



Superannuation on Paid Parental Leave – parental choice	
Party:	The Coalition
<p>Summary of proposal:</p> <p>The proposal would give eligible Parental Leave Pay (PLP) recipients the choice of:</p> <ol style="list-style-type: none">1. receiving superannuation on the Government funded PLP payment as per the current arrangements,2. an additional two weeks of funded paid parental leave, or3. a one-off payment. <p>The proposal would commence on 1 July 2025.</p>	
<p>Additional information (based on further advice provided):</p> <p>The second choice allows recipients to receive 26 weeks of PLP from 1 July 2025, which would increase to 28 weeks from 1 July 2026 with no superannuation on any PLP entitlements.</p> <p>The third choice would allow eligible recipients to receive a one-off payment equal to the value of the eligible superannuation amount based on the current PLP entitlements. The one-off payment would be subject to personal income tax.</p> <p>The proposal would be ongoing.</p>	

Costing overview

The proposal would be expected to increase the fiscal balance by \$271.2 million and decrease the underlying cash balance by \$228.1 million over the 2025-26 Budget forward estimates period (see Table 1). The fiscal balance impact reflects an increase in personal income tax revenue and a decrease in Low Income Super Tax Offset (LISTO) payments, which would be partially offset by a decrease in superannuation tax revenue.

The underlying cash balance impact is different to the fiscal balance impact. This is due to the reversal of the 2024-25 Budget measure *Commonwealth Government-Funded Paid Parental Leave – enhancement* under choice 3 of the proposal. The budget measure suggests that 80% of the superannuation contribution under this policy would be paid following the end of the financial year in which PLP entitlement is accrued and the remaining 20% would be paid the year after.

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: Superannuation on Paid Parental Leave – parental choice – Financial implications (\$m)^{(a)(b)}

	2025-26	2026-27	2027-28	2028-29	Total to 2028-29
Fiscal balance	51.9	73.5	73.9	71.9	271.2
Underlying cash balance	-287.0	-41.3	47.5	52.7	-228.1

(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.

Uncertainties

The financial implications of this proposal are uncertain and sensitive to assumptions around PLP uptake, the average taxable incomes of the eligible population, and investment returns on superannuation contributions.

The financial implications are also sensitive to the uptake of each choice under the proposal by PLP recipients. This uptake is influenced by discounting with a ‘present bias’¹, as well as the generally low level of engagement with the superannuation system.² The PBO has therefore assumed that the majority of recipients would preference an immediate payment over future savings, even if this results in a reduction in the individual’s total benefit.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- The eligible population would grow in line with the PLP claimant projections provided by the Department of Social Services (DSS) over the costing period.
- There would be no change to the uptake of PLP under the proposal.
- 10% of PLP recipients would opt to receive superannuation contributions on their PLP as per the current arrangements (choice 1).
- 90% of PLP recipients would opt to receive a one-off payment equal to the superannuation amount (choice 3).
- No PLP recipients would prefer choice 2, as it offers less immediacy and lower financial benefits, compared to choice 3.
- Investment returns on superannuation on average would be 7.5% per annum.
- The average marginal tax rate of affected recipients would be around 30%, informed by relevant previous budget measures.
- 92% of personal income tax revenue would be collected within the income year, with the remaining 8% collected in the subsequent year.
- There would be a one-off departmental cost of \$2 million to implement the proposed changes.
- Ongoing departmental costs would not be significant and would be met within existing resources.

¹ The Hyperbolic discounting applied reflects an individual’s tendency to value immediate rewards over rewards in the long-term, even when those long-term rewards are larger.

² As per the Productivity Commission’s (PC) [inquiry report into superannuation](#), less than 10% of super fund members switch funds each year, only a third have ever changed their investment option, 60% of members do not understand their fees and charges, and about 40% lack an understanding of basic investment options (such as growth, balanced and conservative).

Methodology

The average financial impact of each choice was estimated from the PLP payment projections and the proportion of recipients choosing the option, as per *Key Assumptions*. The average superannuation contribution was applied to each choice, including the applicable superannuation earnings and tax implications.

The administered expenses and the associated tax revenue were estimated by multiplying the number of PLP recipients expected for each choice by the average financial impact of that choice as per *Key Assumptions*. The costing takes the timing of tax collections and payments into account in estimating the financial implications.

Financial implications were rounded consistent with the PBO's rounding rules.³

Data sources

The Department of Social Services provided projections for PLP expenditure and recipients as at the 2025 PEFO.

The Department of Finance provided indexation parameters as at the 2025 PEFO.

The Department of Finance provided the estimates for the 2024-25 Budget measure *Commonwealth Government-Funded Paid Parental Leave – enhancement*.

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

³ <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

Attachment A – Superannuation on Paid Parental Leave – parental choice – Financial implications

Table A1: Superannuation on Paid Parental Leave – parental choice – Fiscal balance (\$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
Revenue													
<i>Personal Income Tax</i>	113.0	138.0	146.0	154.0	163.0	173.0	183.0	192.0	200.0	209.0	218.0	551.0	1,889.0
<i>Tax on superannuation contributions</i>	-55.0	-67.0	-71.0	-75.0	-79.0	-84.0	-89.0	-93.0	-97.0	-101.0	-106.0	-268.0	-917.0
<i>Tax on superannuation earnings</i>	-4.1	-8.8	-14.0	-19.7	-26.1	-33.1	-41.0	-49.6	-59.0	-69.3	-80.5	-46.6	-405.2
Total – revenue	53.9	62.2	61.0	59.3	57.9	55.9	53.0	49.4	44.0	38.7	31.5	236.4	566.8
Expenses													
Administered													
<i>Parental Leave Pay – one-off payment</i>	-398.0	-451.0	-475.0	-501.0	-530.0	-562.0	-596.0	-622.0	-650.0	-678.0	-708.0	-1,825.0	-6,171.0
<i>Superannuation Guarantee</i>	398.0	451.0	475.0	501.0	530.0	562.0	596.0	622.0	650.0	678.0	708.0	1,825.0	6,171.0
<i>Low Income Super Tax Offset</i>	-	11.3	12.9	12.6	12.3	12.1	11.9	11.7	11.3	10.9	10.6	36.8	117.6
Total – administered	-	11.3	12.9	12.6	12.3	12.1	11.9	11.7	11.3	10.9	10.6	36.8	117.6
Departmental													
<i>Departmental expenses</i>	-2.0	-	-	-	-	-	-	-	-	-	-	-2.0	-2.0
Total – departmental	-2.0	-	-	-	-	-	-	-	-	-	-	-2.0	-2.0
Total – expenses	-2.0	11.3	12.9	12.6	12.3	12.1	11.9	11.7	11.3	10.9	10.6	34.8	115.6
Total (excluding PDI)	51.9	73.5	73.9	71.9	70.2	68.0	64.9	61.1	55.3	49.6	42.1	271.2	682.4

(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: Superannuation on Paid Parental Leave – parental choice – 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
Revenue													
<i>Personal Income Tax</i>	113.0	138.0	146.0	154.0	163.0	173.0	183.0	192.0	200.0	209.0	218.0	551.0	1,889.0
<i>Tax on superannuation contributions</i>	-	-44.0	-65.0	-70.0	-74.0	-78.0	-83.0	-88.0	-92.0	-96.0	-101.0	-179.0	-791.0
<i>Tax on superannuation earnings</i>	-	-3.3	-7.9	-13.0	-18.6	-24.8	-31.7	-39.4	-47.9	-57.1	-67.2	-24.2	-310.9
Total – revenue	113.0	90.7	73.1	71.0	70.4	70.2	68.3	64.6	60.1	55.9	49.8	347.8	787.1
Expenses													
Administered													
<i>Parental Leave Pay – one-off payment</i>	-398.0	-451.0	-475.0	-501.0	-530.0	-562.0	-596.0	-622.0	-650.0	-678.0	-708.0	-1,825.0	-6,171.0
<i>Superannuation Guarantee</i>	-	319.0	441.0	471.0	496.0	524.0	556.0	589.0	617.0	644.0	673.0	1,231.0	5,330.0
<i>Low Income Super Tax Offset</i>	-	-	8.4	11.7	11.9	11.6	11.3	11.1	10.9	10.6	10.2	20.1	97.7
Total – administered	-398.0	-132.0	-25.6	-18.3	-22.1	-26.4	-28.7	-21.9	-22.1	-23.4	-24.8	-573.9	-743.3
Departmental													
<i>Departmental expenses</i>	-2.0	-	-	-	-	-	-	-	-	-	-	-2.0	-2.0
Total – departmental	-2.0	-	-	-	-	-	-	-	-	-	-	-2.0	-2.0
Total – expenses	-400.0	-132.0	-25.6	-18.3	-22.1	-26.4	-28.7	-21.9	-22.1	-23.4	-24.8	-575.9	-745.3
Total (excluding PDI)	-287.0	-41.3	47.5	52.7	48.3	43.8	39.6	42.7	38.0	32.5	25.0	-228.1	41.8

(a) 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 A3: Superannuation on Paid Parental Leave – parental choice – 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
<i>Fiscal balance</i>	-6.3	-13.9	-14.4	-12.8	-11.1	-9.6	-8.1	-6.7	-5.1	-3.8	-2.9	-47.4	-94.7
<i>Underlying cash balance</i>	-4.8	-12.0	-14.2	-13.2	-11.5	-10.0	-8.5	-7.0	-5.5	-4.1	-3.1	-44.2	-93.9

- (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 glossary⁴.
- (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.

⁴ [Online budget glossary – Parliamentary Budget Office \(pbo.gov.au\)](https://pbo.gov.au/online-budget-glossary)