



Cost of Living Tax Offset											
Party:	The Coalition										
<p>Summary of proposal:</p> <p>The proposal would provide a Cost of Living Tax Offset of up to \$1,200 for eligible Australians in the 2025-26 financial year.</p> <p>The Cost of Living Tax Offset would be available to Australian residents for tax purposes who are earning an annual taxable income of up to \$144,000. The offset would be non-refundable.</p> <p>The arrangements for the offset amounts will be as follows:</p> <table><tr><th>Taxable income</th><th>Cost of Living Tax Offset amount</th></tr><tr><td>\$37,000 or less</td><td>Up to \$265</td></tr><tr><td>\$37,001 to \$48,000</td><td>\$265 plus 8.5 cents for every dollar above \$37,000</td></tr><tr><td>\$48,001 to \$104,000</td><td>\$1,200</td></tr><tr><td>\$104,001 to \$144,000</td><td>\$1,200 minus 3 cents for every dollar above \$104,000</td></tr></table>		Taxable income	Cost of Living Tax Offset amount	\$37,000 or less	Up to \$265	\$37,001 to \$48,000	\$265 plus 8.5 cents for every dollar above \$37,000	\$48,001 to \$104,000	\$1,200	\$104,001 to \$144,000	\$1,200 minus 3 cents for every dollar above \$104,000
Taxable income	Cost of Living Tax Offset amount										
\$37,000 or less	Up to \$265										
\$37,001 to \$48,000	\$265 plus 8.5 cents for every dollar above \$37,000										
\$48,001 to \$104,000	\$1,200										
\$104,001 to \$144,000	\$1,200 minus 3 cents for every dollar above \$104,000										
<p>The proposal would start on 1 July 2025.</p>											

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by around \$11.3 billion over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects a decrease in tax revenue.

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: Cost of Living Tax Offset – Financial implications (\$m)^{(a)(b)}

	2025-26	2026-27	2027-28	2028-29	Total to 2028-29
Fiscal balance	-	-10,700.0	-600.0	-	-11,300.0
Underlying cash balance	-	-10,700.0	-600.0	-	-11,300.0

(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.

- Around 95% of personal income tax deductions would be claimed in the income year after they are accrued and the remaining 5% in the second year after.
- 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 was provided by the Australian Taxation Office (ATO) and grown over the medium-term using parameters from the 2025-26 Budget.

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

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 – Cost of Living Tax Offset – Financial implications

Table A1: Cost of Living Tax Offset – 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 revenue													
<i>Personal income tax</i>	-	-10,700.0	-600.0	-	-	-	-	-	-	-	-	-11,300.0	-11,300.0
Total (excluding PDI)	-	-10,700.0	-600.0	-	-	-	-	-	-	-	-	-11,300.0	-11,300.0

- (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: Cost of Living Tax Offset – 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	-	-237.0	-498.0	-532.0	-556.0	-581.0	-607.0	-634.0	-663.0	-693.0	-725.0	-1,267.0	-5,726.0
Underlying cash balance	-	-178.0	-433.0	-523.0	-550.0	-574.0	-600.0	-627.0	-656.0	-685.0	-717.0	-1,134.0	-5,543.0

- (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/online-budget-glossary)