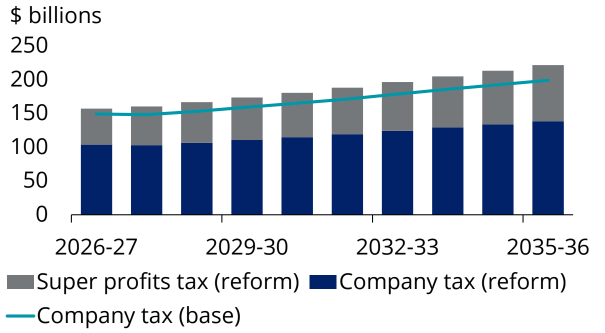
A lower company tax rate would increase the after-tax returns on 'normal' profits, making Australia a more attractive destination for global capital. A super profits tax could raise more than enough revenue to offset the lower company tax, at a lower economic cost.

In a competitive market, investments are only required to make a normal after-tax return on capital in order to proceed.

A well-calibrated super profits tax should leave normal returns unaffected, which means the new tax will create minimal distortions to the overall level of investment in the economy. The existing company tax, in contrast, reduces the after-tax return on normal profits, which creates a greater deterrent to investment.

Implemented together, the reforms could raise an average of $12 billion per year over the next ten years, while leaving companies with sharper incentives to invest in the capital stock.

Chart 17 Change in revenue from corporate tax reforms



Source: Deloitte Access Economics

Raising the GST rate and broadening the base

The GST is one of the most efficient taxes levied by the Commonwealth. That makes it the leading candidate for raising the extra revenue required to close the budget's structural deficit – assuming the additional revenue raised could be kept by the Federal Government, rather than distributed to the states and territories.

Australia's GST is underutilised. It is lower and narrower than the consumption taxes levied in many comparable economies. The tax base excludes several major segments of household consumption including foods, education, health care, medicine, child care, water and sewerage. That's too many exclusions for a tax that should be applied to goods and services equally.

Increasing the GST rate to 15%, while broadening the base to include all foods and education, could raise an average of $90 billion per year over the decade to 2035–36, making it by far the largest revenue raising measure in this suite of policies.

Of course, a higher and broader GST would be a major expense for households. It would be important to compensate low-income households in a way that shields them from a hit to their living standards. Deloitte Access Economics estimates that increasing government support payments by a total of $31 billion per year would – on average – leave the bottom 40% of households by income no worse off as a result of the combined changes to the GST and personal income tax schedule. After accounting for this expenditure, the net gain to the budget over the next ten years would still amount to over $58 billion per year.

To be clear: the GST is a regressive tax. But that should be addressed via the welfare system. Continuing to carve out large categories of expenditure from the GST is a blunt way to address regressivity, and it carries a high cost to the budget and economy.

Reducing the capital gains tax discount to 33%

A reduction in the CGT discount is a policy proposal that has been pitched consistently in recent editions of *Budget Monitor*. It would help to improve the budget balance, improve equity in the tax system, and tackle some of the distortions in Australia's challenged housing market.

While the logic behind Australia's CGT discount is sound, the size of the discount is too generous. That is, while it makes sense to compensate investors for the effect of inflation, the 50% discount does a bad job of approximating the actual effect of inflation.

The result is that asset holders are overcompensated and undertaxed. The average investor ends up paying a lower rate of tax on capital gains than the average worker pays on their wages. The tax advantage boosts investor demand for housing and weighs on the home ownership rate.

A CGT discount of 33% would more accurately account for the effect of inflation, especially over the investment timeframes typical of residential property investors. Everything else equal, a lower discount would reduce investors' appetite for residential property and reallocate more housing to owner-occupiers.

Assuming the lower discount were phased-in over a three-year period, this policy would raise an average of $4 billion per year over the decade to 2035-36.

Implementing an inheritance tax

The intergenerational inequities that will result from clinging on to the current tax system are clear. As debt mounts, and the reliance on personal income tax rises, the fiscal burden will disproportionately fall at the feet of younger, working age Australians.

This comes at a time when young people are already disillusioned by their economic prospects. Deloitte Access Economics' *Youth Agenda* series has recently unpacked some of the big economic challenges facing young people. Not least of these is the deterioration in housing affordability. Indeed, a 2023 report from the Australian Housing and Urban Research Institute found that 40% of Australians aged 25 to 34 years expect family assistance to help them into the housing market.

In the past 40 years, a combination of demographic change, the growth of China, new technologies, and the globalisation and financialisaton of the world economy have contributed to a ballooning of debt, a structural decline in interest rates, and an asset price boom that has spanned everything from housing to fine art.

The timing of this asset price boom gave many Baby Boomers and Gen Xers a windfall gain that has been undertaxed and unevenly distributed. Broad-based taxes on wealth – such as an inheritance tax – are a way to repair the budget, help all Australians share in the asset price windfall that has flowed to older generations over the last 40 years, and help to prevent inequality from cascading through future generations.

Inheritance taxes – controversial though they are in Australia – are commonplace in other jurisdictions including the United States, the United Kingdom and much of Europe.

Deloitte Access Economics estimates that a 10% tax on inheritances, with a tax-free threshold of $100,000 and an exemption for those who inherit a principal place of residence, would raise an average of $3 billion per year over the decade to 2035-36.

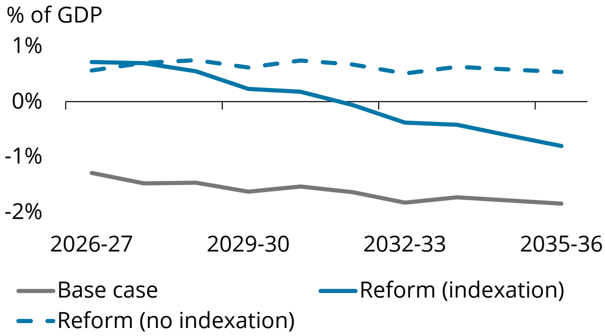
Near-term repair, long-term accountability

Overall, the package of reforms analysed in this report would add an average of $57 billion per year to the underlying cash balance over the next decade.

The underlying cash balance would be projected to average a surplus of 0.4% of GDP over the next five years, as opposed to an average deficit of -1.5% of GDP under the status quo.

The indexation of income tax thresholds is a major budget challenge. It would see the underlying cash balance deteriorate to -0.8% of GDP by 2035-36, compared to a 0.5% surplus without indexation.

Chart 18 Underlying cash balance, base case and reform case, share of GDP



Source: Deloitte Access Economics

Implementing a structural change such as indexation of personal income tax thresholds would require a longer-term commitment to reform – either to slow the pace of government spending or develop alternative sources of government revenue beyond those analysed in this report. In the absence of further reform, indexation risks an unsustainable deterioration in the long run budget position.

But sticking to the status quo is not sustainable either. As it stands, the average rate of personal income tax on PAYG income would rise from 24% in 2024-25 to 28% by 2035-36. That is not an equitable nor efficient way to fund Australia's long-term spending needs.

Indexing the personal income tax thresholds would restore accountability for making difficult budget trade-offs. Policymakers would have to be more disciplined in their spending commitments and more rigorously assess the most efficient ways to fund new spending.

The current tax system makes it too easy to look the other way while the tax burden on workers continually creeps higher. Alongside an underutilised GST and a blunt company tax, the tax system is unnecessarily restrictive of economic growth and increasingly ripe for large scale reform.

If not now, when?

Table 5 Change in underlying cash balance due to alternative policy proposals

	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
Simplifying the personal income tax system and indexing thresholds										
$ billions	3.4	3.1	-2.0	-7.7	-13.9	-20.8	-28.2	-36.0	-44.8	-54.1
% of GDP	0.1%	0.1%	-0.1%	-0.2%	-0.4%	-0.5%	-0.7%	-0.9%	-1.0%	-1.2%
Simplifying the personal income tax system without indexing thresholds										
$ billions	3.4	8.2	8.6	8.8	8.8	8.6	8.2	7.6	6.6	5.4
% of GDP	0.1%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%
Lowering the company tax rate and introducing a super profits tax										
$ billions	5.9	8.8	9.8	10.5	11.2	12.1	13.0	14.0	15.0	16.3
% of GDP	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%
Raising the GST rate and broadening the base										
$ billions	71.3	75.2	79.3	83.4	87.1	91.2	95.5	100.0	104.6	109.3
% of GDP	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Increasing welfare payments to compensate for GST changes										
$ billions	-29.6	-29.8	-30.7	-31.7	-31.7	-31.7	-31.6	-31.5	-31.5	-31.4
% of GDP	-1.0%	-0.9%	-0.9%	-0.9%	-0.9%	-0.8%	-0.8%	-0.8%	-0.7%	-0.7%
Reducing the CGT discount to 33%										
$ billions	2.2	3.4	3.3	3.4	3.6	3.7	3.9	4.1	4.2	4.4
% of GDP	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Implementing an inheritance tax										
$ billions	2.7	2.8	3.0	3.2	3.3	3.4	3.6	3.7	3.9	4.0
% of GDP	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Total: Including indexation of income tax brackets										
$ billions	55.8	63.5	62.6	61.1	59.5	58.0	56.3	54.2	51.5	48.5
% of GDP	1.9%	2.0%	1.9%	1.8%	1.6%	1.5%	1.4%	1.3%	1.2%	1.1%
Total: Not including indexation of income tax brackets										
$ billions	55.8	68.6	73.2	77.6	82.3	87.3	92.6	97.9	102.9	108.0
% of GDP	1.9%	2.2%	2.2%	2.2%	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%

Source: Deloitte Access Economics

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