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Treasury FOI Blunder Ignites Tax Reform Debate

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A Treasury Freedom of Information (FOI) error has sparked a heated debate on tax reform, with unredacted documents revealing advice to Treasurer Jim Chalmers to raise taxes for budget sustainability. The leak, reported by ABC News on July 14, 2025, suggests the Labor government's fiscal strategy is faltering, prompting calls for a simpler tax

system. This article examines the implications of the blunder and the broader tax reform conversation.

The FOI mishap exposed Treasury's post-election brief, urging "tax should be raised as part of broader tax reform" to address a projected \$42.1 billion deficit. Chalmers, speaking at a press conference, called the leak an "error" but appeared unfazed, saying, "I'm pretty relaxed about it." The documents also cast doubt on Labor's ambitious 1.2 million homes target by 2029, highlighting the need for additional revenue and spending cuts. Critics, including Opposition Leader Sussan Ley, slammed the government for ignoring key productivity levers, arguing the Economic Reform Roundtable in August risks becoming a talkfest.

The leaked advice aligns with calls for tax simplification. Radio host Tom Elliott, on 3AW, labeled Australia's tax system "one of the most complicated on earth," advocating for streamlined policies to boost productivity. The Commonwealth Bank of Australia (CBA) echoed this, urging Chalmers to slash income taxes, reform the Goods and Services Tax (GST), and cap superannuation concessions. However, Chalmers ruled out GST changes, a move critics see as dodging tough decisions. X posts reflect public skepticism, with users like @ukpapers noting the "tax cat is out of the bag."

The timing of the leak may suit Chalmers, who has signaled openness to tax reform at the upcoming roundtable. Yet, the Labor government's reliance on indirect taxes and superannuation tweaks, as suggested by Treasury, risks burdening workers and businesses. Budget economist Chris Richardson called the leak "magnificent" for exposing Treasury's truth-telling, but warned that without bold reforms, Australia's outdated tax model will stifle growth. As Chalmers heads to the G20, the pressure

is on to deliver a sustainable budget without resorting to Labor's typical tax-and-spend approach.