



\$1,000 instant tax deduction for work-related expenses	
Party:	Australian Labor Party
<p>Summary of proposal:</p> <p>The proposal would allow taxpayers to choose to claim a \$1,000 instant tax deduction instead of claiming individual work-related expenses.</p> <p>To be eligible for the instant tax deduction, taxpayers must earn labour income.</p> <p>Taxpayers claiming more than \$1,000 in work-related deductions will still be able to do so in the usual way. Charitable donations and other non-work-related deductions would continue to be claimed on top of the instant tax deduction.</p> <p>The proposal would start on 1 July 2026.</p>	

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by around \$2.5 billion over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects a decrease in taxation and an increase in administered expenses.

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2035-36 is provided at Attachment A.

Table 1: \$1,000 instant tax deduction for work-related expenses – Financial implications (\$m)^{(a)(b)}

	2025-26	2026-27	2027-28	2028-29	Total to 2028-29
Fiscal balance	-	-	-1,239.4	-1,249.5	-2,488.9
Underlying cash balance	-	-	-1,239.4	-1,249.5	-2,488.9

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

- Indicates nil.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- All eligible taxpayers who would otherwise not have made a work-related expenses tax deduction claim more than \$1,000 would choose to claim the \$1,000 instant tax deduction.
- Around 95% of personal income tax deductions would be claimed in the income year after they are accrued and 5% in the second year after.
- The Family Tax Benefit (FTB) and Child Care Subsidy (CCS) payments would remain consistent with their 2028-29 levels over the medium term.

- Impacts on other payments such as Youth Allowance and Carer Allowance are not included as they are assumed to be negligible.
- Departmental implementation costs would be negligible.

Methodology

The financial implications for personal income tax collections were estimated using a microsimulation model built from the full set of de-identified personal income tax return data for the 2022-23 income year. This data is provided by the ATO and grown over the medium-term using parameters from the 2025-26 Budget and the PBO's Build Your Own Budget tool.

The financial implications account for the timing of tax collections.

Financial implications were rounded consistent with the PBO's rounding rules.¹

Data sources

The ATO provided the de-identified personal income tax returns data for the 2022-23 income year.

The Treasury provided modelling and data covering the forward estimates period.

PBO (2025) *Build Your Own Budget*, Parliamentary Budget Office.

Commonwealth of Australia (2025) *Pre-election Economic and Fiscal Outlook 2025*, Commonwealth of Australia.

¹ <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

Attachment A – \$1,000 instant tax deduction for work-related expenses – Financial implications

Table A1: \$1,000 instant tax deduction for work-related expenses – Fiscal and underlying cash balances (\$m)^(a)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Tax receipts													
<i>Personal income tax</i>	-	-	-1,150.0	-1,190.0	-1,230.0	-1,250.0	-1,270.0	-1,290.0	-1,310.0	-1,330.0	-1,350.0	-2,340.0	-11,370.0
Payments													
Administered													
<i>Family Tax Benefit</i>	-	-	-64.3	-41.7	-41.7	-41.7	-41.7	-41.7	-41.7	-41.7	-41.7	-106.0	-397.9
<i>Child Care Subsidy</i>	-	-	-25.1	-17.8	-17.8	-17.8	-17.8	-17.8	-17.8	-17.8	-17.8	-42.9	-167.5
Total (excluding PDI)	-	-	-1,239.4	-1,249.5	-1,289.5	-1,309.5	-1,329.5	-1,349.5	-1,369.5	-1,389.5	-1,409.5	-2,488.9	-11,935.4

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

Table A2: \$1,000 instant tax deduction for work-related expenses – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Fiscal balance	-	-	-27.0	-84.0	-144.0	-208.0	-277.0	-349.0	-427.0	-509.0	-596.0	-111.0	-2,621.0
Underlying cash balance	-	-	-21.0	-70.0	-129.0	-192.0	-260.0	-331.0	-407.0	-488.0	-574.0	-91.0	-2,472.0

- (a) As this table is presented as a memorandum item, these figures are not reflected in the totals above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary².
- (b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- Indicates nil.

² [Online budget glossary – Parliamentary Budget Office \(pbo.gov.au\)](https://pbo.gov.au/)