



## **CURTIN SUBMISSION TO THE ECONOMIC REFORM ROUNDTABLE**

### **Economic reform must address intergenerational unfairness**

Younger Australians (especially Millennials and Gen Z) face declining home affordability and accessibility, stagnant wages and rising debt. Meanwhile, older generations benefit from generous super tax concessions and housing asset growth, creating a widening wealth gap. This gap has significant social, political and economic consequences.

There are so many young people in Curtin with high student debts, who see no realistic path to owning a home, who know they will be bearing the brunt of climate change, AI disruption and supporting an ageing population with growing health and care expectations. Many older people in Curtin say 'I'm fine, but I worry for my kids or grandkids'.

### **We should start with agreed principles**

A root and branch approach to economic reform should start with the question of **what individuals should be able to expect from life in Australia and what role governments should play in enabling those expectations**. This national discussion would fit well in the Wellbeing Economy framework commenced by this Government in the last term, uncovering our shared values and principles and agreeing aspirational but realistic expectations.

Building consensus around agreed principles will make economic reform easier to achieve. For example, Australians may agree that young people should be able to buy a house; we need to attract business investment; we need to find the cheapest path to net zero; and that our tax system should be simple, predictable, fair and resilient.

### **Budget sustainability**

Of the three areas identified for this roundtable, this submission focuses on **strengthening budget sustainability**, because this is the topic that gets the least attention from the major political parties.

Making good on our promise to younger generations that living standards will improve requires budget sustainability, which can be achieved through spending less, taxing more, growing faster, or some combination of the three. We cannot shift the burden of today's needs onto future generations through growing debt. Our budget should balance over the economic cycle.

### **Our growing reliance on taxing work**

We have no plan for budget repair other than bracket creep - growing reliance on taxing work will make our system regressive over time and will not help productivity. It exacerbates intergenerational unfairness, with a growing relative tax burden placed on a declining working population as the population ages.

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I submit that the following ideas should be examined, in order to reduce the growing burden on taxing working Australians:

- **Indexing tax brackets**

Indexing tax brackets, like the majority of OECD countries, would prevent bracket creep and require governments to present a business case for every new spending commitment.

- **Progressive GST**

Increasing the rate of GST and reducing exemptions are often rejected because they are regressive, but there are options to make these changes progressive instead. I have worked with Professor Richard Holden and the Parliamentary Budget Office to show an example of how a Progressive GST could contribute to budget repair and income tax breaks. The model incorporates a 'basics supplement' for every Australian adult, to create a GST-free threshold. This could be undertaken in conjunction with a review of Commonwealth/State responsibilities to address duplication and complexity. See Richard Holden's separate submission for more detail.

- **Negative gearing and CGT**

There is increasing evidence that Australians are open to reviewing current tax settings relating to housing, including settings that favour buying housing as an investment, rather than a home. In a survey open to all Curtin residents, 76% of respondents supported reform in this area.

- **Stamp duty reform**

Stamp duty is inefficient and discourages mobility. Working with States to transition to a land tax would enable better use of housing. In a survey of Curtin residents, 65% of respondents supported this idea.

- **Resource rent taxes**

Australians are not being adequately compensated for the use of our natural resources. No tax was paid on two-thirds of the gas exported from WA last year and PRRT will only be 0.08 per cent of GDP this year. Resource rent taxes should be reviewed, especially for fossil fuels that create emissions that inflict global harm.

- **Digital Economy and Multinational Taxation**

Multi-national corporations and digital platforms should be required to pay tax on profits earned in Australia. We should support global efforts like the OECD's Pillar Two for a minimum corporate tax rate.

- **Carbon and pollution taxes**

Carbon and pollution taxes remain the most economically efficient way to incentivise a transition to a more sustainable and clean economy.

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