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## GST Hike Debate Exposes Australia's Tax Reform Paralysis

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Economists are quietly pushing for an increase to Australia's 10% Goods and Services Tax (GST) as the federal budget faces a \$80 billion structural deficit, but politicians remain allergic to the conversation. With income tax accounting for over half of government revenue and Treasurer Jim Chalmers seeking to ease personal tax burdens, experts argue the consumption tax system needs modernization to secure Australia's fiscal future. Yet twenty-five years after John Howard's controversial GST introduction, neither major party dares propose meaningful reform.

The GST's fundamental weakness lies in its shrinking revenue base, failing to keep pace with Australia's service-dominated economy. While economists across the political spectrum agree broadening the GST base or increasing its rate could solve budget pressures, the political calculus remains toxic. "Every percentage point increase raises about \$8 billion annually," notes one tax policy expert, "but politicians remember the electoral backlash of 1998." Meanwhile, alternative revenue solutions like carbon taxes or property investment reforms remain firmly off the table after past political disasters.

This reform paralysis comes at growing economic cost. Australia now relies disproportionately on income taxes while leaving billions untapped in under-taxed consumption and asset wealth. The Morrison government's 2015 GST distribution reforms temporarily eased state tensions, but did nothing to address the core revenue problem. With state governments increasingly dependent on federal handouts, even conservative premiers privately acknowledge the need for GST modernization – though none will say so publicly. As Chalmers prepares the next budget, Australia faces an uncomfortable truth: the tax system requires structural change, but the political system lacks courage to deliver it. Economists suggest pairing GST increases with income tax cuts could soften the blow, while compensating low-income households through targeted welfare. Until leaders stop treating tax reform as electoral poison rather than economic necessity, Australia will keep papering over budget cracks while the structural deficit deepens. The GST debate isn't going away – but neither are the politicians' excuses.

