

# Australian government backpaddles on cosmetic tax changes

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In a politically revealing scramble to satisfy the demands of the financial elite, the Albanese Labor government this week unveiled retreats on even the minimal capital gains tax tweaks it announced in the May 12 budget.

Prime Minister Anthony Albanese and Treasurer Jim Chalmers jointly fronted a media conference on Thursday to outline a series of backflips, primarily to continue what they termed “generous” capital gains tax concessions for medium-sized business owners, speculative “start-up” ventures and various kinds of trusts.

After a month of backroom talks with business leaders, Albanese and Chalmers also indicated that further concessions will be offered after more weeks of similar “consultations.”

Announcing the most sweeping reversal so far, Chalmers said that all 2.7 million active so-called “small” businesses—those with annual turnovers of up to \$10 million—would now qualify for an existing 50 percent capital gains tax (CGT) discount and a complete exemption if the business had been held for 15 years. Chalmers said that around 98 percent of all active businesses would now be eligible for the concession.

Labor’s initial minor CGT adjustment in the budget would merely have replaced the 50 percent discount, first introduced by the Howard Liberal-National government in 1999, by a tax on gains exceeding the official inflation rate, with a 30 percent minimum tax rate. That was still well below the top income tax rate of 45 percent.

This week’s expansion of the concession cap from \$2 million to \$10 million was accompanied by a promised “Innovative Business CGT Concession” to extend the 50 percent discount to larger ventures by individuals, partnerships and trusts whose operations involve new investments in businesses that satisfy yet-to-be-released “innovation criteria.”

Albanese and Chalmers also announced a third retreat, also yet-to-to-be detailed, to exclude what are classified as “discretionary testamentary trusts”—those planned in rich peoples’ wills and activated upon their deaths—from the

budget’s promise to reduce the use of investment trusts to split family incomes to lower tax rates and/or to pass tax advantages to children.

More is yet to come. For example, Chalmers said there would also be concessions for capital gains being donated to bodies classified as charities.

This rush to satisfy the requirements of the wealthy elite further exposes the central fraud of the budget—Labor’s attempts to put a thin gloss of taxation “fairness” on a budget that guts the National Disability Insurance Scheme (NDIS) to throw some 300,000 people, including children, off disability support services, continues to cut public education and health funding and pours billions more dollars into military spending for AUKUS and other war preparations.

When Chalmers handed down the May 12 budget, aware of intensifying working-class discontent over ever-more glaring social inequality and the worsening cost-of-living and housing unaffordability crisis, he claimed to be delivering “the most significant tax reform package in more than a quarter of a century.” He said it would favour workers and young people who are finding it increasingly impossible to buy a home due to soaring prices.

These assertions, based on small tax adjustments, were totally false, but now they are in tatters.

In the budget, Chalmers had claimed that the tax changes would help about 75,000 people “achieve the dream of home ownership” over the next decade. Even that would have amounted to 7,500 home buyers a year—a tiny proportion of the millions of young people increasingly locked out of ever purchasing a home.

At Thursday’s media presentation, Albanese and Chalmers went out their way to emphasise how far their government is going to meeting the demands of the corporate ruling class. They outlined other little-reported tax write-offs and handouts in the budget to “support business risk taking and investment.” These included “two-year loss carry back, loss refundability for start-ups, expanded venture capital incentives, and making the \$20,000 instant asset

write off permanent.”

Chalmers yesterday provided a glimpse of how the tax system overwhelmingly benefits the wealthiest layers of society at the expense of the working class. He said Treasury data showed that “just 0.2 percent of tax filers earned around 60 percent of all net capital gains income in 2023-24.”

Nevertheless, the corporate elite is demanding even greater tax benefits, necessarily accompanied by deeper cuts to essential social spending. All the major business and employer bodies—the Business Council of Australia, Australian Chamber of Commerce and Industry, Australian Industry Group and Council of Small Business Organisations Australia—are still insisting that the government must either scrap or further eviscerate its measures.

According to yesterday’s editorial in the Murdoch media’s *Australian*, this “ferocity of opposition from business and high-profile community leaders demonstrates the unpopularity of the reforms.” The suggestion of widespread popular concern over the tax changes is a fraud. In reality, this is a ruling-class campaign, asserting that any nominal alterations to tax breaks in its favour are beyond the pale.

The media barrage over the tax tinkering has been a calculated attempt to divert attention from the attack on disability services—the biggest cut to a social program in Australia’s history, and the other austerity measures contained in the budget.

It is that offensive that has provoked widespread hostility to the budget in the working class, as evidenced by the thousands of angry submissions to the token three-day parliamentary committee hearings into the NDIS measures.

Adding to the disaffection is the government’s fraudulent claim that the budget offered new tax relief for workers—a miserable \$250 annual tax rebate for wage earners, only to begin in mid-2028, and an automatic \$1,000 tax deduction for work-related expenses from mid-2027. That amounted to about \$24 a week, less than a daily cup of coffee. But analysis has since shown that the work expenses deduction will average just \$205, and that many workers with higher expenses are likely to be worse off.

Labor’s backpadding demonstrates two essential features of the existing economic and political order. The first is that the furious campaign by business leaders and the corporate media against the budget’s minor tax adjustments illustrates the refusal by Australia’s billionaires and their global partners to accept even the slightest inroads into their profits and fortunes.

This media barrage is out of all proportion to the miniscule difference that the tax changes would make. Even the \$8.1 billion that the government claimed would be gained in tax

revenue over the next four years from its original tax tinkering was always dwarfed by the \$63.8 billion in cuts to the NDIS and other services, on top of the \$114 billion cut from government spending in the Albanese government’s first term in office from 2022 to 2025.

Friday’s editorial in the *Australian* made it clear that the corporate offensive will only deepen. It declared: “The most significant criticisms of the budget tax measures remain; that they were not directed towards promoting investment and growing productivity but quite the opposite. And they do not include a corresponding discipline on the part of the government to get its own spending house in order before raiding the accumulated assets of hardworking Australians.”

The second feature is the stark contrast between the Labor government’s rapid accession to such demands and Health Minister Mark Butler’s dismissal of the widespread opposition to its assault on the NDIS—which will remove or block hundreds of thousands of disabled people from receiving necessary supports—despite knowing that people are already dying as a result of being denied services.

That underscores the true character of the Labor government and the political crisis surrounding it. It is a committed instrument of the capitalist ruling class, intent on inflicting historic cuts on the working class. It is doing so in partnership with the trade union apparatuses, but they are having increasing difficulty in enforcing its program of austerity and war by selling out workers’ struggles, as seen by this week’s vote by Victorian public school teachers and education support workers to reject a retrograde Australian Education Union deal with the state Labor government.



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