

OpenVoiceNews

Transparent. Unbiased. Yours.

Australia Institute Wealth Tax Plan Sparks Fierce Backlash

August 21, 2025

— *Categories: General News*

A proposal from a leading think tank to impose a wealth tax on high-value households has ignited heated debate in Australia, with critics warning the move could harm the economy despite potential revenue gains.

The Australia Institute, in a report released ahead of this week's Economic Reform Roundtable, suggested introducing a two per cent annual levy on households with net assets above \$5 million. The plan, the Institute claims, could generate more than \$41 billion each year, even if exemptions are applied for family homes and superannuation balances.

According to the report, households with over \$5 million in assets were within the top five per cent of Australians in 2022. By targeting this small but wealthy group, the Institute argues the reform would “deliver tens of billions of dollars annually without impacting low- and middle-income earners.”

The proposal does not stop at a wealth tax. The Institute also called for the reintroduction of an inheritance tax, which existed in various forms across states and federally during the 1960s and 1970s, before being phased out. Additionally, it recommended the removal of the capital gains tax discount, which has long been a point of contention in tax reform

debates. Collectively, these measures could raise an additional \$70 billion annually, the think tank estimates.

However, not everyone is convinced. One tax policy expert described the proposal as “incredibly dangerous,” warning it could discourage investment, drive capital overseas, and undermine long-term economic stability. Critics argue that taxing wealth rather than income risks penalising those who have already contributed significantly to the economy and may deter entrepreneurial growth.

The debate comes at a time when Australia faces increasing fiscal pressures, including the rising cost of essential services and long-term structural budget deficits. Advocates for the wealth tax say the reforms would provide governments with a new revenue stream to address spending needs without placing extra burdens on middle-class families. Opponents, however, argue the approach could backfire by weakening investor confidence and limiting job creation.

Australia has not had a serious national debate about wealth or inheritance taxes for decades, making the Institute’s proposals some of the boldest reform suggestions in recent years. While the government has not indicated any immediate plans to adopt such measures, the discussion is expected to feature prominently at the Economic Reform Roundtable, where academics, policymakers, and business leaders will debate the country’s fiscal future.

Whether the idea gains traction remains uncertain, but the proposal has already succeeded in sparking a broader conversation about tax fairness, economic growth, and the best path forward for Australia’s budget sustainability.