

## Submission to the Treasurer's Economic Reform Roundtable

Our submission focuses primarily on the role tax reform should play in the productivity agenda. Tax is an essential element of promoting productivity, primarily because:

- Additional revenue is required to make productivity-enhancing investments in education, health, infrastructure and other sectors of the economy;
- Existing tax settings allow for (and in some ways facilitate) growing inequality, mounting evidence shows the role of inequality in reducing economic growth;
- Parts of Australia's tax system incentivise spending and investment in unproductive activities.

The Australia Institute's earlier report "Raising revenue right: Better tax ideas for the 48th Parliament" recommended the following tax reforms<sup>1</sup>.

Recommendation	Revenue raised - Minimum	Revenue raised - Maximum	Other benefits
1. End fossil fuel subsidies	\$1.7bn	\$10.6bn	<b>Reduce</b> carbon emissions
2. End the gas industry's free ride	\$4.1bn	\$10.1bn	<b>Reduce</b> carbon emissions
3. Reform the Capital Gains Tax Discount and negative gearing	\$1.8bn	\$19.8bn	<b>Increase</b> housing affordability
4. Reform superannuation tax concessions	\$2.3bn	\$20.3bn	<b>Reduce</b> wealth inequality
5. Tax luxury utes, plastic and tax avoidance	Up to \$1.9bn		<b>Increase</b> road safety <b>Increase</b> fairness <b>Reduce</b> carbon emissions <b>Reduce</b> plastic waste
<b>Total</b>	\$11.8bn	\$62.7bn	A <b>better</b> Australia

The Australia Institute also makes the following additional recommendations.

<sup>1</sup> Jericho (2025) Raising revenue right: Better tax ideas for the 48th Parliament, <https://australiainstitute.org.au/report/raising-revenue-right-better-tax-ideas-for-the-48th-parliament/>

Policy area	Identified issues	Recommendations
Company tax	<ul style="list-style-type: none"> <li>Taxes are on profits. This cannot make a profitable venture unprofitable.</li> <li>Company tax cuts would mostly benefit firms receiving rents through oligopoly or resources.</li> <li>There is no correlation between lower company tax rates, employment or economic growth.</li> <li>Other factors, such as public infrastructure, are more important to foreign investment.</li> <li>Company tax cuts would be financed through cutting important spending or raising other taxes.</li> </ul>	Company tax rate for large business should remain at 30%.
Rent/super-profits taxes	<ul style="list-style-type: none"> <li>Taxes on economic rents do not affect investment decisions while raising substantial revenues that can fund productive public investment.</li> </ul>	Fix the PRRT. Introduce resource rent tax. Introduce super-profits or windfall gains tax.
Taxing wealth	<ul style="list-style-type: none"> <li>Unearned income is lightly taxed and leads to increased wealth inequality.</li> <li>A broad-based tax on wealth would not distort behaviour as it does not discriminate against different assets held.</li> <li>A wealth tax may promote productive investments as wealth-holders will be encouraged to invest in high return assets in order to reduce the impact of the tax.</li> </ul>	Introduce a wealth tax and national estate tax.
Taxing trusts	<ul style="list-style-type: none"> <li>Around 25% of GDP is run through trusts.</li> <li>Trusts are tools of tax avoidance and evasion, exacerbate inequality and reduce available public resources for productive public investments.</li> <li>Financial resources and skilled professionals dedicated to tax avoidance and evasion (such as through trusts) are unproductively allocated.</li> </ul>	Reform trusts to remove their ability to facilitate tax avoidance and evasion, such as through taxing trust distributions at the rate of the highest personal income bracket.
Carbon tax	<ul style="list-style-type: none"> <li>The Gillard Government's carbon price effectively brought down emissions, its removal created uncertainty in the electricity market and discouraged investment.</li> <li>A carbon tax (or equivalent price mechanisms) would raise substantial revenue while reducing socially harmful emissions and promoting productive low-emissions investment.</li> </ul>	Introduce a carbon tax.
Wages	<ul style="list-style-type: none"> <li>High wages promote productivity by encouraging businesses to invest in labour-saving technologies.</li> </ul>	Promote full-employment (not NAIRU) and real wage growth. Reform the purpose of the Modern Awards system to again set new standards for higher wages across covered industries.
Education and training	<ul style="list-style-type: none"> <li>Serious problems in Australia's education and vocational training system are contributing to the persistence of shortages in many skilled occupations.</li> </ul>	Increased funding of TAFE including expanded fee-free access. Tax measures to foster stronger employer support for in-house training.