



Federal Budget 2025–26

Parliament report

25 March 2025

Key Budget messages

In his Budget Speech Treasurer Jim Chalmers said:

“This Budget builds on the progress we’ve made, together.

- It’s a plan to help with the cost of living –
- With two new tax cuts, and higher wages –
- More bulk billing, and more help with electricity bills –
- Cheaper medicines, and less student debt.
- And it’s a plan to build Australia’s future –
- With more homes –
- New investments in skills and education –
- Competition reforms and a Future Made in Australia.”

He also said, “This is a responsible Budget with five main priorities:

- Helping with the cost-of-living;
- Strengthening Medicare;
- Building more homes;
- Investing in every stage of education; and
- Making our economy stronger, more productive and more resilient.”

Main policy decisions – Summary

For more details see under: [Policy decisions - details](#)

Personal tax cuts

The main “surprise” in this year’s Budget was a cut in the tax rate on all incomes between \$18,201 and \$45,000. The cut reduces tax for all taxpayers. Under the Budget change the existing 16 per cent tax rate on income between \$18,201 and \$45,000 will be cut to 15 per cent from 1 July 2026 and to 14 per cent from 1 July 2027. The cuts are worth \$354 a year in 2024–25 and 2025–26, \$472 in 2026–27 and \$590 from 2027–28 for a person on \$30,000 a year. The Medicare levy threshold was also raised, increasing the minimum income level at which the levy is payable.

Cost of living – Energy rebate

Ahead of the Budget the Government announced it would extend for six months the existing \$300 a year energy rebate for all households and small businesses. The rebate, which is due to expire at the end of June, will be extended at a cost to the Budget of \$1.8 billion: a rebate of \$75 a quarter for the remainder of 2025.

Housing – Budget to expand shared equity housing access

Ahead of the Budget the Government announced it would expand eligibility for its shared-equity housing program, adding an extra \$800 million to its investment in the program and lifting income caps to cover most first home buyers. The government will allow individuals applying for the Help to Buy program to earn up to \$100,000, and up to \$160,000 for couples and single parents.

Health – Medicare bulk billing incentives

Ahead of the Budget the Government announced it would extend the existing Medicare bulk billing incentive cover to all Australians, and also create an extra incentive payment for medical practices that bulk billed all their patients.

Health – PBS patient co-contributions cut

Ahead of the Budget the Government announced the maximum patient co-contribution for medicines under the Pharmaceutical Benefits Scheme (PBS) will be reduced to \$25 a script.

Health – Women’s health package

Ahead of the Budget the Government announced a \$573 million federal women’s health package to help younger women on oral contraceptives and older women undergoing menopause.

Education – Schools funding

Ahead of the Budget the Albanese Government finalised an agreement with the Queensland state government to lift both Commonwealth and state government funding for public schools in line with the 2011 Gonski report recommendations. Queensland was the last state or territory government to reach agreement with the Commonwealth.

Education – Student debt relief

In November the Albanese Government passed legislation reducing all student debts by 20 per cent at a cost to the Budget of \$16 billion.

Childcare

In December the Albanese Government announced a guaranteed three days of subsidised childcare each week, with \$1 billion going towards expanding quality and access.

Defence

Ahead of the Budget Defence Minister Richard Marles said Australia will bring forward \$1 billion in defence spending in the Budget, to boost its military capability.

Links to all Budget documents

All Budget 2025–26 Budget documents referred to below under ‘References’ can be found at the following official Budget 2025–26 url: [Budget 2025–26](#)

Budget outcome

The Budget forecasts a deficit of \$27.6 billion in 2024-25 (the current financial year), to be followed by deficits of \$42.1 billion in 2025-26 and \$35.7 billion in 2026-27. The 2024-25 Budget (last year) forecast deficits of \$28.3 billion in 2024-25 and \$42.8 billion in 2025-26.

	Actual	Estimates					Total(a)
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	
	\$b	\$b	\$b	\$b	\$b	\$b	\$b
Underlying cash balance							
\$ bn	15.8	-27.6	-42.1	-35.7	-37.2	-36.9	-179.5
Per cent of GDP	0.6	-1.0	-1.5	-1.2	-1.2	-1.1	
Per cent of GDP at PEFO	-2.4	-1.9	-1.6	-1.4	-1.4	-1.4	
Gross debt							
\$ bn	906.9	940.0	1,022.0	1,092.0	1,161.0	1,223.0	
Per cent of GDP	33.9	33.7	35.5	36.5	36.9	36.8	
Per cent of GDP at PEFO	44.6	44.9	44.7	44.6	44.5	44.0	

The Budget Papers said, "The Budget position is cumulatively \$207 billion better than PEFO over the seven years to 2028-29. The deficit in 2024-25 is almost half what was forecast at (the Pre-election Fiscal and Economic Outlook ahead of the 2022 election). The Budget is also stronger over the forward estimates than MYEFO and the deficit in 2025-26 is \$42.1 billion, an improvement of \$4.8 billion since MYEFO."

Ahead of the Budget the Treasurer Jim Chalmers foreshadowed that after two surpluses this year's Budget will be in deficit. The result was widely expected. The Budget is expected to be in deficit for the next decade.

Dr Chalmers said, "A defining feature of our first three budgets was responsible economic management. That will be a defining feature of the fourth as well." The government delivered two surpluses back-to-back, for the first time in a decade – thanks in particular to low unemployment delivering more income tax revenue, and higher-than-expected coal and mineral export prices.

In his Budget Speech the Treasurer said, "Tonight's Budget is \$207 billion better than we inherited. It's in better shape in every year over the forward estimates, than it was three years ago. In our first two years, we posted the first back-to-back surpluses in nearly two decades. Our deficit this year has almost halved since we came to office. Next year's deficit is \$42 billion, lower than what was forecast at the last election, and lower than at the mid-year update."

References

[Budget Paper No 1 – Statement 1 – Budget Overview](#)

[Budget Overview: Building Australia's Future](#)

Economic outlook and forecasts

Economic overview

In his Budget Speech Treasurer Jim Chalmers said domestic economic growth is expected to be 1½ per cent in 2024–25 (1.4 per cent in 2023–24) and pick up to 2¼ per cent in 2025–26. He said, “Treasury expects the global economy to grow 3¼ per cent for the next three years – its slowest since the 1990s. It’s already forecasting the two biggest economies in the world will slow next year – with risks weighing more heavily on both. Australia is neither uniquely impacted nor immune from these pressures, but we are among the best placed to navigate them.”

The Budget Papers said, “The Australian economy is on track for a soft landing. The economy recorded a solid rebound in growth at the end of last year. This momentum is expected to continue, supported by stronger private demand, with growth forecast to pick up from 1½ per cent in 2024–25 to 2¼ per cent in 2025–26 and 2½ per cent in 2026–27.”

Major economic forecasts

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

a) Real GDP and Nominal GDP are percentage change on preceding year. Employment, the consumer price index and the wage price index are through-the-year growth to the June quarter. The unemployment rate is the rate for the June quarter. The labour market forecasts do not incorporate the February 2025 release of the ABS Labour Force.

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

Economic growth

The Budget says “Despite heightened global uncertainty, growth has picked up and a soft landing is looking increasingly likely. The economy is expected to gain further momentum over 2025 as private final demand gradually recovers. Real GDP is forecast to grow by 1½ per cent in 2024–25, 2¼ per cent in 2025–26 and 2½ per cent in 2026–27.” The papers say ex-Tropical Cyclone Alfred and subsequent flooding could temporarily lower quarterly growth by up to ¼ of a percentage point. “This reflects impacts on activity in the agricultural, construction, retail, transport and tourism industries. Subsequent reconstruction efforts are expected to add to real GDP growth in following quarters.”

Inflation

The Budget says, “Inflation has moderated substantially, and recent progress has been better than expected.” Inflation is now forecast to be 2½ per cent through the year to the June quarter 2025, a ¼ of a percentage point lower than expected at MYEFO. “Excluding energy rebates and fuel, inflation is expected to return sustainably to the target band around the middle of this year.”

Employment and unemployment

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

Wages

Nominal wage growth is expected to remain above pre-pandemic rates. The Wage Price Index (WPI) grew by 3.2 per cent through the year to the December quarter 2024 and is expected to grow by 3 per cent through the year to the June quarter of 2025 and 3¼ per cent to June 2026.

Household consumption

Real household disposable income in 2026–27 is forecast to be around 8¼ per cent higher compared to 2023–24. This is expected to support a gradual pick-up in household consumption, with consumption forecast to grow by ¾ per cent in 2024–25 and 2¼ per cent in both 2025–26 and 2026–27.

Housing investment

Housing construction is expected to gradually respond to strong housing demand, with dwelling investment expected to grow by 1½ per cent in 2024–25, 5½ per cent in 2025–26 and 7½ per cent in 2026–27.

Business investment

Total business investment is expected to fall from 6 per cent in 2023–24 to 1 per cent in 2024–25 and 1½ per cent in both 2025–26 and 2026–27. Non-mining investment is expected to be the main contributor to growth in business investment over coming years, with key investments focused on renewable energy infrastructure, warehouses and data centres. Mining investment is expected to fall in 2024–25 before picking up to modest levels 2½ and 3 per cent in the following years.

References

Budget Paper No 1 – Statement 2 – Economic Outlook

Fiscal policy

Total Budget spending and revenue

The Budget Papers say that the Budget's underlying cash balance is estimated to be a \$27.6 billion deficit (1.0 per cent of GDP) in 2024–25, \$0.7 billion higher than forecast at MYEFO but broadly equivalent in per cent of GDP terms. An underlying cash deficit of \$42.1 billion (1.5 per cent of GDP) is forecast for 2025–26, a \$4.8 billion improvement from the forecast at MYEFO. The underlying cash deficit is then expected to improve to \$36.9 billion (1.1 per cent of GDP) in 2028–29. Real payments growth over the seven years to 2028–29 is expected to average 1.7 per cent per year and over the five years to 2028–29 it is expected to average 2.7 per cent per year. New policy decisions since MYEFO have increased total payments by \$7.1 billion in 2025–26 and by \$20.7 billion over five years from 2024–25 to 2028–29.

Since MYEFO, forecast total receipts have increased by \$6.9 billion in 2025–26 and decreased by \$5.8 billion over the five years to 2028–29. Forecast tax receipts have increased by \$6.4 billion in 2025–26 and decreased by \$6.6 billion over the five years to 2028–29. Forecast non-tax receipts have increased by \$0.5 billion in 2025–26 and by \$2.3 billion over the five years to 2028–29.

References

[Budget Paper No 1 – Statement 3 – Fiscal Strategy and Outlook](#)

[Budget Paper No 1 – Statement 4 – Revenue](#)

[Budget Paper No 1 – Statement 5 – Expenses and Net Capital Investment](#)

Decisions taken but not yet announced

Most year's Budgets include several line items: 'Decisions taken but not yet announced.' This year's Budget contains an additional \$323.4 million in spending in 2025–26 and \$517.2 million in 2026–27 under the heading 'Decisions taken but not yet announced': a relatively modest amount compared to recent years.

This compares with \$1.125 billion in 2024–25 and \$3.223 billion in 2025–26 in last year's Budget.

Additional revenue measures – higher taxes and charges – not yet announced are a relatively modest \$133.9 million in 2025–26 and \$546.4 million in 2026–27.

The category, spread between several tables buried in the Budget papers, is funds the Government has provisioned for future political announcements before the election due by 17 May. DTBNYA includes new policies not yet announced as well as policies that have been announced but whose costs cannot be published for reasons such as 'commercial in confidence'.

References

[Budget Paper No 2 Budget Measures – Part 1 Receipts](#)

[Budget Paper No 2 Budget Measures – Part 2 Payments](#)

Budget Strategy

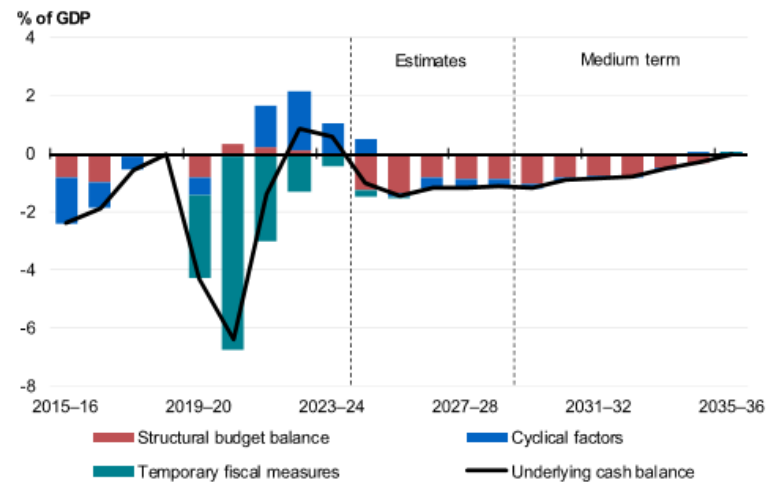
The Budget's Fiscal Strategy and Outlook in Budget Paper No 1 sets out the Government's broad Budget strategy. It is required by the Charter of Budget Honesty Act introduced in 1998 by Peter Costello, the treasurer in the Howard Government and was recommended by the National Commission of Audit which the Howard Government established when elected. The Budget Papers say, "The Government's record of finding savings, limiting spending growth, and banking the majority of tax receipt upgrades has helped to deliver a stronger fiscal outlook. The Government has delivered \$94.1 billion in savings and reprioritisations since the PEFO."

References

[Budget Paper No 1 Statement 3 – Fiscal Strategy and Outlook](#)

Structural deficit

The structural budget balance estimates the Budget balance after stripping out the cyclical impact on the surplus or deficit of cyclical factors such as changes in commodity prices and changes in economic growth. It is an estimate but can provide insight into the sustainability of fiscal settings.



Source: Treasury.

The Budget Papers say, "The structural budget position is expected to return to deficit in 2024–25. The deficit is expected to reach around 1.4 per cent of GDP in 2025–26. It averages 1.0 per cent of GDP over the forward estimates, a 0.4 percentage point improvement over the same period at the time of the PEFO. Thereafter, the structural budget position is expected to gradually improve towards balance over the medium term. The structural budget balance was estimated to remain in deficit at the end of the medium-term in 2032–33 at the time of the PEFO."

References

[Budget Paper No 1 Statement 3 – Fiscal Strategy and Outlook](#)

Policy Decisions – Details

Personal tax cuts

The main “surprise” in this year’s Budget was a cut in the tax rate on all incomes between \$18,201 and \$45,000. The cut reduces tax for all taxpayers. Under the Budget change the existing 16 per cent tax rate on income between \$18,201 and \$45,000 will be cut to 15 per cent from 1 July 2026 and to 14 per cent from 1 July 2027.

The cuts are worth \$354 a year in 2024–25 and 2025–26, \$472 in 2026–27 and \$590 from 2027–28 for a person on \$30,000 a year. For someone on \$100,000 the comparable figures are \$2,179, \$2,447 and \$2,715. On \$200,000 it is \$4,529, \$4,497 and \$5,065.

In his Budget Speech Treasurer Jim Chalmers said, “Every Australian taxpayer will get a tax cut next year and the year after, to top up the tax cuts which began last July.” He said “the average earner will have an extra \$536 in their pocket each year when they’re fully implemented.”

New personal tax rates for 2026–27 and 2027–28

Thresholds (\$)	Rates in 2024–25 and 2025–26 (%)	Rates in 2026–27 (%)	Rates in 2027–28 (%)
0 – 18,200	Tax free	Tax free	Tax free
18,201 – 45,000	16	15	14
45,001 – 135,000	30	30	30
135,001 – 190,000	37	37	37
>190,000	45	45	45

Source: Budget fact sheet – New tax cuts for every Australian taxpayer

References

[Budget fact sheet – New tax cuts for every Australian taxpayer](#)

Medicare levy eased

The Budget increased the Medicare levy low-income thresholds, raising by 4.7 per cent the minimum income at which the Medicare levy is payable. The change raises the minimum income level at which the levy is payable. Treasurer Jim Chalmers said this “is extra tax relief for more than a million Australians.”

The change applies to income earned from 1 July 2024. It means the low-income threshold for singles will apply from \$27,222 rather than \$26,000 and \$45,907 (\$43,846) for couples. Full Medicare rebate rates will apply from \$34,027 (\$32,500) for singles and \$57,383 (\$54,807) for couples.

References

[Budget fact sheet – New tax cuts for every Australian taxpayer](#)

Cost of living – Energy rebate

Ahead of the Budget, the Government announced it would extend for six months the existing \$300 a year energy rebate for all houses and small businesses. The rebate, which is due to expire at the end of June, will be extended at a cost to the Budget of \$1.8 billion: a rebate of \$75 a quarter for the remainder of 2025.

In his Budget Speech Treasurer Jim Chalmers said, “Tonight, we’re providing \$1.8 billion more energy bill relief. Every household and around one million small businesses will receive energy rebates until the end of 2025. This means cutting another \$150 off bills this year.”

The Government said the extension of the energy rebate would take the total power bill relief provided by federal Labor this term to \$6.8 billion. While the government has not been kept its pre-election promise to cut power bills by \$275, it can point to the provision of substantial cost-of-living support. The opposition said it would match the rebate despite having previously labelled it a “band-aid” measure. “We’re not going to stand in the way of Labor cleaning up their own mess,” the shadow treasurer, Angus Taylor, told ABC’s Insiders program. The rebate will help reduce suppress headline inflation, which the Reserve Bank of Australia was expecting to rise to 3.7 per cent later this year when the first round of rebates expired.

References

[Prime Minister's media release: More energy bill relief for every Australian household and for small business](#)

[Budget speech](#)

[Budget Overview – Building Australia’s Future](#)

Housing – Budget expands shared equity housing access

Ahead of the Budget, the Government announced it would expand eligibility for its shared-equity housing program, adding an extra \$800 million to its investment in the program and lifting income caps to cover most first home buyers.

The Government will allow individuals applying for the Help to Buy program to earn up to \$100,000, and up to \$160,000 for couples and single parents. Previously the thresholds were \$90,000 and \$120,000 respectively. Housing Minister Clare O’Neil said the expansion of the program would also increase property price caps, linked for the first time to the average house price in each state and territory. The new price cap for Sydney and regional centres in NSW will be \$1.3 million, \$1 million for Brisbane and \$950,000 for Melbourne. Lower price caps will be in place for other states and territories.

Home buyers need to have a deposit of 2 per cent and qualify for a standard home loan to finance the rest of the purchase. The budget also includes \$49.3 million in new funding to support the state governments in developing prefabricated and modular home construction.

References

[Ministerial media release: The Albanese Labor Government is building more homes more quickly, and making them easier to buy](#)

[Budget Overview – Building Australia’s Future](#)

Pensions – Deeming rate frozen

Ahead of the Budget, *The Australian Financial Review* foreshadowed the pension deeming rate would not be lifted in the Budget, as expected. Holding the deeming rate at its current level would mean pensioners will not be assumed to be earning more on their savings, meaning their pensions will not be reduced.

The change was not mentioned in the Budget or Budget Papers but may be included in the ‘Decisions taken but not yet announced’, for announcement before the election.

References

[Australian Financial Review: Labor to freeze deeming rates again to woo pensioners ahead of poll](#)

Health – Medicare bulk billing incentives

Ahead of the Budget, the Government announced it would extend the existing Medicare bulk billing incentive cover to all Australians, and also create an extra incentive payment for medical practices that bulk billed all their patients.

The changes would mean an extra 18 million bulk billed GP visits annually, the government says. Nine out of ten GP visits would be bulk billed by 2030. On the government’s figures, this would increase the number of fully bulk billing practices to about 4,800, triple the present figure.

The Government says its plan would produce patient savings of up to \$859 million a year by 2030. It says this is the single largest investment in Medicare since it was created more than 40 years ago.

The health package also promises to boost the number of nurses and doctors in the system. Four hundred nursing scholarships would be provided. By 2028, 2,000 new GP trainee places would be funded each year in federally-funded GP

training programs. The number funded in 2025 is 1600. The government has previously tripled the bulk billing incentive for pensioners, concession card holders and families with children. From November 1, that would be widened to all Australians. Also from November 1, in addition to the bulk billing incentive, practices that fully bulk billed would receive an extra 12.5% loading on their Medicare rebates.

The Budget provides an additional \$8.4 billion over five years from 2024–25 (and \$2.5 billion per year ongoing) to increase access to bulk billing, including \$7.9 billion over four years to expand eligibility for bulk billing incentives to all Australians and introduce the new Bulk Billing Practice Incentive Program for general practices if they bulk bill every visit under Medicare.

Health – PBS patient co-contributions cut

Ahead of the Budget, the Government announced the maximum patient co-contribution for medicines under the Pharmaceutical Benefits Scheme (PBS) will be reduced to \$25 a script.

The Government said this is more than a 20 per cent cut in the maximum cost of PBS medicines, which will save Australians over \$200 million each year. The last time that PBS medicines cost no more than \$25 was 2004. Pensioners and concession cardholders will continue have the cost of their PBS medicines frozen at its current level of \$7.70 until 2030. The Budget Papers said, “The Government will provide \$784.6 million over four years from 2025–26 (and \$236.4 million per year ongoing) to lower the Pharmaceutical Benefits Scheme (PBS) general patient co-payment from \$31.60 to \$25.00 on 1 January 2026.”

Opposition Leader Peter Dutton promised to match Labor’s PBS pledge. The move echoes the 2022 election campaign when then prime minister Scott Morrison pledged to cut the maximum co-payment for PBS medicines from \$42.50 to \$32.50. Labor followed with a promise to cut the cost of prescriptions to \$30.

Health – Women’s health package

Ahead of the Budget, the Government announced a federal women’s health package to help younger women on oral contraceptives and older women undergoing menopause. Under the package the Government subsidise menopause treatments and new oral contraceptives. There will also be new endometriosis and pelvic pain clinics. Three menopausal hormone therapies — Estrogel Pro, Estrogel and Prometrium — will become available through the Pharmaceutical Benefits Scheme (PBS) from 1 March. The government will also increase Medicare payments to doctors and nurse practitioners to provide bulk billed insertion and removal of birth control implants or intrauterine contraceptive devices (IUDs). Medicare rebates will increase by up to 150 per cent, with around 300,000 women each year expected to save up to \$400 in out-of-pocket costs, the Government said.

In his Budget speech Treasurer Jim Chalmers said the cost of the Women’s Health package would be \$793 million.

Health – increased public hospital funding

In February the Government announced public hospitals would get \$1.7 billion more from the Federal Government while the Government seeks a fresh five-year public hospital funding deal with states. Prime Minister Anthony Albanese it represented a 12 per cent boost while Health Minister Mark Butler said it would help hospitals address strong wage pressure in the system, including in NSW where more than 50 psychiatrists have resigned over a wage dispute with the state government.

In a joint statement Prime Minister Anthony Albanese and Health Minister Mark Butler said, “Under a new Agreement between the Albanese Government and all state and territory governments, the total Commonwealth contribution to state-run public hospitals will increase by 12 per cent to reach a record \$33.91 billion in 2025–26.”

The Budget provides \$33.9 billion in 2025–26 to extend the 2020–2025 Addendum to the National Health Reform Agreement (NHRA) to 30 June 2026, including \$32.2 billion in 2025–26 for Commonwealth funding under the NHRA; and \$1.8 billion in 2025–26 as a one-off funding boost to fund public hospitals and related health services, including a one-off uplift to the Northern Territory. Most funding was provided in previous Budgets. This Budget includes an additional \$1.77 billion in 2025–26.

Health – 50 new Medicare urgent care clinics

Ahead of the Budget the Government announced it would fund 50 new Medicare urgent care clinics at a cost of \$644 million

The new centres would open before the middle of next year across each state and territory. The new network of urgent care clinics was central to Labor's last election campaign, and Labor is now promising to expand the existing 87-clinic network if re-elected. The clinics offer only bulk-billed consults and operate on a walk-in basis.

Labor is promising to have all 50 new clinics open before the middle of 2026. \$644 million of the \$653.8 million program was provisioned for in 2024–25 MYEFO. Funding includes 50 new clinics, extending hours of three existing clinics and funds to enable state-funded urgent care services to access Medicare items.

Doctors' groups such as the Australian Medical Association have previously been critical of moves to expand the urgent care clinic network without fully evaluating their performance first.

References

Budget Paper No 2 – Budget Measures – Payment Measures

[Ministerial media release: Strengthening Medicare: more doctors and larger Medicare payments for dozens of communities](#)

[Ministerial media release: Strengthening Medicare: Cheaper medicines to get even cheaper](#)

[Ministerial media release: Government delivering even more choice for women's contraception, endometriosis, and IVF journeys](#)

[Joint media release: Albanese Labor Government building Australia's future with more money for public hospital reform – 5 February 2025](#)

[Ministerial media release: Strengthening Medicare: 50 more Medicare Urgent Care Clinics – 2 March 2025](#)

Education – Schools funding

Ahead of the Budget the Albanese Government finalised an agreement with the Queensland state government to lift both Commonwealth and state government funding for public schools in line with the 2011 Gonski report recommendations. Queensland was the last state or territory government to reach agreement with the Commonwealth.

The Budget Papers say, "In this Budget the Government is providing \$407.5 million over four years from 2025–26 (and \$7.2 billion from 2029–30 to 2035–36) to jurisdictions that have signed Better and Fairer Schools Agreement (Full and Fair Funding 2025–2034) bilateral agreements. This is in addition to \$4.8 billion already committed over 2024–25 to 2034–35." Overall, the new schools funding deal will lift the federal government's contribution by about \$16.6 billion, while the states and territories will add an extra \$13.2 billion over the next decade. It is designed to improve children's literacy and numeracy, and improve school completion rates. Most of the money will go to underperforming public schools that have suffered falling enrolments and declining academic performance over the past decade.

The original National School Reform Agreement, based on businessman David Gonski's formula to direct more funding to the schools that most needed it, expired on December 31, 2023, but was extended for 12 months. Under the new agreement, the federal government's share of school funding as a proportion of the Schooling Resource Standard will rise from 22.5 per cent to 25 per cent. States are required to increase funding of public schools to 75 per cent of the minimum amount recommended by the 2012 Gonski Review, meaning the schools would become "fully funded".

The Coalition's Gonski 2.0 reforms required states to fund public schools at 75 per cent of the SRS on top of the feds' 20 per cent, leaving a 5 per cent gap. Currently, public schools in all states and territories, except the ACT, are billions of dollars short of the funding needed to meet minimum standards.

In a joint media release ahead of the Budget Prime Minister Anthony Albanese and Education Minister Jason Clare said, "This will lift the Commonwealth's contribution from 20 per cent to 25 per cent of the SRS by 2034. For the Northern Territory, the

Commonwealth's contribution will lift from 20 per cent to 40 per cent of the SRS by 2029. This will see an estimated \$16.5 billion in additional Commonwealth funding to public schools across the nation over the next 10 years."

References

Budget Overview – Building Australia's Future

[Prime Minister's media release: All Australian public schools now on a path to full and fair funding](#)

[Australian Financial Review: After months of resistance, Qld signs on to \\$2.8b schools' package](#)

[ABC: Queensland signs the Better and Fairer Schools Agreement for an extra \\$2.8b school funding](#)

Education – Student debt relief

In November the Albanese Government passed legislation reducing all student debts by 20 per cent at a cost to the Budget of \$16 billion. Under the measure, all student debts – including HELP, Vet Student Loan, Australian Apprenticeship Support Loan and other income-contingent student loans – will be cut by 20 per cent from June 1 2025.

It will wipe \$5520 from an average HELP debt of \$27,600 for a university graduate. Previously the government capped the rate at which a student loan can be indexed, at a cost of \$3 billion. Indexation arrangements to reduce debts were backdated to June 2023.

In his Budget speech Treasurer Jim Chalmers said, "Combined with our existing student debt relief, we will slash \$19 billion in debt for more than three million Australians."

The Budget Papers said, "The Government will cut student debts by 20 per cent with effect before indexation is applied on 1 June 2025, wiping \$16 billion from outstanding student loans. The Government is also making the student loan repayment system fairer by increasing the amount people can earn before they are required to start paying back their student loan, and reducing compulsory repayment rates. These changes follow the Government's 2024–25 Budget initiative to make student loan indexation fairer and reduce the indexation applied in 2023 and 2024, which has already reduced student debt by \$3 billion. Combined, these reforms will cut around \$19 billion in student debt for more than 3 million Australians."

In a joint statement in November Prime Minister Anthony Albanese and Education Minister Jason Clare said, "By 1 June next year, the Government will cut 20 per cent off all student loans to reduce the debt burden for Australians with a student loan. This will cut around \$16 billion in debt, including all HELP, VET Student Loan, Australian Apprenticeship Support Loan and other income-contingent student support loan accounts that exist on 1 June next year. For someone with the average HELP debt of \$27,600 they will see around \$5,520 wiped from their outstanding HELP loans next year."

The Government in November also announced a range of measures to ease the debt burden further. These included lifting the minimum income threshold at which HELP debts must be repaid from \$54,000 in 2024–25 to \$67,000 in 2025–26, and indexing it so it will always stay at 75 per cent of graduate earnings. They also moved to a marginal repayment system to stop lower-income workers paying a disproportionate share of their salary in debt payments, as recommended by a major review into tertiary education.

References

Budget Overview – Building Australia's Future

[Ministerial media release: Legislation passes to wipe \\$3 billion of student debt for 3 million Australians - 26 November 2024.](#)

[Joint media release: Albanese Labor Government to cut a further 20 per cent off all student loans debt - 3 November 2024](#)

[Australian Financial Review: PM chases young voters with pledge to wipe \\$16b from student debt](#)

Childcare

In December the Albanese Government announced a guaranteed three days of subsidised childcare each week, with \$1 billion going towards expanding quality and access. The Government promised that if Labor is re-elected, families earning less than \$530,000 will qualify for the scheme, which will replace the current activity test model for accessing childcare subsidies.

Legislation for the three-day subsidised childcare was passed in February.

Prime Minister Anthony Albanese said Commonwealth childcare subsidies would increase \$3.1 billion over four years, supporting an extra 200,000 kids to receive early education, an upcoming mid-year budget update will reveal. The \$1 billion fund, rolling out from July 2025, will focus on putting services on school sites where possible and supporting the growth of high-quality not-for-profit providers.

The three-day childcare guarantee will replace the activity test from January 2026 and will cost \$427 million over five years. The activity test, which will be scrapped, requires parents to be in paid work or other approved activities to access a childcare subsidy and determines the level of government support based on the number of hours spent doing those activities.

References

[Ministerial media release: Albanese Government introduces legislation to guarantee 3 days of early education and care](#)

Defence

Ahead of the Budget Defence Minister Richard Marles said Australia will bring forward \$1 billion in defence spending in the Budget, to boost its military capability, including guided weapons manufacture, an AUKUS submarine base and a frigate program. Mr Marles said the Budget would contain an increase of \$10.6 billion for defence over the next four years, part of a previously announced \$50 billion boost over a decade, which he said was the most significant increase in defence spending since the end of World War II. "Part of the \$10.6 billion sees bringing forward an additional billion dollars and that is because of the need to accelerate Australia's capability and development," he said at the Avalon Air Show in Victoria. "This will see us have ready HMAS Stirling, the Henderson Defence Precinct for the establishment of the Submarine Rotational Force West. This will see us move forward at a faster pace in establishing the Guided Weapons and Explosives Enterprise," he said. he earlier spending will also accelerate the purchase of a frigate into the service fleet this decade, he said.

References

[Ministerial transcript: Doorstop Interview, Avalon Airshow - 24 March 2025](#)

Industry policy – Whyalla steelworks support

Ahead of the Budget the Government announced a \$2.4 billion bailout for the troubled Whyalla steel mill as governments seek a buyer to revive the failing South Australian plant as a green facility.

Under the plan taxpayers will fund a \$500 million bailout of the imperilled Whyalla steel mill as the South Australian and federal governments pledge to fund ongoing production, pay out creditors and upgrade the plant. A \$1.9 billion investment by the Commonwealth has also been pledged, if a buyer can be found, to rejuvenate the ageing facility with an electric-powered furnace, which the government said would be vital to the mill's future. The conditions a buyer would have to accept have not yet been made public, but they would have to make green steel. The mill was owned by British billionaire Sanjeev Gupta's GFG Alliance. But the South Australian government lost faith in Gupta, who owed tens of millions of dollars to creditors and the state and legislated to place the facility in administration.

The Government separately announced a \$750 million boost to develop new technologies to ensure metals manufacturers remain globally competitive. The Government said, "Part of the \$1.7 billion Future Made in Australia Innovation Fund announced at Budget 2024-25, this new \$750 million of funding will supercharge cutting-edge innovation and boost development of new low emissions technologies."

References

[Prime Minister's transcript: Doorstop interview – Whyalla – 20 February 2025](#)

[Prime Minister's media release: Albanese Government building Australia's green iron future – 20 February 2025](#)

[Prime Minister's media release: Backing our metals manufacturers – 14 March 2025](#)

Infrastructure – road funding

Ahead of the Budget the Government announced major road funding packages for the Bruce Highway in Queensland and the Western Freeway between Melbourne and Adelaide.

The Government said it would invest \$7.2 billion to fix Bruce Highway. It will provide \$1.1 billion to upgrade Victoria's Western Freeway – the major highway connecting Melbourne to Adelaide, and our regions to both cities. The Government said this brings our total investment in the Western Freeway corridor to \$2.1 billion. "We're investing \$2.1 billion in the Western Freeway corridor, \$7 billion in the Melbourne Airport rail link, and \$1 billion in a suburban road blitz because we care about our cities, our suburbs and our regions."

In his Budget Speech Treasurer Jim Chalmers said, "This Budget provides \$17.1 billion over ten years for these projects.

Including:

- \$7.2 billion to upgrade the Bruce Highway in Queensland – the single largest investment ever in the Bruce.
- \$2.3 billion for Western Sydney, with \$1 billion for the rail network alone.
- And \$2 billion towards transforming Sunshine Station, taking our Melbourne Airport Rail investments to \$7 billion.
- The Government said it was also investing up to \$3 billion in additional equity to complete the rollout of the National Broadband Network.

References

[Budget Speech](#)

[Prime Minister's media release: \\$7.2 billion in new funding from the Australian Government to fix Bruce Highway – 6 January 2025](#)

[Ministerial media release: \\$1.1 billion for a safer, more efficient Western Freeway – 6 March 2025](#)

Migration

The Budget says net overseas migration will fall from 435,000 in 2023–24 to an estimated 335,000 in 2024–25, 260,000 in 2025–26 and 225,000 in 2026–27. The Budget Papers say, "Net overseas migration (NOM) is declining from its peak in 2022–23 reflecting lower migrant arrivals. NOM is forecast to ease further over the forward estimates. Arrivals are expected to continue to decline in 2024–25 before stabilising in 2025–26. Departures are expected to pick up from recent sustained lows as more people who arrived after the pandemic near the expiry of their visa."

References

[Budget Paper No 1 – Budget Strategy and Outlook – Economic Outlook](#)

Violence against women

The Budget Papers said, "Initiatives in this Budget bring the Government's investments to support women's safety and deliver the National Plan to End Violence Against Women and Children 2022–32 to over \$4 billion since the October 2022–23 Budget. This includes \$534.5 million already provided to support the delivery of key National Cabinet priorities to end gender-based violence. These measures build on the \$3.9 billion National Access to Justice Partnership with states and territories."

References

[Women's Budget Statement](#)

[Budget Overview – Building Australia's Future](#)

Aged care

The Budget Papers say, "The Government is providing \$291.6 million in this Budget to continue delivering its historic aged care reforms and implementation of recommendations from the Royal Commission into Aged Care Quality and Safety. These reforms are essential to ensure the viability and quality of aged care, and to support growing numbers of older Australians choosing to remain in their homes as they age, while making aged care spending more sustainable. This Government has also invested a total of \$17.7 billion to support award wage increases for aged care workers, including \$2.6 billion in this Budget to deliver another pay rise for aged care nurses, supporting the aged care sector to deliver high quality care for older Australians." Additional spending is to support implementation of the Aged Care Act 2024 and fund the outcome of the Fair Work Commission's decision to increase the minimum award wages of registered and enrolled nurses employed in the aged care sector."

References

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Superannuation

The Budget includes no significant changes to superannuation. There is \$50 million over three years to extend the Tax Integrity Program targeting tax and superannuation liabilities and \$31 million to cover unpaid superannuation to be paid to employees.

NDIS

The Budget provides an additional \$175.4 million over four years from 2025–26 (and \$43.8 million per year ongoing) to further safeguard the integrity of the National Disability Insurance Scheme (NDIS), mostly for fraud detection.

The Budget also provides \$423.8 million over five years from 2024–25 (and \$150 million per year ongoing) to support inclusion and build the capacity of people with disability and their families through improving accessibility, delivery of inclusive community services, and understanding of disability.

References

Budget Paper No 2 – Part 2 – Payment measures



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