

Opinion Article: Executive Director Michelle de Niese writes in the AFR about tax reform - Time to walk the tax reform talk

For those that work in the Australian tax space, tax reform is seen as the ultimate endurance sport.

Supreme patience and a willingness to keep plugging away at something that is publicly fraught and politically unpalatable are requisite qualities of the “tax reformist”. And the view of Australia’s most enduring and respected tax reformists is that our tax system is nearing its finish line.

The [High Court’s rejection of Victoria’s state road tax](#) and its implicit threat to the ability of states to raise revenue via levies has placed genuine pressure on the federal government to step into the reform breach. It’s also given those tired reform legs a final burst of energy. The time to walk the talk on tax reform is upon us.

Australia’s last attempt at building consensus around tax reform was in 2015 with the release of Re-think, which was built off the back of the 2015 *Intergenerational Report*. I recall the genuine excitement and goodwill that first step generated within the tax community. The Re-think paper said what we already knew but wanted and needed to hear from the government at the time – that the economic costs of raising revenue in Australia are too high, that our system is too complex and is structured in a way that creates complexity, and that opportunities to improve the operation of our tax system through reviewing concessions and understanding interactions between the tax and transfer systems should be grasped.

Fast forward to 2023 and the stark picture of the need for tax reform painted in 2015 fades in comparison to what we face today.

The 2023 *Intergenerational Report* has made it clear that Australia’s long-term budgetary challenges associated with projected spending on health, housing, defence and Australia’s energy transition cannot be achieved with current tax settings and the assumption that tax collections remain constant at 24.4 per cent of GDP from the end of the medium-term 10-year projection period to 2062.

And while assumptions can be dismissed as just that, there is no getting around the fact that our current tax system is simply incapable of raising the revenue required to fund the public services Australians need and expect in the future. And no amount of tinkering around with secondary taxes or incremental changes within the less popular taxpaying groups (namely superannuation and multinationals) will change that fact.

The mood in corporate Australia reflects this sobering picture. There is a sense of resignation around how little has been done to address issues long identified, coupled with a sense of foreboding around how much more revenue grabbing tinkering a system can handle before the wheels fall off.

Instead of a national conversation around the kind of tax system we need to have, since 2015 we've had 35 amendments to the corporate tax system. Of these, 91 per cent (32) have been integrity and disclosure measures. None have related to or addressed any of the problems identified with our tax system in either Re-think or the 2010 Henry Review.

This cycle of reactive, rather than proactive tax policy, and the instability that comes with it, is a dangerous byproduct of having a tax system that isn't delivering and has no agreed and structured plan around how to fix it.

The work on what tax policy changes need to be made in Australia has already largely been done – in 2010 by the [Henry Review](#) and in 2015 via Re-think. Further constructive contributions by the Productivity Commission, CEDA, the Business Council of Australia and the Grattan Institute have been made. The changes required, while not all agreed upon, are broadly understood. The problem lies in how we get there.

Agreeing on a path that not only allows but encourages these and other stakeholders to engage in a conversation around how Australia can ensure its tax system can deliver what is required of it in the future is crucial to finding consensus among all the disagreement. Such a process would need to be underpinned by a set of agreed core pillars or principles. These could include broadening the tax base and a sensible conversation around tax rates over time, improving Australia's lagging productivity, and a fully inclusive consultation process where all Australians are heard.

Supporting the development of a process that allows thought leaders to discuss and debate tax – without being unduly criticised, dismissed or their ideas ruled out without any offering of alternatives – should be a shared objective, regardless of which taxpayer group we represent. As recognised – and acted upon – by [Allegra Spender MP](#) via the development of her own tax reform roundtable process, tax reform is too important to be hostage to party politics.

So where to from here? It is time for a national statement on tax reform. It is time to have a considered long-term road map based on policy and pragmatism and not populism. It is time to walk the talk and to stop tinkering. The intergenerational tragedy that awaits if we don't intervene demands it.