

Opinion Article: Executive Director Michelle de Niese writes in the AFR about the 2025 election – First, do no harm to the tax system at the 2025 election

Federal election campaigns feel a little like the period between Christmas and New Year. There's no real schedule, no one is allowed to make any meaningful decisions and everything once urgent is an after-the-election problem.

This enforced lull in proceedings provides a good opportunity to take stock of the achievements of the government of the day and assess the lay of the land upon which the election will be based.

At the 2022 election, there was some optimism around what might be done to address flagging productivity. There was hope that a Labor government, having had 10 years to ponder what it could – and should – tackle, might make meaningful change.

Various publications, all of which appeared to be aimed at building public support for changes to tax, spending and most importantly, productivity, were released. Most notable was the 2023 Intergenerational Report, which painted a clear picture of how Australia's tax system was not up to the task of addressing the long-term budgetary challenges associated with projected spending on health, housing, defence and Australia's energy transition.

There were also positive signs around the process of policy formulation, with the treasurer giving a rousing speech to Treasury officials in June 2022, during which he encouraged Treasury to see itself as "a machine that can win arguments and change outcomes", not "some kind of think tank, where the end product is a clever argument that lives and dies within the walls of this building". Enshrining an objective of superannuation in legislation as part of its agenda to strengthen and maximise the benefits of the nation's super system was a good example of the government's early willingness to tackle policy formulation differently.

Then politics and its worst enemies collided. High inflation, higher energy costs, interest rates and increasing food prices brought on the perfect political storm for an incoming government.

Suddenly, crucial messages around the need for reform, succinctly crafted in reports and delivered by commentators from all sides of politics were largely ignored. Consultation processes ran off the rails, with revenue implications trumping policy underpinnings. Election promises were relegated behind unrelated legislative emergencies, which already straining legislative and policy frameworks struggled to handle. And businesses, the largest contributors to the economy, often found themselves shut out of constructive engagement.

These factors have impacted the landscape for the 2025 election. While voters' eyes are on interest rates, the undercurrents of flatlining productivity, capital shallowing, an ageing population and energy transition will wash over the top of access to cheaper debt and negatively impact the lives of all Australians if not addressed.

While no single area of reform can act as a silver bullet for our productivity woes, tax – arguably the most difficult area of reform – is perhaps the easiest to explain in terms of how

the average Australian will be impacted, today (via bracket creep) and tomorrow (when the public services they need and expect will not be available). Some simple maths shows that no amount of tinkering with secondary taxes or incremental changes within less popular taxpaying groups (namely superannuation and multinationals) will change these realities.

What appears to be the biggest political challenge in the tax space is committing to a process under which open conversations around what kind of tax system we need to set us up for the future are encouraged and supported, and fearmongering and misinformed debate are not.

The large corporate market in Australia has become accustomed to misplaced and misinformed potshots. What it is struggling to withstand is the near-constant barrage of politically motivated changes to the system in which it must operate and attempt to thrive. While much of the focus over the past three years has been on ensuring multinationals pay their fair share (as they should), little to no attention has been paid to the fact that Australia's large corporate sector is paying record levels of tax and, according to the ATO, is one of the most compliant taxpayer groups.

While I'm no fan of policy-free elections, I'm even less of a fan of change for the sake of it. Sadly, we are at the point in Australia where large corporates would take a promise to do nothing over a vague commitment to do something, where historically "somethings" have translated into complex and productivity-sapping changes to an already uncompetitive corporate tax system.

The need for the 2025 election to be about more than small targets and political point scoring is clear. The question is whether either political party will have the courage and conviction to focus on what is best for the medium to long term, not just the next three years.