

## NATIONAL PRESS CLUB ADDRESS

# Restoring the Australian Covenant: A Tax System That Rewards Hard Work

*Allegra Spender MP • National Press Club, Canberra • March 2026*

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Australia is at an inflection point. The **economists** know it. The **parliament** knows it. **The country knows it.** The data is **unambiguous.**

But for years, we have chosen not to act.

The Australian dream — that if you work hard, make good choices, you can build financial security for yourself and your family — **is faltering.**

And the people feeling it hardest are the ones we should care about the most: our young people.

Today I am releasing a White Paper — costed by the Parliamentary Budget Office — with a plan to help change that. A proposal that rebalances our personal tax system: significantly lower taxes on working Australians, paid for by reducing tax concessions on earnings from assets. **It's budget neutral.** Every dollar raised goes back to the Australian people as lower taxes on wages.

Better rewarding hard work, building prosperity, and ensuring more Australians can build financial security and a decent life for themselves.

It may not be perfect. You may have better ideas. **Good** — let's have that debate. But the time for admiring the problem, blaming each other, playing fantasy tax reform is long past.

**The coming budget is the best opportunity for tax reform in a generation.** It is up to all of us to seize it.

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Let me start with a story.

A couple of months ago I was running a pop-up office in Kings Cross. A young woman came over — she'd been watching from across the street, pushing a pram with twins. Let's call her Anna.

Anna was a doctor at a local hospital. She'd started as a nurse and retrained. Her husband had retrained too — from police officer to lawyer. They'd paid off their HECS debts. They'd saved. They'd done everything right.

They still couldn't buy a home.

*“I have a good job,” she told me. “I thought I made all the right choices. But we can’t afford it. I think about it literally every day.”*

***And now I think about Anna every day.***

What could I say? That she is not alone?

That this is the conversation happening in group chats, on street corners, around kitchen tables across the country. People who studied, who worked hard, who saved — and who still cannot build the life their parents had.

They don’t want our pity. They don’t want to have to rely on their parents.

They are educated, they worked hard.

They want a system that actually works for them, and they’re frustrated that the current system is failing to deliver the opportunities that Australians once took for granted.

When I look at the rise of political frustration in this country — the drift toward the extremes, the growing sense that the major parties simply don't get it, the attraction of simplistic solutions — I think this is at the heart of it.

When people feel the system is not on their side, they stop believing in the system altogether. That has consequences far beyond any single policy. We are already seeing the impact.

So today I am here to be honest about what is wrong, and to offer an answer.

Honest that no one thing will fix the problems we face. But that each piece matters – each piece must be taken on, even the hard ones – and to present a proposal to fix some of the problems in our personal tax system.

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### **So, what are we fighting for?**

For generations, this country has made a simple promise: if you work hard — whether you're a teacher, a tradie, a barrister or a barista — you can build a decent life for yourself.

**We are breaking that promise.**

*[Let that land.]*

The Australian covenant isn't written down anywhere. You won't find it in the Constitution. But every Australian knows it — it's the unspoken deal: work hard, and this country will work for you.

We have been quietly editing that deal for twenty years. Today I am asking us to honour it again.

Australia has always tried to strike a unique balance: the dynamism of the US without its grinding inequality; the security of European life without its economic rigidity. Prosperity and fairness.

Those two things are not in competition. When people believe their effort will be rewarded, that drives growth and fairness simultaneously. But right now, our tax system is working against that covenant. The longer we leave it, the harder it becomes to restore.

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**There are three problems we must name.**

**Problem one: hard work isn't paying off — and our tax system is making it worse.**

Young Australians today are more educated and more likely to be working than any previous generation. They also have more debt, are less wealthy, having fewer children, spending less on non-essentials than previous generations of young people, and starting fewer businesses.

And unsurprisingly, many have less hope for their future.

Home ownership for Australians aged 25 to 35 has dropped nearly 20 percentage points over 40 years. In 1980, 15% of first home buyers needed financial help from their parents. Today it is over 40%.

They are to be more disrupted by the coming AI wave than other generations — as more of the entry-level, early career jobs are automated.

A generational wealth gap has emerged. Households over 65 grew their wealth on average from \$600,000 to \$1 million in [12 years to 2016](#). Households under 35 went nowhere.

And it's not just young people who are worried. Parents and grandparents in my electorate approach me to raise this often. They can see what's happening to the next generation.

One of my volunteers said to me recently: she pays no tax on her super, while her working-aged daughter has had to move away from the area to afford a home.

She said she would be happy to pay tax if it meant people like her daughter didn't have to struggle.

Many parents and grandparents want to see the problem addressed — even when it may not be in their own financial interest — because they can see the system isn't working for their kids and grandkids. And they know that fixing it will require all of us to be part of the solution.

And the tax system is part of the problem.

*[SLOW HERE]*

**Take \$100,000 of income.** Earn it as **wages**, like most young people do: you pay around \$23,000 in tax.

Earn it as a **capital gain** on a property held more than a year: around \$7,000.

Distribute it through a **family trust** and split with a spouse: perhaps \$13,000.

Earn it on \$1.7 million in **superannuation** when you're retired: you pay zero.

Same income. Four entirely different tax bills.

I'm not saying there are no reasons for different tax rates and concessions.

But the question I am asking is have we got the balance right? Is it working for either prosperity or fairness. No. Our tax system imposes its heaviest burden on the one path open to almost all of us: working for a living.

### **Problem two: we tax people hardest when they can least afford it.**

Here is a thought experiment. If the average taxpayer pays about \$1 million in income tax over their working life — when would you prefer to pay it?

When you are younger — carrying HECS debt, renting, saving for a deposit, raising children, paying a mortgage? Or later in life, when debts are paid, children grown, wealth built?

**The answer is obvious.** Yet our tax system does exactly the opposite.

Two households next door to each other, both on \$100,000 — one working, one retired. The working-age household pays twice the tax on average.

Even though the older household is twice as likely to own their home and has around four times the wealth.

Our tax system front-loads the burden onto the years of greatest financial stress and least financial security.

We are asking the youngest runners to carry the heaviest pack — and then wondering why they can't keep up.

This is not an accident of history. It is a policy choice. And we can make a different one.

**Problem three: demographics are moving against us, and we are not responding.**

In the 1980s, there were roughly six working-age Australians for every person over 65. Today it is fewer than four. In a generation, it will be fewer than three.

People over 75 will go from 6% in 2000, 9% at the end of this decade, and 12% by 2040.

We spend more on older Australians than ever before — on health, on aged care — and that reflects the values of this country. I support it. But although its true their less reliant on the pension, average transfers to a 75-year-old is now 50% higher net of tax relative to what it was in the 1990s. My question is how to pay for it.

At the same time, the percentage of older people paying any income tax has dropped from 27% of the population to just 17%.

We cannot fund a growing burden of aged care and health services by silently extracting more from a shrinking pool of younger workers. That is not sustainable. And it is not fair.

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**Now to my proposal. This is a rebalancing, not a tax grab.**

Let me be clear about what this is and what it is not.

It is **not** about increasing the tax take. I do not believe we should be taking more money from Australians at a time when government spending has already risen substantially, and people are not certain they are better off for it.

We need to grow the pie, not simply redistribute it. This package does not grow government.

Every dollar raised from reducing investment concessions is returned to working Australians through income tax cuts. Budget neutral. Every single dollar.

The centrepiece is cutting taxes on wages and salaries — reducing the lowest rate to 13 cents on the dollar and a 2.5 cent reduction in every other marginal rate.

For someone earning \$100,000 — close to the median full-time wage — that is more than \$1,600 back each year. For someone on \$200,000, around \$4,000.

My proposal is a deliberate rebalancing of the tax system to reduce the burden on wage income, to reduce the tax burden when people are younger, trying to

get started, trying to build their financial security, rebalancing the system to when people can better afford to pay their tax.

To fund those cuts, my proposal suggests four changes:

**First: reduce the capital gains discount from 50% to 30%.**

Investors can still earn a positive real return after tax and inflation — our own history confirms it.

**Second: ring-fence negative gearing so investment losses offset investment income, not wages.**

This is standard practice in most comparable economies. It ends the perverse incentive that lets property investors reduce their wage tax while outbidding first home buyers in the same market.

**Third: set a minimum tax of 27.5 cents on investment income** — use our tax-free threshold to encourage people into work, and reduce the incentive to use trusts to minimise tax.

**Fourth: bring principle and stability to superannuation by aligning earnings thresholds over time more closely with income tax**

**thresholds.** A principled system is a stable system. A stable system is one Australians can actually plan for.

**Transitions matter.** I have designed the proposal carefully.

No one is penalised for decisions made in good faith under current rules, but historical advantages aren't entrenched.

**Capital gains changes** apply only to future gains, but that means future gains on assets held today as well bought in the future.

**Negative gearing changes** phased in over five to ten years.

**Superannuation changes** over 10 years, with a one-off opportunity for those with high balances to reposition.

I want to speak directly to those who would pay more under this proposal.

I know you have worked hard. You've made sacrifices. You followed the rules.

I have tried to be genuinely fair in the design.

But we also have to be clear-eyed.

We are on train tracks, and we can see where they lead. Not a cliff — no sudden disaster. Just a slow arrival at a country where your parents' balance sheet starts to matter more than your own ambition. Where people don't have the children or the grandchildren they want because all the financial pressures **for the young** come at once. Where we don't know how to pay for the services that **older Australians** rely on.

We can see where we're headed. We have time to switch the destination.

But only if we act now.

That's not the country we want. This requires trade-offs. It requires change.

I am not going to pretend otherwise.

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**Let me answer some of the hard questions upfront.**

Some will say this will **reduce investment**. It will not. The evidence from Australia's own history — including the introduction of capital gains tax in 1985 — shows that moderate tax adjustments do not reduce overall investment, just **where** people invest.

What we can do is redirect investment toward **productive activity** and away from **speculative housing**. The tax concessions for small businesses and investments in high-growth businesses won't change.

**Some will say the timing is wrong.** But there is never a perfect moment.

Inflation makes the case for reform stronger, not weaker. And the potential disruption of AI to entry-level employment means it is more important than ever that we reward work, and reduce our reliance on the tax on wages.

Some will say the **budget must have other priorities**. Yes — deregulation, spending restraint, corporate tax reform, industrial relations reform, resource taxes, making every single taxpayer dollar deliver the biggest impact for the Australian people.

But this matters too. And it cannot continue to wait.

If you have better ideas — a fairer way to fund meaningful income tax cuts, a fairer way to rebalance the system — I genuinely want to hear them. This is a White Paper, a proposal, not a final answer. But it is a serious one. And it demands a serious response.

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If 25 years ago, we had shown Australians a chart of where young people's wealth would be, where home ownership would be, what the birthrate would be — and said: this is the system you are voting for — would they have chosen this? Is this the society that we want?

Of course not.

I don't blame individuals for following the incentives that existed. But the community should hold politicians accountable now — politicians who know what is happening and lack the courage to act.

To people across this country who feel politically homeless — who feel the Coalition doesn't have a serious policy agenda, that Labor is too cautious, that the Greens aren't realistic — I hear you. And I want to say clearly: Anger without a plan will not solve this. This is what having a plan looks like.

**To the government:** the Treasurer has put tax reform on the agenda. Good. It is not easy in a rule in rule out world. Now is the time to follow through with

ambition. And to stick to budget neutrality — Australians do not want higher taxes. Just raising taxes is not tax reform — **it is a tax grab.**

Australians do not want you to change the tax system so that the government has more money in **its** pocket — they want to see the tax system rebalanced so there is more money in **our kids' pockets.**

**To the Coalition:** this proposal delivers over \$28 billion in income tax cuts in the first year — that's around \$10 billion dollars more than the Morrison Stage 3 Tax Cuts — without adding more to the deficit. If you believe in lower income taxes and responsible economic management, here is your chance to prove it.

**To the Greens:** if you care about fairness for younger Australians, this is what that looks like in practice.

There is a path through the parliament. But it requires political will.

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**And this is the moment for it.**

There are some who say tax reform is too hard. That the losers will be louder than the winners.

That is precisely the argument that has paralysed reform in this country for 25 years.

I reject it — not naively, but on the evidence. When you explain to Australians that a nurse and an investor on the same income pay entirely different amounts of tax, they are not indifferent. When you show them that the tax system artificially advantages leveraged property investment over first home buyers, they do not shrug. Australians understand what fairness means. We have that sense of fairness in our bones.

So I am seeking to do this with the community, not in spite of it. Alongside this White Paper, I am launching a community campaign — asking Australians to engage with this proposal, challenge it, improve it. And if they want change, to contact their MPs and say so.

I have already heard from people who know they would pay more tax under this proposal — and who have said: we need to do it anyway, because it's right for the country.

That is the Australia I believe in.

Every generation inherits a tax system from the one before. The question is not whether we will leave one to our children — it's whether we will have the courage to improve it before we do.

Anna asked me whether housing was going to be fixed. I couldn't promise her a timeline. But I could tell her there are people in this parliament working to make the system fairer — to give more Australians the chance to build financial security on the strength of their own effort.

This paper is part of that work.

The Australian covenant — the promise that hard work leads to a decent life — is worth defending.

The time to defend it is now.

**Thank you.**

*--- END OF SPEECH ---*